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SINOTRUK (HONG KONG) LIMITED
中國重汽(香港)有限公司
(Incorporated in Hong Kong with limited liability)
(Stock Code: 3808)

**ANNOUNCEMENT OF INTERIM RESULTS FOR
THE SIX MONTHS ENDED 30 JUNE 2019**

RESULTS

The Board is pleased to announce the unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2019 together with the comparative figures for the previous period as follows:

Interim Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2019

(All amounts in RMB thousands unless otherwise stated)

	Note	Six months ended 30 June	
		2019	2018
		Unaudited	Restated
Revenue	4	34,491,668	34,266,374
Cost of sales		(27,758,123)	(28,073,224)
Gross profit		6,733,545	6,193,150
Distribution costs		(1,589,912)	(1,738,779)
Administrative expenses		(1,453,444)	(1,347,713)
Net impairment losses on financial assets		(353,856)	(183,258)
Other gains – net		169,860	288,499
Operating profit	5	3,506,193	3,211,899
Finance income		32,354	50,383
Finance costs		(91,800)	(82,402)
Finance costs – net		(59,446)	(32,019)
Share of profits less losses of investments accounted for using the equity method		25,363	60,905
Profit before income tax		3,472,110	3,240,785
Income tax expense	6	(757,668)	(627,056)
Profit for the period		2,714,442	2,613,729

Interim Condensed Consolidated Statement of Profit or Loss (continued)

For the six months ended 30 June 2019

(All amounts in RMB thousands unless otherwise stated)

	Note	Six months ended 30 June 2019 Unaudited	2018 Restated
Profit attributable to:			
– Owners of the Company		2,493,122	2,418,898
– Non-controlling interests		221,320	194,831
		<u>2,714,442</u>	<u>2,613,729</u>
Earnings per share for profit attributable to owners of the Company for the period (expressed in RMB per share)			
– basic and diluted	7	<u>0.90</u>	<u>0.88</u>

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2019

(All amounts in RMB thousands unless otherwise stated)

	Note	Six months ended 30 June 2019 Unaudited	2018 Restated
Profit for the period		2,714,442	2,613,729
Other comprehensive income:			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Remeasurements of post-employment benefit obligations		(754)	109
<i>Items that may be reclassified to profit or loss</i>			
Share of other comprehensive income of investments accounted for using the equity method		57	1,472
Currency translation differences		(1,583)	(3,224)
Other comprehensive loss for the period, net of tax		<u>(2,280)</u>	<u>(1,643)</u>
Total comprehensive income for the period		<u>2,712,162</u>	<u>2,612,086</u>
Attributable to:			
– Owners of the Company		2,490,855	2,417,179
– Non-controlling interests		221,307	194,907
Total comprehensive income for the period		<u>2,712,162</u>	<u>2,612,086</u>

Interim Condensed Consolidated Statement of Financial Position

As at 30 June 2019

(All amounts in RMB thousands unless otherwise stated)

	Note	30 June 2019 Unaudited	31 December 2018 Restated
ASSETS			
Non-current assets			
Land use rights		—	1,611,631
Right-of-use assets		1,651,583	—
Property, plant and equipment		10,164,980	10,451,415
Investment properties		793,942	712,797
Intangible assets		306,641	325,163
Goodwill		3,868	3,868
Deferred income tax assets		1,510,476	1,490,079
Investments accounted for using the equity method		532,803	534,148
Financial assets at fair value through other comprehensive income	8	37,925	37,925
Financial assets at fair value through profit or loss		176,703	173,688
Receivables and other assets	9	3,200,056	2,300,620
		18,378,977	17,641,334
Current assets			
Inventories		9,478,750	11,600,047
Receivables and other assets	9	17,959,488	15,023,133
Financial assets at amortised cost	10	72,798	33,990
Financial assets at fair value through other comprehensive income	8	2,238,958	2,530,235
Financial assets at fair value through profit or loss		4,023,440	2,078,180
Amounts due from related parties	11	513,906	370,972
Cash and bank balances		13,617,359	15,190,878
		47,904,699	46,827,435
Total assets		66,283,676	64,468,769

Interim Condensed Consolidated Statement of Financial Position (continued)

As at 30 June 2019

(All amounts in RMB thousands unless otherwise stated)

	Note	30 June 2019 Unaudited	31 December 2018 Restated
EQUITY			
Equity attributable to owners of the Company			
Share capital		16,717,024	16,717,024
Other reserves		98,628	(60,683)
Retained earnings		9,609,057	8,832,204
		<u>26,424,709</u>	<u>25,488,545</u>
Non-controlling interests		<u>2,961,803</u>	<u>2,852,307</u>
Total equity		<u><u>29,386,512</u></u>	<u><u>28,340,852</u></u>
LIABILITIES			
Non-current liabilities			
Lease liabilities		40,559	—
Deferred income tax liabilities		31,695	41,056
Termination and post-employment benefit obligations		9,500	9,307
Deferred income		306,176	316,438
		<u>387,930</u>	<u>366,801</u>
Current liabilities			
Lease liabilities		30,623	—
Trade payables and other liabilities	12	32,731,236	29,194,413
Current income tax liabilities		410,706	284,642
Borrowings		1,600,000	3,000,000
Amounts due to related parties	13	678,981	2,305,088
Provisions for other liabilities		1,057,688	976,973
		<u>36,509,234</u>	<u>35,761,116</u>
Total liabilities		<u><u>36,897,164</u></u>	<u><u>36,127,917</u></u>
Total equity and liabilities		<u><u>66,283,676</u></u>	<u><u>64,468,769</u></u>

Notes

(All amounts in RMB thousands unless otherwise stated)

1 General information

Sinotruk (Hong Kong) Limited (the “Company”) was incorporated in Hong Kong on 31 January 2007 as a limited liability company as a result of a group reorganisation (the “Reorganisation”) 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, buses and related key parts and components including engines, cabins, axles, steel frames and gearbox, and the provision of finance services.

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

The financial information relating to the year ended 31 December 2018 that is included in the condensed consolidated interim financial information for the six months ended 30 June 2019 as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those financial statements and combined with the financial statements of Sinotruk Ji’nan HOWO Bus Co., Ltd. (“HOWO Bus”) for the year ended 31 December 2018 under merger accounting (Note 3.3). 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 2018 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).

Notes (continued)

(All amounts in RMB thousands unless otherwise stated)

2 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2019 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 2018, 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 2018, 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 2019.

3.1 New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies accordingly. None of which has significant financial impact to the Group except for HKFRS 16:

		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 9 (Amendments)	Prepayment features with negative compensation	1 January 2019
HKAS 28 (Amendments)	Long-term interests in associates and joint venture	1 January 2019
HKAS 19 (Amendments)	Plan amendment, curtailment or settlement	1 January 2019
Annual Improvements to HKFRS Standards 2015-2017 Cycle	Annual improvements of HKFRS 3, HKFRS 11, HKAS12 and HKAS 23	1 January 2019

Notes (continued)

(All amounts in RMB thousands unless otherwise stated)

3 Accounting policies (continued)

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

The change in accounting policies by adoption of HKFRS 16 affected the following items in the consolidated statement of financial position on 1 January 2019:

- Right-of-use assets – increase by RMB1,621,612,000
- Prepayment – decrease by RMB63,000
- Leasehold land and land use rights - decrease by RMB1,611,631,000
- Lease liabilities (current portion) – increase by RMB5,038,000
- Lease liabilities (non-current portion) – increase by RMB4,880,000

There was no impact on retained earnings on 1 January 2019.

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 2019 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
Amendments to HKAS 1 and HKAS 8	Definition of Material	1 January 2020
Amendments to HKFRS 3	Definition of a Business	1 January 2020
Revised Conceptual Framework	Revised Conceptual Framework for Financial Reporting	1 January 2020
HKFRS 17	Insurance contracts	1 January 2021

The Group is assessing the full impact of the new standards, new interpretations and amendments to standards and interpretations.

Notes (continued)

(All amounts in RMB thousands unless otherwise stated)

3 Accounting policies (continued)

3.3 Business combination between entities under common control

In April 2019, Sinotruk Ji'nan Power Co., Ltd (“Ji'nan Power”), a wholly-owned subsidiary of the Company, acquired from CNHTC the entire equity interest of HOWO Bus. The consideration was satisfied by cash, amounting to approximately RMB306,612,000.

Since Ji'nan Power and HOWO Bus are ultimately controlled by CNHTC both before and after the above mentioned acquisition, the acquisition is regarded as “common control combination”. Accordingly, the Group has applied merger accounting to account for the acquisition of HOWO Bus in accordance with Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the HKICPA.

4 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 performance of heavy duty trucks, light duty trucks and buses, 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 and buses – Manufacture and sale of light duty trucks, buses, and related components;
- (iii) Engines – Manufacture and sale of engines and related parts; and
- (iv) Finance – Provision for deposits taking, borrowings, bills and notes discounting and entrustment loans to the members of the Group and members of CNHTC and its subsidiaries excluding the Group (“CNHTC Group”) as well as provision for auto and supply chain financing services to the public.

Notes (continued)

(All amounts in RMB thousands unless otherwise stated)

4 Segment information (continued)

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 right-of-use assets, investment properties, property, plant and equipment, intangible assets, inventories, investments accounted for using the equity method, financial assets at fair value through other comprehensive income, profit and loss and amortized cost, receivables and other assets, and operating cash (prior year: land use rights, investment properties, property, plant and equipment, intangible assets, inventories, investments accounted for using the equity method, financial assets at fair value through other comprehensive income, profit and loss and amortized cost, 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 other assets of the Company. Unallocated liabilities mainly represent borrowings, deferred tax liabilities, current tax liabilities and the other liabilities of the Company.

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

Notes (continued)

(All amounts in RMB thousands unless otherwise stated)

4 Segment information (continued)

The segment results for the six months ended 30 June 2019 are as follows:

	Unaudited					Total
	Heavy duty trucks	Light duty trucks and buses	Engines	Finance	Elimination	
Revenue from external customers						
Sales of goods	27,074,758	5,822,891	527,361	—	—	33,425,010
Provision of financing services	—	—	—	553,011	—	553,011
Rendering of services	499,252	2,783	11,612	—	—	513,647
Total revenue from external customers	27,574,010	5,825,674	538,973	553,011	—	34,491,668
Inter-segment revenue	355,236	286,677	7,036,484	228,251	(7,906,648)	—
Total segment revenue	27,929,246	6,112,351	7,575,457	781,262	(7,906,648)	34,491,668
Operating profit/(loss) before unallocated expenses	1,895,174	(117,499)	1,254,813	457,784	19,570	3,509,842
Unallocated expenses						(3,649)
Operating profit						3,506,193
Finance costs - net						(59,446)
Share of profits less losses of investments accounted for using the equity method						25,363
Profit before income tax						3,472,110
Income tax expense						(757,668)
Profit for the period						2,714,442

Notes (continued)

(All amounts in RMB thousands unless otherwise stated)

4 Segment information (continued)

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

	Restated					Total
	Heavy duty trucks	Light duty trucks and buses	Engines	Finance	Elimination	
Revenue from external customers						
Sales of goods	26,205,614	6,290,574	773,450	—	—	33,269,638
Provision of financing services	—	—	—	456,407	—	456,407
Rendering of services	<u>522,603</u>	<u>2,476</u>	<u>15,250</u>	<u>—</u>	<u>—</u>	<u>540,329</u>
Total revenue from external customers	26,728,217	6,293,050	788,700	456,407	—	34,266,374
Inter-segment revenue	<u>165,082</u>	<u>297,470</u>	<u>7,363,336</u>	<u>237,795</u>	<u>(8,063,683)</u>	<u>—</u>
Total segment revenue	<u>26,893,299</u>	<u>6,590,520</u>	<u>8,152,036</u>	<u>694,202</u>	<u>(8,063,683)</u>	<u>34,266,374</u>
Operating profit before unallocated expenses	1,095,334	319,583	1,479,039	434,843	(100,712)	3,228,087
Unallocated expenses						<u>(16,188)</u>
Operating profit						3,211,899
Finance costs - net						(32,019)
Share of profits less losses of investments accounted for using the equity method						<u>60,905</u>
Profit before income tax						3,240,785
Income tax expense						<u>(627,056)</u>
Profit for the period						<u>2,613,729</u>

Notes (continued)

(All amounts in RMB thousands unless otherwise stated)

4 Segment information (continued)

The segment assets and liabilities as at 30 June 2019 are as follows:

	Unaudited					Unallocated	Total
	Heavy duty trucks	Light duty trucks and buses	Engines	Finance			
Segment assets	47,824,730	6,953,826	19,806,286	42,010,346	2,365,628	118,960,816	
Elimination						<u>(52,677,140)</u>	
Total assets						<u>66,283,676</u>	
Segment liabilities	30,660,976	6,576,365	7,901,536	34,948,021	2,942,712	83,029,610	
Elimination						<u>(46,132,446)</u>	
Total liabilities						<u>36,897,164</u>	

Reconciled to entity assets and liabilities as at 30 June 2019 as follows:

	Unaudited	
	Assets	Liabilities
Segment assets/liabilities after elimination	63,918,048	33,954,452
Unallocated:		
Deferred tax assets/liabilities	1,510,476	31,695
Current tax assets/liabilities	117,376	410,706
Current borrowings	—	936,000
Other assets/liabilities of the Company	<u>737,776</u>	<u>1,564,311</u>
Total	<u>66,283,676</u>	<u>36,897,164</u>

Notes (continued)

(All amounts in RMB thousands unless otherwise stated)

4 Segment information (continued)

The segment assets and liabilities as at 31 December 2018 are as follows:

	Restated					Total
	Heavy duty trucks	Light duty trucks and buses	Engines	Finance	Unallocated	
Segment assets	42,217,468	8,035,022	17,670,474	33,838,256	1,522,687	103,283,907
Elimination						<u>(38,815,138)</u>
Total assets						<u>64,468,769</u>
Segment liabilities	24,862,912	4,823,316	6,729,186	27,074,651	4,718,916	68,208,981
Elimination						<u>(32,081,064)</u>
Total liabilities						<u>36,127,917</u>

Reconciled to entity assets and liabilities as at 31 December 2018 as follows:

	Restated	
	Assets	Liabilities
Segment assets/liabilities after elimination	62,946,082	31,409,001
Unallocated:		
Deferred tax assets/liabilities	1,490,079	41,056
Current tax assets/liabilities	3,006	284,642
Current borrowings	—	4,386,000
Other assets/liabilities of the Company	<u>29,602</u>	<u>7,218</u>
Total	<u>64,468,769</u>	<u>36,127,917</u>

Notes (continued)

(All amounts in RMB thousands unless otherwise stated)

4 Segment information (continued)

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

	Six months ended 30 June	
	2019 Unaudited	2018 Restated
Mainland China	29,842,617	30,544,146
Overseas	4,649,051	3,722,228
Total	34,491,668	34,266,374

5 Operating profit

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

	Six months ended 30 June	
	2019 Unaudited	2018 Restated
Employee benefit expenses	2,111,178	2,000,356
Warranty expenses	471,252	627,765
Inventory write-downs	186,402	66,473
Depreciation of right-of-use assets (2018: Amortisation of land use rights)	46,588	19,089
Depreciation of property, plant and equipment	688,253	562,098
Amortisation of intangible assets	32,148	30,944
Gains on disposal of assets classified as held for sale	—	(62,375)
Losses/(gains) on disposal of property, plant and equipment	1,463	(187)
Foreign exchange (gains)/losses - net	(18,013)	29,607
Government grants	(32,030)	(76,858)
Gains on disposal of scraps	(28,201)	(20,585)

Notes (continued)

(All amounts in RMB thousands unless otherwise stated)

6 Income tax expense

	Six months ended 30 June	
	2019	2018
	Unaudited	Restated
Current income tax		
– Hong Kong profits tax	1,392	1,813
– PRC corporate income tax	<u>786,034</u>	<u>684,410</u>
	787,426	686,223
Deferred income tax	<u>(29,758)</u>	<u>(59,167)</u>
	<u>757,668</u>	<u>627,056</u>

The estimated weighted average annual income tax rate expected for the full financial year is 22% (2018: 19%). Taxation on profits has been calculated on the estimated assessable profit during the six months ended 30 June 2019 at the rates of taxation prevailing in the countries/districts in which the Group operates.

The Company and Sinotruk (Hong Kong) Capital Holding Limited are subject to Hong Kong profits tax at the rate of 16.5% (2018: 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% (2018: 25%) according to the Corporate Income Tax Law of the People's Republic of China (the "CIT Law"). Sinotruk (Hong Kong) International Investment Limited will entitle to Two-tiered Profits Tax Rates Regime in Hong Kong under which its first HKD2 million assessable profits will be calculated at tax rate at 8.25% and the rest at 16.5% from the financial year 2019 (2018: full amounts at 16.5%).

Sinotruk Hubei Huawei Special Vehicles Co., Ltd. has been recognised as the High New Tech Enterprises in 2016 and will apply the renewal of its High New Tech Certificate before it expires in 2019. Sinotruk Ji'nan Power Co., Ltd. and Sinotruk Hangzhou Engines Co., Ltd. have been recognised as the High New Tech Enterprises in 2017. Sinotruk Ji'nan Fuqiang Power Co., Ltd. has been recognised as the High New Tech Enterprises in 2018. These companies are subject to a reduced corporate income tax rate of 15% (2018: 15%) according to the tax incentives of the CIT Law for High New Tech Enterprises.

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% (2018: 15%) according to the Western Development tax incentives of the CIT Law.

Notes (continued)

(All amounts in RMB thousands unless otherwise stated)

6 Income tax expense (continued)

SINOTRUK RUS Limited Liability Company is subject to a corporate income tax rate of 20% (2018: 20%) according to Tax Code of the Russian Federation.

Sinotruk South Africa (Pty) Ltd. is subject to a corporate income tax rate of 28% (2018: 28%) according to South Africa Tax Law.

Sinotruk Kazakhstan Limited Liability Partnership is subject to a corporate income tax rate of 20% (2018: 20%) according to Kazakhstan Tax Law.

The remaining subsidiaries in the PRC are subject to the corporate income tax rate of 25% (2018: 25%) according to the CIT Law.

7 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.

	Six months ended 30 June	
	2019	2018
	Unaudited	Restated
Profit attributable to owners of the Company	<u>2,493,122</u>	<u>2,418,898</u>
Weighted average number of ordinary shares in issue (thousands)	<u>2,760,993</u>	<u>2,760,993</u>
Basic earnings per share (RMB per share)	<u>0.90</u>	<u>0.88</u>

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 2019 and 30 June 2018.

Notes (continued)

(All amounts in RMB thousands unless otherwise stated)

8 Financial assets at fair value through other comprehensive income

Acceptance notes included in financial assets at fair value through other comprehensive income as at 30 June 2019 is RMB2,238,958,000 (31 December 2018: RMB2,530,235,000). The Group receives acceptance notes from its customers to settle their debts and intends to use these acceptance notes either to pay off its trade and other payables or to hold until maturity.

The ageing analysis of these acceptance notes based on transaction dates at the respective dates of statement of financial position is as follows:

	30 June 2019 Unaudited	31 December 2018 Restated
Less than 3 months	1,284,409	1,467,545
3 months to 6 months	910,699	855,267
6 months to 12 months	43,850	207,423
	<u>2,238,958</u>	<u>2,530,235</u>

Notes (continued)

(All amounts in RMB thousands unless otherwise stated)

9 Receivables and other assets

	30 June 2019 Unaudited	31 December 2018 Restated
Non-current		
Trade receivables (a)	80,044	105,936
Financing receivables	3,128,632	2,210,192
Less: Provision for impairment of financing receivables	(68,340)	(44,876)
Financing receivables – net (b)	3,060,292	2,165,316
Prepayments for long-term assets	59,720	29,368
Receivables and other assets – net	<u>3,200,056</u>	<u>2,300,620</u>
Current		
Trade receivables	10,840,421	8,600,237
Less: Provision for impairment of trade receivables	(1,542,831)	(1,245,517)
Trade receivables – net (a)	9,297,590	7,354,720
Financing receivables	7,449,661	6,510,697
Less: Provision for impairment of financing receivables	(159,719)	(132,741)
Financing receivables – net (b)	7,289,942	6,377,956
Other receivables and other assets	508,407	346,629
Less: Provision for impairment of other receivables and other assets	(61,956)	(55,078)
Other receivables and other assets - net	446,451	291,551
Interest receivables	44,237	55,882
Receivables and other assets before prepaid items	17,078,220	14,080,109
Prepayments	183,117	226,522
Prepaid taxes other than income tax	580,775	713,496
Prepaid income taxes	117,376	3,006
Receivables and other assets – net	<u>17,959,488</u>	<u>15,023,133</u>

Notes (continued)

(All amounts in RMB thousands unless otherwise stated)

9 Receivables and other assets (continued)

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

	30 June	31 December
	2019	2018
	Unaudited	Restated
Less than 3 months	5,415,998	3,892,099
3 months to 6 months	862,078	864,601
6 months to 12 months	1,341,183	858,755
1 year to 2 years	894,888	699,267
2 years to 3 years	429,968	1,050,044
Over 3 years	433,519	95,890
	<u>9,377,634</u>	<u>7,460,656</u>

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 purchase price either in cash, on credit or by acceptance notes. A credit period from 3 to 12 months is granted to selected customers based on credit assessment.

As at 30 June 2019, trade receivables of the Group of approximately RMB1,190,010,000 (31 December 2018: approximately RMB668,673,000) were secured by certain letters of credit issued by overseas third parties.

Notes (continued)

(All amounts in RMB thousands unless otherwise stated)

9 Receivables and other assets (continued)

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

	30 June	31 December
	2019	2018
	Unaudited	Restated
Less than 3 months	2,456,681	1,914,717
3 months to 6 months	1,446,122	1,330,683
6 months to 12 months	2,624,827	3,407,030
1 year to 2 years	3,226,871	1,837,589
2 years to 3 years	563,971	53,253
Over 3 years	31,762	—
	<u>10,350,234</u>	<u>8,543,272</u>

Financing receivables include auto financing loans at an interest rate of 5.00% to 18.00% per annum and supply chain loans at an interest rate of 3.48% 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.

Notes (continued)

(All amounts in RMB thousands unless otherwise stated)

10 Financial assets at amortised cost

	30 June	31 December
	2019	2018
	Unaudited	Restated
Bills discounted (a)	<u>72,798</u>	<u>33,990</u>

These bills discounted are held for the purpose of collection of contractual cash flows.

- (a) The ageing 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	31 December
	2019	2018
	Unaudited	Restated
Less than 3 months	42,610	4,480
3 months to 6 months	30,188	24,351
6 months to 12 months	<u>—</u>	<u>5,159</u>
	<u>72,798</u>	<u>33,990</u>

Notes (continued)

(All amounts in RMB thousands unless otherwise stated)

11 Amounts due from related parties

Trade receivables included in the amounts due from related parties as at 30 June 2019 is RMB291,914,000 (31 December 2018: RMB370,887,000).

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

	30 June 2019 Unaudited	31 December 2018 Restated
Less than 3 months	38,785	335,739
3 months to 6 months	108,634	34,728
6 months to 12 months	144,075	—
1 year to 2 years	—	—
2 year to 3 years	100	100
Above 3 years	320	320
	<u>291,914</u>	<u>370,887</u>

Financing receivables included in the amounts due from related parties as at 30 June 2019 is RMB200,000,000 (31 December 2018: Nil).

The ageing analysis of loans to related parties as at the respective date of statement of financial position is as follows:

	30 June 2019 Unaudited	31 December 2018 Restated
3 months to 6 months	<u>200,000</u>	<u>—</u>

The interest rate of loans to related parties is 4.13% per annum.

Notes (continued)

(All amounts in RMB thousands unless otherwise stated)

12 Trade payables and other liabilities

	30 June 2019 Unaudited	31 December 2018 Restated
Trade and bills payables (a)	24,655,936	22,234,261
Contract liabilities	1,842,046	2,342,297
Accrued expenses	1,337,591	1,128,632
Staff welfare and salaries payable	751,383	605,133
Taxes liabilities other than income tax	347,809	293,190
Other payables (b)	3,796,471	2,590,900
	<u>32,731,236</u>	<u>29,194,413</u>

- (a) 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 2019 Unaudited	31 December 2018 Restated
Less than 3 months	20,465,592	20,486,701
3 months to 6 months	4,039,985	1,583,580
6 months to 12 months	65,871	68,962
1 year to 2 years	67,945	79,247
2 years to 3 years	7,914	6,322
Over 3 years	8,629	9,449
	<u>24,655,936</u>	<u>22,234,261</u>

- (b) As at 30 June 2019, 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.

Notes (continued)

(All amounts in RMB thousands unless otherwise stated)

13 Accounts due to related parties

Trade payables included in the amounts due to related parties as at 30 June 2019 is RMB108,051,000 (31 December 2018: approximately RMB70,271,000).

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

	30 June 2019 Unaudited	31 December 2018 Restated
Less than 3 months	107,588	69,705
3 months to 6 months	79	566
6 months to 12 months	384	—
	<hr/> 108,051 <hr/>	<hr/> 70,271 <hr/>

MANAGEMENT DISCUSSION AND ANALYSIS — REVIEW OF OPERATIONS

MARKET OVERVIEW

TRUCKS MARKET

During the first half of 2019, the Chinese economy maintained an overall stable, steady and progressive development. Domestic consumption continued to demonstrate its role as the main engine of economic growth. Fixed asset investment has grown steadily while the contribution from exports has risen remarkably. Industrial structures continued the optimization efforts, while emerging industries kept exerting their strength. In the first half of 2019, GDP grew by 6.3% HoH.

During the Period, the domestic logistics industry maintained an upward trend, the total amount of road freight was high, and the performance within the tractors and cargo trucks market was stable. Due to the slowdown in infrastructure investment, demand for construction vehicles has declined, and the market demand has returned to being dominated by road vehicles while construction vehicles stayed on the sideline. Moreover, affected by the combined effect of policies and regulations such as the “Three-Year Action Plan for Winning the Battle for a Blue Sky”, large-scale crackdown on overweight and overload, and the change to China VI Emission Standard, the HDT market experienced a high-beginning followed by low-ending in the first half of 2019, while the overall sales volume of the industry as a whole fell slightly.

The Chinese government made strenuous efforts to push ahead with the early elimination and upgrade of commercial diesel trucks which were at or below China III Standard and such measures were conducive to the demand for LDTs. However, with greater effort exerted on cracking down “understated truck self-weight”, the requirements for obtaining licenses for vehicles were getting stricter, hence the end-users were speculating, resulting in a slight drop in the sales of LDT in the first-half year. According to the statistics of the China Association of Automobile Manufacturers, sales volume of heavy duty trucks in the first half year of 2019 was approximately 656,000 units, down 2.31% HoH, and the sales volume of LDTs was approximately 958,000 units, down 1.79% HoH.

LOANS MARKET

In the first half year of 2019, the Chinese government continued to implement prudent monetary policy. During the Period, the base interest rates for RMB denominated loan with a term of not more one year and with a term of over one year but not more than five years maintained at 4.35% and 4.75%, respectively, which are the same as recorded in the same period last year.

REVIEW OF OPERATIONS

HEAVY DUTY TRUCKS SEGMENT

During the Period, the sales volume of the Group's HDTs was 92,668 units, representing a decrease of 0.9% HoH. Revenue from the HDT segment was RMB27,929 million, representing an increase of 3.9% HoH. The segment operating profit margin was 6.8%, representing an increase of 2.7 percentage points HoH, mainly due to measures taken to reduce procurement costs, optimization of sales systems, and increase operating profit by effective control on various expenses.

Domestic Business

During the Period, the Group sold 72,706 HDTs in the PRC, representing a decrease of 2.4% HoH.

The Group adheres to the core values of "Aiming for Customer Satisfaction" and has established a customer-oriented marketing system. The Group has strengthened online interaction and communication, adopted a promotion strategy which combines online and offline activities, its online presence is among the strongest in the industry. We have reinforced the buildup and operation of dealer network, optimized existing dealer system by rewarding the best and eliminating the weakest. To further enhance marketing capabilities and risk prevention capability, the Group has implemented professional management standards in its marketing system, and started the management process reengineering project to restructure its internal management process and provide management support for all business operation.

During the Period, the Group benefited from the finalization of the timetable of implementing the China VI Emission Standard for natural gas vehicles and the “Three-Year Action Plan for Winning the Battle for a Blue Sky”. The Group leveraged its technological leading edges on natural gas vehicle, and seized the market opportunities, where the sales volume of natural gas tractors has increased significantly. Both the Group’s tractor sales and market share increased HoH. SITRAK series HDT focused on the long-distance highway truck market and high value-added hazardous chemicals transportation market, its high quality has facilitated distribution in bulk and was included in the vehicle procurement list of China National Petroleum Corporation for the first time. It has established itself as the top brand of high-end special purpose vehicle in China

As at 30 June 2019, the Group had a total of 835 HDT dealerships (including 136 4S centers and 88 SINOTRUK-branded dealerships), 1,384 service centers providing high quality after-sales service, and 125 refitting companies to provide truck refitting services to HDTs in the PRC.

International Business

In the first half of 2019, global trade and production activities slowed down due to several factors such as increased global trade frictions and Brexit.

During the Period, the Group’s export volume of HDTs (including affiliated exports) was 19,962 units, representing an increase of 5.0% HoH, sales volume for the six-month period hit the highest level in history. Export revenue (including affiliated exports) was RMB6,085 million, representing an increase of 24.7% HoH.

During the Period, the Group firmly embraced the “One Belt, One Road” national policy to develop international cooperation on production. The Group endeavored to satisfy the needs of the international market and actively participated in global competition and cooperation, enhanced the influence of its corporate brands within the competition. During the Period, the Group accelerated the localized production development, and the production lines of the Nigerian joint venture plant of the Group’s joint venture – Sinotruk (Hong Kong) Hongye Co., Ltd. had been upgraded to further meet the demand for trucks in Nigeria and surrounding

markets, providing strong support for sales growth in the African market. With the adoption of Euro 4 emission standard in the Philippines and Vietnam markets, the Group has brought Euro 4 emission standard products into these markets through its well-established marketing network, and maintained positive export business to the region. Driven by the “One Belt, One Road” initiative, Central Asian countries have vigorously developed their infrastructure, where the Group has seized this opportunity to achieve substantial sales growth in the region. Through close follow-up with major customers, the Group has achieved a historic breakthrough in the Mexican market. In high-end markets of HDT such as Taiwan, New Zealand and Australia, the sales volume has also achieved significant growth. During the Period, export of the Group’s product continued to maintain an upward trend.

As at 30 June 2019, the Group had set up approximately 200 distributor sales centers, 230 service outlets and 200 spare parts and accessory stores in over 90 countries. The Group have 9 overseas KD production plants established through cooperation with overseas partners in 8 countries and regions. The Group’s international marketing service network system is well-established to provide strong support for exploring the international market.

LIGHT DUTY TRUCKS AND BUSES SEGMENT

During the Period, the Group’s LDT sales decreased by 5.0% HoH to 65,401 units. The Group’s LDT business has developed into an important force in the industry. During the Period, the Group sold 507 buses, representing a decrease of 44.8% HoH. During the Period, the LDTs and buses segment recorded a total revenue of RMB6,112 million, representing a decrease of 7.3% HoH. The segment operating profit margin was negative 1.9% while it was 4.9% for the corresponding period in 2018. The decrease was mainly due to influence from changes in market environment resulting in a drop in sales volume.

The Group’s Ji’nan LDT division adhered to differential marketing strategies, implemented precision marketing to maximize benefits to its customers. It has continuously optimized its distribution network, set up full value chain flagship stores, so as to keep refining and improving the quality of distribution network. It focused on in-depth development of key market segments such as wholesale trading logistics and rural markets, and upheld the marketing concept of “end-user is the king, and winning through channels”.

Sinotruk Chengdu Wangpai Commercial Vehicles Co., Ltd. (“**Chengdu Wangpai Company**”) has made headway towards refined network marketing, accelerated deep penetration into the markets through new sales channels. It strengthened the research and advance into internet marketing model, carried out the combining of online and offline sales. Chengdu Wangpai Company kept on optimizing its distribution network, expanded the sales pipeline and enhanced the sales ability of dealers. Low-margin, low-quality products were eliminated while new products were introduced by Chengdu Wangpai Company to meet market demand. It insisted on a customer-centered and competition-oriented approach, extended the high value-added product chain and strived to enhance customer satisfaction level of its after-sales service, in order to raise its competitiveness in the market.

Sinotruk Fujian Haixi Vehicles Co., Ltd. has streamlined its product portfolio, focused on the development and production of classic models, formulated sales channel selection principles and channel grading management standards to improve network layout and further improved sales channel operation quality. It kept on strengthening overseas market development and improving exports service support to make new breakthroughs in overseas market sales.

During the Period, in order to fulfill the strategic vision of producing full range of commercial vehicle groups, the Group acquired the bus business from the Parent Company. On one hand, the Group is currently adjusting the organizational structure and product positioning of the bus company. On the other hand, the Group is implementing a precision marketing model, paying attention to exploring customers in the bus market. The Group aims to improve the quality of products and services, and respond quickly to customer needs. At the same time, in order to seize the commanding high ground of the industry, the bus company has increased its investment in high-reliability Battery Electric Buses, hydrogen fuel product development, upgrading to China VI Emission Standard and unmanned driving. The bus business as a whole is still in an adjustment period.

As at 30 June 2019, the Group had a total of 1,552 dealerships (including 34 4S centers and 366 SINOTRUK branded dealerships), 2,212 service centers that provide LDT after-sales service, and 32 refitting companies to provide truck refitting services to LDTs in the PRC. For buses division, the Group had a total of 8 bus dealerships and 129 service centers for bus products after-sales service.

ENGINES SEGMENT

During the Period, the sales volume of the engine segment decreased by 6.0% HoH to 97,632 units. Segment revenue decreased by 7.1% HoH to RMB7,575 million. External sales of engines accounted for 7.1% of the segment revenue, representing a decrease of 2.6 percentage points HoH. The segment operating profit margin accounted for 16.6%, representing a decrease of 1.6 percentage points HoH. The decrease was due to the decrease in sales volume of engines which lowered the benefits from economy of scale.

The Group is committed to the research and development of new engine technologies, the benchmarking of its engine design in compliance with international standards, strengthening quality controls, expanding the application of MAN engines and to provide customers with high-tech products that are reliable and fuel-efficient. The Group continued to gain customer recognition for its advanced and high-quality MAN engines. In addition to supplying engines for the Group's own production, the Group sold engines to other HDTs, bus and engineering machinery manufacturers.

FINANCE SEGMENT

During the Period, the Group's finance segment revenue was RMB781 million, representing an increase of 12.5% HoH, and segment external revenue was RMB553 million, representing an increase of 21.3% HoH. The increase was mainly due to the vigorous development of auto financing and supply chain financing which increased operation scale, and revenue and operating profit continued to rise. The segment operating profit margin was 58.6%, representing a decrease of 4.1 percentage points HoH. Impacted by the abundance of capital in the money market, actual lending rate declined, so the segment operating margin decreased.

The Group continued to develop its innovative business model by taking full advantage of national policies and utilizing its auto financing services platform. The segment has developed differentiated financial solutions and diversified interest subsidy model, promoted the "Easy Loan" (輕鬆貸) business that does not require dealers' guarantee, increased the sales volume of the main operation units, met the demand of vehicles buyers, and improved the Group's financial brand awareness and market share. During the Period, the Group sold 20,702 trucks through auto financing service, representing an increase of 34.7% HoH. The Group also actively expanded its profit drivers by providing financing services to those premier suppliers, so as to enhance its profitability.

As at 30 June 2019, the Group had 26 regional offices and extended its financing services business coverage all over China, further improved its auto financing services.

PRINCIPAL RISKS AND SOLUTIONS

The Group abides by “3 lines of defense” risk management systems and carries out system grooming and streamlining, risk quantification and dynamic monitoring. Major risks are defined by a risk assessment mechanism and a corresponding plan will be developed to manage them. Risk management and control capabilities of the Group have improved through continuous tracking and analysis of external environmental information, communication with external stakeholders, analysis of relevant policies and regulations and industry data, so as to make timely adjustment on response plans.

The principal risks faced by the Group and the mitigation measures taken during the Period are as follows:

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:

Implement the GJB9001C and IATF16949 quality control system, apply risk awareness to each process and every link of work;

Formulate overall planning for the quality control system, integrate risk-based thinking into the whole process of design, manufacturing and sales, focus on risk analysis to reduce problems;

Strengthen the foundation of after-sales service management, gradually standardize the whole process of service and turn it into performance-oriented, monitor the timeliness and authenticity of services through the application of big data to offer benefits to customers;

Conduct quality awareness risk training to enhance employees' quality awareness;

Increase reliability testing, comprehensive monitoring of design, development, production and other aspects to enhance product durability; and

Establish effective control methods for quality costs, conduct monitoring and comprehensive analysis of quality costs, provide an important basis for quality control decisions, give direction and data support for product quality improvement.

2. HEALTH, SAFETY AND ENVIRONMENTAL RISK

In accordance with the revision of laws and regulations and the actual situation of operation, the Group re-edited its annual safety and environmental responsibility letter, revised the management objectives, work requirements, and responsibility assessment, and used this as the basis for works in the field of health, safety and environmental protection. These measures have propelled the overall work progress of the Group and provided basic supervision standards for related risk prevention.

Mitigation Measures:

Complete the dual assessment of risk control and identification and removal of potential hazards. Carry out inspection in accordance with Second Class Production Safety Standard of Enterprise, annual review of environmental and safety management system, detection of occupational hazards in the workplace and hazardous waste disposal projects; and

Issue guidance on safety and environmental occupational health work, and stipulate regulations in details regarding annual work guidelines, work objectives, control indicators on industrial casualty accident and main points of mission.

3. FOREIGN EXCHANGE RISKS

The Group's international trades are currently transacted in USD or Euro. If there are any significant exchange rate fluctuations of RMB against these currencies, the Group may face uncertainty that does not exist under fixed exchange rates. The Group could be exposed to potential risks such as foreign exchange losses and a decline in investment return.

Mitigation Measures:

Strengthen foreign exchange market research and reduce the adverse effects of foreign exchange rate fluctuations. Use cross-border foreign currency funds pool and RMB funds pool through the Group's overseas financial platform and set up a foreign exchange fund management platform to reduce exchange rate risk. Rational allocation of foreign currency funds to improve capital gains;

Actively carry out foreign exchange settlement and sales business, and utilize the membership of the inter-bank foreign exchange market of Sinotruk Finance Company to reduce the cost of foreign currencies conversion; and

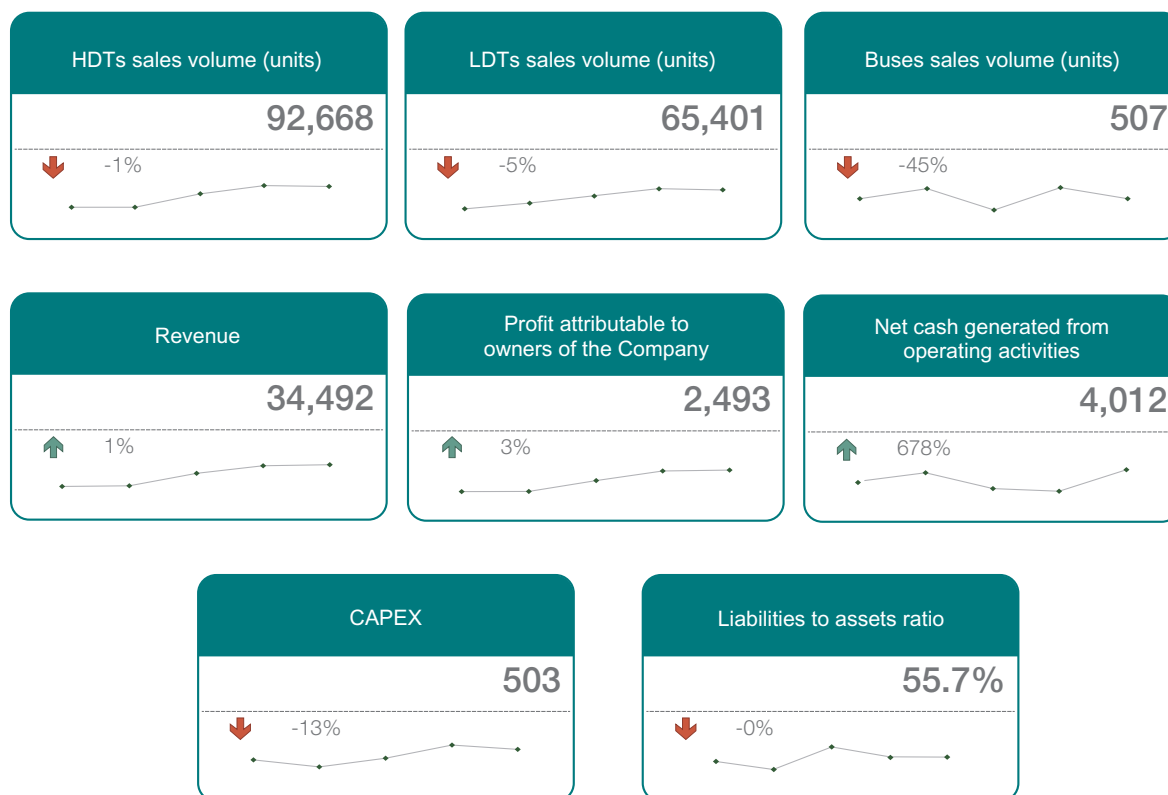
Explore methods to reduce loss resulting from exchange rate fluctuations, such as by means of forward exchange rate contracts, forfaiting and disposal of certain receivables without recourse, so as to achieve the preservation and appreciation of foreign exchange funds.

KEY PERFORMANCE INDICATORS (“KPI”)

Directors focus on the continuing development of the Group and interests of the Shareholders. Directors use financial and non-financial measures as benchmarks in making assessments and decisions. Sales volume of HDTs, LDTs and buses as well as revenue show actual operating results and performance. Cash is essential for survival and net cash generated from operating activities provides insight of the ability of 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 the Group's KPIs for the six months ended 30 June of the following years:

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



KPIs	2015	2016	2017	2018	2019
HDTs sales volume (units)	43,157	42,937	74,792	93,527	92,668
LDTs sales volume (units)	27,522	40,111	54,739	68,848	65,401
Buses sales volume (units)	506	897	71	919	507
Revenue	14,258	15,331	26,626	34,266	34,492
Profit attributable to owners of the Company	238	243	1,400	2,419	2,493
Net cash generated from operating activities	1,716	3,082	964	516	4,012
CAPEX	320	205	350	578	503
Liabilities to assets ratio	54.5%	51.6%	59.4%	61.0%	55.7%

Note: All the KPIs of 2017 and liabilities to assets ratio of 2018 are not restated due to common control combination with HOWO Bus.

KEY RELATIONSHIPS WITH CUSTOMERS, SUPPLIERS, EMPLOYEES AND OTHERS

The Group values and has always maintained good relationships with its customers, business partners (including suppliers and distributors) and employees. The Group believes that establishing long-term interests with them is a top priority in building mutual trust, loyalty and business development, and is the basis for the Group's success and sustainable development.

The Group strives to provide its customers with comprehensive services by formulating 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 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. Strictly pursuant to domestic and foreign laws and regulations pertaining to recalls of defective vehicles including the “Administrative Regulation on the Recall of Defective Motor Vehicles” 《缺陷汽車產品召回管理條例》, the Group has formulated the “Motor Vehicle Recall Control Process” 《汽車產品召回控制程序》, and established a complete product recall process with the function of identifying, collecting, analysing, delivering and storing quality issues information, built up the system for the voluntary recalling (or instruction recalling) of defective products, and taken remedial and prevention measures, so as to preserve customers' interests. The Group, through the “Administrative Measures for the Protection of Trade Secrets” 《商業秘密保護管理辦法》, stipulates that customer information is an important part of the Group's trade secrets, and adopts a hierarchical approach to manage customer information to strictly protect customer privacy. The Group 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.

The Group adheres to its core corporate value of aiming for “Clients’ Satisfaction”. While learning from advanced upstream and downstream supply chain companies, the Group conveys the Group’s safety and corporate social responsibility concepts, and leads the supply chain companies to continuously improve and jointly realise their social responsibility commitments in the fields of environmental protection, safety and health. The Group conducts audits of the first suppliers of each subsidiary through the supplier access office, with subsequent supplier audits being carried out by the subsidiaries themselves. Through the “Approval Procedures for Supplier Access and Product Release” 《配套產品供方准入和產品釋放批准程序》, the Group has established a strict supplier screening process to make sure that the products and service provided by suppliers will meet the requirements of the Group in order to continuously improve the quality of the Group’s products. The Group transmits environmental and quality policies to suppliers through different channels and methods, requiring suppliers to meet the requirements of relevant industries and environmental protection. Through the terms of procurement contracts, suppliers are required to fulfill relevant social responsibilities.

The Group always considers its employees as the most valuable asset of the enterprise. The Group provides a complete career path, ensures the safety and health of employees, and provides trainings to help intertwine employees’ personal growth with enterprise development. The Group has formulated the “Positions, Performances and Wages System” 《崗位績效工資制度》, adheres to the principle of compensation according to work, pays attention to efficiency and fairness, and has established a perfect performance salary system, which stipulates that employee compensation shall consist of basic salary, annual salary for seniority and performance appraisal salary. Employee income is linked to the economic benefits of the enterprise and employee’s actual contribution, providing employees with competitive salary compensation. In addition, the Group has formulated the “Measures for the Administration of Declaration and Payment of Social Insurance Fees” (《社會保險費申報繳納管理辦法》), and has centralised to report and pay social insurance such as basic retirement insurance premiums, basic medical insurance premiums, unemployment insurance premiums, work-related injury insurance premiums, and maternity insurance premiums. The Group also provides a free inauguration medical examination for newly recruited employees, providing them with employee’s benefits such as high-temperature subsidies and lunch allowances. The Group integrates the concept of “People-Oriented” into all aspects of management, attaches great importance to the occupational health of employees, and strives to prevent, control

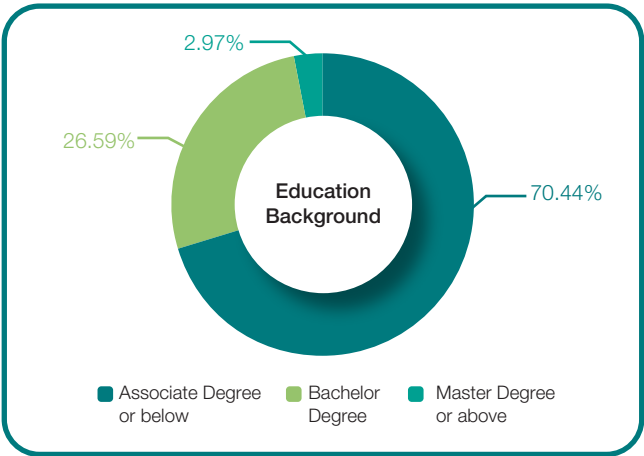
and eliminate occupational hazards from the three aspects of occupational health system establishment, workplace occupational hazard screening and occupational health examination. The Group strives to prevent occupational diseases and occupational poisoning and protect employees' health and safety. The Group strictly abides by the "Law on Prevention and Control of Occupational Diseases of the PRC" (《中華人民共和國職業病防治法》) and the relevant laws and regulations, and has formulated management systems such as the "Occupational Health Management System" (《職業衛生管理制度》), the "Labor Protection and Occupational Disease Prevention and Control Procedures" (《職工勞動保護和職業病防治控制程序》), so as to strengthen the occupational health and safety management systems, control and eliminate occupational hazards, prevent occupational diseases and occupational poisoning, and protect employees' health and safety.

The Group has attached great importance to the growth of personal qualification and professional competency of employees and has formulated the "Measures for Implementation of Employee Training" (《員工培訓實施辦法》). With the support of the Group's education and training centers, the Group provides training to its employees in all subsidiaries and departments, and has maintained records for employees' training to improve the overall quality of its workforce.

The Group has established a three-level training system and provided trainings to middle and senior management personnel, high-level professionals, engineering technicians, marketing and management personnel, advanced technicians, on-site sub-department heads (sub-department heads directly under the Group), and workshop supervisors. The Group has cooperated with universities and made full use of their faculty and scientific research to train its highlevel technicians. The Group has also accelerated the construction of network training institutes with the intent to achieve innovation of remote training mode by taking full advantage of network technology.

As at 30 June 2019, the Group had a total of 24,728 employees, which were classified by function and education background as follows:

	Number of employees	%
Management team	248	1.00
Technical and Engineering staff	2,764	11.18
Research and development staff	1,063	4.30
Production staff	15,103	61.08
Operation and sales staff	1,779	7.19
Marketing staff	216	0.87
Administrative staff	3,555	14.38
Total	<u>24,728</u>	<u>100.00</u>



ENVIRONMENTAL POLICY, PERFORMANCE AND COMPLIANCE

The Group strictly complies with various applicable national, provincial and local laws and regulations, including the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), the Energy Conservation Law of the PRC (《中華人民共和國節約能源法》), the Atmospheric Pollution Prevention and Control Law of the PRC (《中華人民共和國大氣污染防治法》), the Water Pollution Prevention and Control Law of the PRC (《中華人民共和國水污染防治法》) and the Law of Prevention and Control of Environmental Pollution Caused by Solid Waste of the PRC (《中華人民共和國固體廢棄物污染環境防治法》), and maintain control over the entire process of operation and services that might cause environmental impact as well as occupational safety risks. The Group has strictly implemented the standardized management of hazardous wastes, assigned management responsibilities to all levels, enhanced the refined management level, and achieved safe disposal of hazardous wastes. To standardize the environmental monitoring efforts, all key discharging units shall, in accordance with relevant requirements, regularly invite qualified third-party agencies to conduct inspections on wastewater and gas emissions, and publicize the test results to the public in a timely manner. The Group conducted clean production reviews to achieve energy saving, pollution reduction and efficiency improvement. The Group has implemented the ISO14001 environmental management system and formulated the internal “Environmental Protection Management Policy” (《環境保護管理制度》), and formulated emission reduction targets for wastewater, gas, noise and slag pollutants. In the second quarter of 2019, the internal inspectors of the Group’s environmental management system were provided with annual training, as the Group formulated the plan to conduct internal audit and management review of the system in the third quarter of 2019. According to the emission reduction targets, there are plans to implement the transformation and upgrade of pollutant treatment facilities. Currently, the Group is implementing such projects including the engine paint emission treatment, dust control during body welding process, and low-nitrogen combustion boiler reformation. The Group has launched its promotional efforts on environmental conservation in various forms, such as participating in the “4 • 22” Earth Day, “6 • 5” World Environment Day, energy conservation and emission reduction propaganda and other environment protection work, and adhered to scientific measures for pollution prevention and environmental protection, where pollutant discharges and resource consumption from production and operating activities have been efficiently reduced.

During the Period, as far as the Group is aware, there was no material breach or non-compliance 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, 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 save as otherwise disclosed in this announcement.

BUSINESS STRATEGIES AND PROSPECTS

Looking forward to the second half of 2019, challenges and opportunities both lie ahead. On the international front, the world economic landscape is complicated, and there remains significant geopolitical risks while the external economic conditions tightened. From the perspective of the domestic economic trend, the conditions favor China's steady economic development. China's development is and remains in the long-term in a period of important strategic opportunities. However, there are still certain deep-seated problems and contradictions in terms of economic operation. Certain traditional pillar industries have entered into the phrase of adjustment, whereas investments in the manufacturing industry and private investment growth have slowed down. Economic growth is dependent upon real estate and infrastructure investments, and the endogenous economic growth momentum desires to be strengthened.

In terms of the HDT industry, the growth rates of key indicators such as total social logistics and road freight volume have slowed down, while the total social inventory has been high; the State is actively promoting the "highway, railway, and water combined transportation"; the implementation of the China VI Emission Standard has brought buy-in-advance of China V Emission Standard vehicles. Under the influence of the overall trend, including the stricter vehicle examination for compliance check, coupled with insufficient confidence in users' demand, it is expected that the sales volume of HDTs will see slight decline in the second half of 2019. From the perspective of the LDT industry, in the future, the market will be restructured and upgraded as driven by the e-commerce policies, logistics industry

development and tightening of emission policies, and the overall amount on the LDT market will remain stable. However, the recent tightening and compliance control has become stricter and the end-user market remains on the sideline. The LDT market is entering the shuffling window as competition intensifies, and minor drop in sales volume of LDTs is expected in the second half of 2019.

In face of intense competition, the Group regards “Aiming for Customer Satisfaction” as its core value, and strives to realize the strategic vision of become the leading whole-series commercial vehicle manufacturer in the nation and a world-class enterprise.

The Group will focus on the following aspects in the second half of 2019:

1. Promote innovation in marketing concepts, marketing systems, marketing networks and marketing service model to enhance customer satisfaction. Focus on the precise positioning of products in market segments, the creation of value in the overall consumption cycle, 「親人」 after sales services, and constantly innovate marketing concepts, models and methods. Fully utilize the Smart Sinotruk platform to carry out sales information system optimization work by improving spare parts sales, service support, intelligent communication and training so as to enhance user experience and increase their satisfaction. Through standardization, refinement and information management of the marketing system, a swift, timely and efficient operation management system will be established. The Group will accelerate the optimization of the marketing system team and the reform of the incentive mechanism. Strive to optimize the after sales services and introduce end-user evaluation mechanism to continuously improve its service image.

2. Focus on market segment demand, perfect the benchmarking and market positioning of products, accelerate the development of products that meet market demand and rules and regulations requirements , and enhance the ability to respond to the market. Continuously improve the series of China VI Emission Standard trucks, especially the testing of natural gas products for China VI Emission Standard to ensure a smooth launch. Based on an in-depth market research and feasibility study, accelerate the optimization of product mix and build up product competitiveness of the whole series. Establish a reasonable and effective quality control system, strengthen the management and control of supplier quality, ensure the Group’s product quality, and establish the corporate brand image. Fulfil the functions of the application engineering center by promoting close integration of technology and marketing to accurately anticipate the market demand, achieve effective input into product research and development and continuously enhance its ability to quickly respond to the market.

3. Endeavour to explore the international market. The Group optimizes its sales network, improves network efficiency, and gradually introduces new products into the market to increase sales volume. The Group also strengthens its relationships with major customers, further explores in-depth cooperation methods, and establishes solid foundation for such cooperation. The Group pays close attention to market demand to grow its product lines and expand market space. Through the increase in overseas sales, service and accessories network construction, as well as strong personnel management, the Group will seize the strategic opportunity of “One Belt, One Road”, extend the layout of overseas markets, and strive to achieve sales growth in major markets.

MANAGEMENT DISCUSSION AND ANALYSIS — FINANCIAL REVIEW

REVENUE, GROSS PROFIT AND GROSS PROFIT MARGIN

The Group's revenue for the Period recorded RMB34,492 million, representing an increase of RMB226 million or 0.7% HoH. Although the sales volume of all trucks reduced, revenue increased due to the change in the sales mix by increasing sales of natural gas trucks which have higher selling price. The Group's gross profit for the Period was RMB6,734 million, representing an increase of RMB541 million or 8.7% HoH.

Gross profit margin for the Period was 19.5% (gross profit divided by revenue), representing an increase of 1.4 percentage points.

DISTRIBUTION COSTS

Distribution costs for the Period was RMB1,590 million, representing a decrease of RMB149 million or 8.6% HoH. The decrease was primarily resulted from the significant decrease in warranty expenses by RMB157 million. During the Period, distribution costs to Products Revenue ratio was 4.7%, representing a decrease of 0.4 percentage points HoH. The decrease in the ratio was mainly due to the decrease in warranty expenses by 24.9% HoH while Products Revenue increased by 0.4% HoH.

Warranty expenses accounted for 1.4% of Products Revenue for the Period, representing a decrease of 0.5 percentage points HoH. 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 RMB1,453 million, representing an increase of RMB105 million or 7.8% HoH. During the Period, administrative expenses to revenue ratio was 4.2%, representing an increase of 0.3 percentage points HoH. The increase in the ratio was mainly due to the increase in research and development expenses which was part of the long-term strategic planning of the Group. By exclusion of research and development expenses, the administrative expenses recorded a decrease HoH for the Period.

NET IMPAIRMENT LOSSES OF FINANCIAL ASSETS

Net impairment losses of financial assets for the Period was RMB354 million, representing an increase of RMB171 million or 93.4% HoH. The impairment losses of trade and financing receivables was RMB354 million, representing 1.0% of total revenue for the Period. Further details of the trade and financing receivables are set out in the section headed “TRADE AND FINANCING RECEIVABLES” in this announcement.

OTHER GAINS – NET

Net other gains for the Period was RMB170 million, representing a decrease of RMB118 million or 41.0% HoH. The decrease was mainly due to the significant reduction in government subsidies when compared to the same period last year and no gains from the disposal of assets held for sale during the Period.

FINANCE COSTS – NET

Net finance cost for the Period was RMB59 million, representing an increase of RMB27 million or 84.4% HoH. The increase was due to the decrease in interest income by RMB18 million as the Group’s deposits were used to repay bank and related party borrowings and the decrease in exchange gains by RMB18 million. Although the loan interest expenses were reduced, such reduction was offset by the increase in bills discount expenses as more bills were discounted in order to speed up the collection of cash repayment.

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 RMB25 million, representing a decrease of RMB36 million or 59.0% HoH. The decrease was mainly due to the decrease in profit from the associated company, the group of Prinx (Cayman) Holdings Limited and the joint venture, Sinotruk (Hong Kong) Hongye Limited.

INCOME TAX EXPENSE

Income tax expense for the Period was RMB758 million, representing an increase of RMB131 million or 20.9% HoH. The increase was due to the significant increase in profit before income tax for the Period.

PROFIT FOR THE PERIOD AND BASIC EARNINGS PER SHARE

Profit for the Period was RMB2,714 million, representing an increase of RMB100 million or 3.8% HoH. During the Period, operating profit ratio (operating profit divided by revenue) was 10.2% (2018: 9.4%) while net profit ratio (profit divided by revenue) was 7.9% (2018: 7.6%). Profit attributable to owners of the Company for the Period was RMB2,493 million, representing an increase of RMB74 million or 3.1% HoH. The basic earnings per share attributable to owners of the Company for the Period was RMB0.90, representing an increase of RMB0.02 or 2.3% HoH.

TRADE AND FINANCING RECEIVABLES

As at 30 June 2019, the trade receivables including related parties trade receivables were RMB9,670 million, representing an increase of RMB1,838 million or 23.5% when compared to the balance as at 31 December 2018. The main reason for the increase in such trade receivables was due to the fact that the Group strengthened marketing and seized the domestic market while, at the same time, focused on export business and deepened the international market.

The trade receivables turnover (average trade receivables including related parties trade receivables divided by Products Revenue multiplied by 181 days) for the Period was 46.7 days, representing an increase of 5.6 days HoH and remained within the Group's credit policies which is from three to twelve months.

As at 30 June 2019, the trade receivables including related parties trade receivables aged not more than twelve months were RMB7,911 million or 81.8% of all trade receivables including related parties trade receivables.

At 30 June 2019, all notes receivables received from trading and bills discounting services amounted to RMB2,312 million (classified as financial assets either at amortised cost or at fair value through other comprehensive income) aged not more than twelve months.

As at 30 June 2019, the financing receivables was RMB10,550 million, which included unsecured loans of RMB200 million to related parties, representing an increase of RMB2,007 million or 23.5% when compared to the balance as at 31 December 2018.

As at 30 June 2019, the financing receivables including loans to related parties aged not more than twelve months were RMB6,728 million or 63.8% of the total financing receivables including loans to related parties.

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, the Group had made impairment loss allowance for trade receivables and financing receivables at the amount of approximately RMB297 million and RMB57 million respectively.

TRADE PAYABLES

As at 30 June 2019, the trade payables including related parties trade payables were RMB24,764 million, representing an increase of RMB2,459 million or 11.0% when compared to the balance as at 31 December 2018.

The trade payables turnover (average trade payables including related parties trade payables divided by costs of Products Revenue multiplied by 181 days) for the Period was 153.7 days, representing a decrease of 2.9 days HoH.

CASH FLOWS

Net cash inflow generated from operating activities for the Period was RMB4,012 million, representing an increase of cash inflow by RMB3,496 million as compared to the corresponding period in 2018. The increase was mainly due to policies implemented by the Group to encourage faster cash collection and measures taken to reduce procurement costs and payments.

Net cash outflow used in investing activities for the Period was RMB1,882 million, representing an increase of cash outflow of RMB3,478 million as compared to the cash inflow in the corresponding period in 2018. The increase in cash outflow was mainly due to the increase in purchase of wealth management products while it had large amount of receipts of the proceeds from the maturity of and liquidation of large amount of wealth management products during the same period last year.

Net cash outflow used from financing activities for the Period was RMB3,884 million, compared with net cash outflow the same period last year, representing an increase of cash outflow of RMB3,637 million. During the Period, in addition to the increase of payment of dividends to non-controlling interests, the Group further cut its bank borrowings and related party borrowings by RMB1,400 million and RMB1,850 million respectively and paid the purchase consideration of HOWO Bus at the amount of RMB307 million.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2019, the Group had cash and cash equivalents of RMB11,085 million, representing a decrease of RMB1,742 million or 13.6% when compared to the balance as at 31 December 2018. The Group's total borrowings (including borrowings from the related parties) were about RMB1,636 million as at 30 June 2019. Its gearing ratio (total borrowings divided by total assets) was 2.5% (31 December 2018: 7.6%). As at 30 June 2019, current ratio (total current assets divided by total current liabilities) was 1.3 (31 December 2018: 1.3).

As at 30 June 2019, all borrowings were denominated in RMB (31 December 2018: all in RMB) and all borrowings are charged with reference to bank's preferential fixed rates and were due within one year. The maturity profile of all borrowings were as follows:

	As at 30 June 2019	As at 31 December 2018
Repayable within one year	RMB 1,636 million	RMB 4,886 million

As at 30 June 2019, total consolidated equity of the Company was RMB29,387 million, representing an increase of RMB1,046 million or 3.7% when compared with the balance as at 31 December 2018.

As at 30 June 2019, the Company's market capitalisation was RMB32,837 million (calculated based on the issued share capital of the Company: 2,760,993,339 Shares, closing price: HKD13.52 per Share and at the exchange rate of 1: 0.87966 between HKD and RMB).

As at 30 June 2019, total available credit facilities of the Group from the banks amounted to RMB29,062 million, of which RMB4,016 million had been utilised (31 December 2018: RMB5,488 million); an aggregate amount of RMB331 million (31 December 2018: RMB474 million) of security deposits and restricted bank deposits were pledged to secure various credit facilities. In addition, the finance segment has made mandatory deposits of RMB2,188 million to The People's Bank of China 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

In April 2019, the Group purchased the entire equity interest in HOWO Bus at the actual consideration of RMB307 million. For details of the acquisition, please refer to the Company's announcement dated 27 March 2019.

EQUITY INVESTMENTS FORMING PART OF THE GROUP'S OPERATIONS

The Group has invested long-term equity investment for the purpose of forming part of its business operations:

a) Investments accounted for using equity method

As at 30 June 2019, the amount of investments in associates and joint ventures was RMB533 million, representing 0.8% of the total assets of the Group. 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" in this announcement.

b) Other long term equity investments

As at 30 June 2019, the Group's unlisted equity investments for long term strategic investment purpose amounted to RMB38 million, representing less than 0.1% of the total assets of the Group. These investments were classified as financial assets at fair value through other comprehensive income.

OTHER SECURITIES INVESTMENTS

For the purposes of increasing profitability of short term fund and managing the liquidity of the Group, the Group invests in short-term equity investments which consists of listed securities in Hong Kong. As at 30 June 2019, the Group had equity investment at RMB47 million, representing 0.1% of the total assets. These equity investment are accounted for as equity investment included in financial assets at fair value through other comprehensive income. Their fair values keep changing from time to time depending on but not limit to their operation results, economic situations and stock markets sentiments.

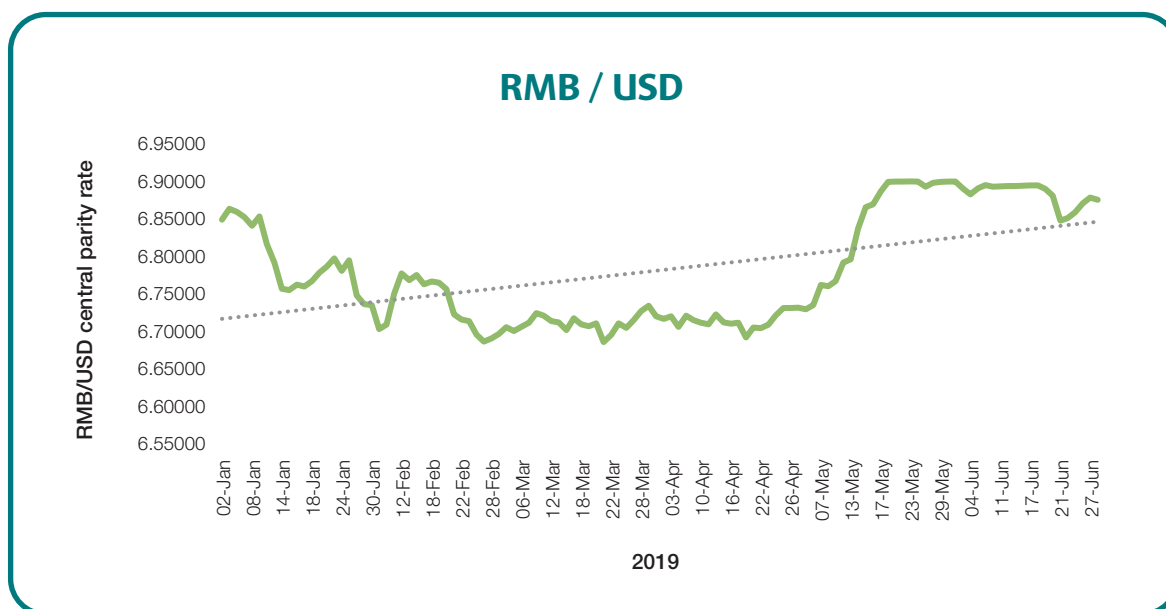
CHARGES ON GROUP ASSETS

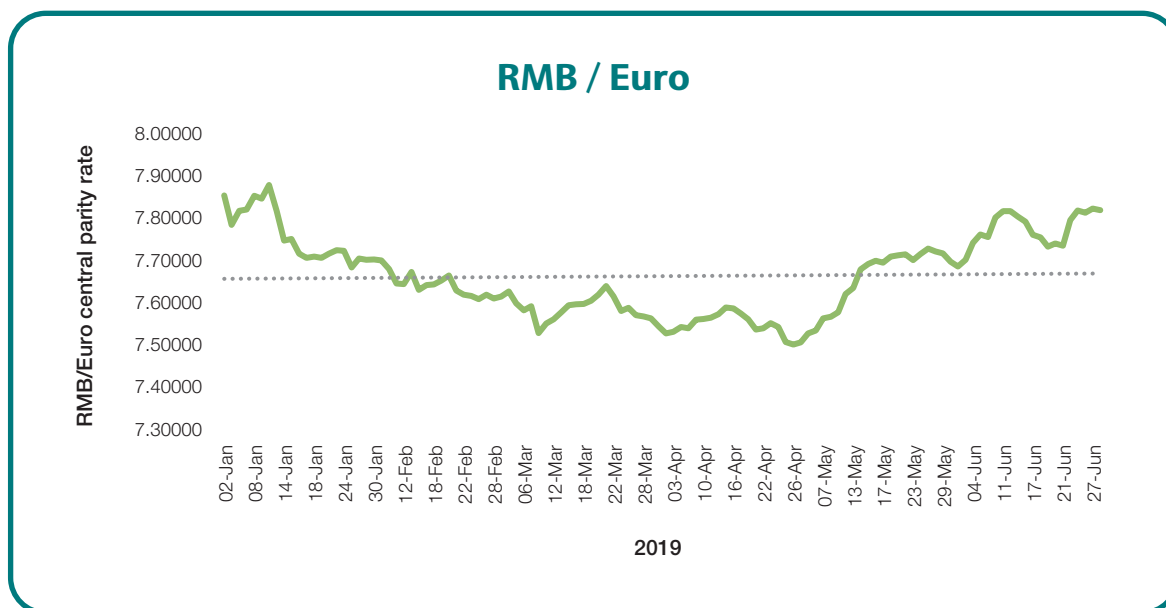
Save as disclosed, as at 30 June 2019, there were no assets of the Group being pledged to secure credit facilities (31 December 2018: Nil).

FINANCIAL MANAGEMENT AND POLICY

The finance department is responsible for the financial risk management of the Group. One of the primary objectives of financial policies of the Group 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 several wealth management products of which the return are linked with non RMB foreign currencies.

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





The RMB/USD central parity rate in the PRC as at 28 June 2019 was 6.8747, representing a depreciation of RMB by 0.17% when compared the rate of 6.8632 as at 28 December 2018. The RMB/Euro central parity rate in the PRC as at 28 June 2019 was 7.8170, representing an appreciation of RMB by 0.39% when compared the rate of 7.8473 as at 28 December 2018. During the Period, both the overall trend of RMB/USD and RMB/Euro central parity rates showed a trend of appreciation followed by depreciation in RMB.

As at 30 June 2019, 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 RMB1,370 million, financial assets at fair value through profit or loss of approximately RMB47 million, accounts receivable and other receivable of approximately RMB2,822 million, accounts and other payables of approximately RMB20 million, all of which were denominated in currencies other than RMB.

During the Period, the Group recorded foreign exchange gains of RMB18 million in operating profit and foreign exchange gains of RMB12 million in finance costs. The potential foreign exchange impacts to the USD and Euro denominated net assets of the Group as at 30 June 2019 are:

	USD denominated net assets	Euro denominated net assets
5% strength/weakness by RMB	Loss/Gain before tax of RMB192 million	Loss/Gain before tax of RMB12 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 RMB65 million. There was no provision for legal claims as at 30 June 2019.

DISCLAIMER

NON GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (“NON-GAAP”) 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 PRACTICE

The Board and senior management of the Company commit to maintain a high standard of corporate governance, formulate good corporate governance practice for improvement of accountability and transparency in operations, and strengthen the internal control system from time to time so as 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 had been in compliance with the code provisions under the CG Code, save and except for the code provisions A.2.1, A.5.1, A.5.2 and E.1.5 of the CG Code.

In respect of code provisions A.5.1 and A.5.2 of the CG Code, the Company did not establish a nomination committee and does not have a nomination policy as the Board takes up all functions of a nomination committee as required under the Listing Rules.

In respect of code provision A.2.1 of the CG Code, the positions of the chairman of the Board (the “**Chairman**”) and the president of the Company (the “**President**”) are held by the same individual, namely, Mr. Cai Dong, since 30 October 2018. As Mr. Cai Dong has acted as the President and ED since 2007 and has deep understanding of the Group’s businesses, the Board believes that holding the positions of both Chairman and President by Mr. Cai Dong provides the Group with strong and consistent leadership in the development and execution of long term business strategies, more effective planning and enhances efficiency in decision-making. In addition, under the supervision by the Board which currently consists of seven EDs, four NEDs and six INEDs, the interests of the Shareholders will be adequately and fairly represented. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

In respect of code provision E.1.5 of the CG Code, the Company did not formulate a policy of payments of dividends but in accordance with the shareholders' agreement dated 15 July 2009 between and among Sinotruk (BVI) Limited, CNHTC, MAN SE and MAN Finance and Holding S.A., Sinotruk (BVI) Limited and CNHTC procure that MAN Finance and Holding S.A. have veto rights at the meetings of Shareholders and/or the Board to reject the Company declaring a dividend which is lower than the average or estimated dividend declared by companies in the truck and engine industries that are listed on the Stock Exchange.

On 15 May 2019, Mr. Chen Zheng resigned as the INED, the chairman of the Remuneration Committee and the member of the Audit Committee. Thereafter, the Board comprised sixteen members with seven EDs, four NEDs and five INEDs. As a result, the number of INEDs fell below the minimum number as prescribed under Rule 3.10A of the Listing Rules. The chairman of the Remuneration Committee as required under Rule 3.25 of the Listing Rules fell vacant and the number of members of the Audit Committee was reduced to two which is below the minimum number as prescribed under Rule 3.21 of the Listing Rules. On 16 May 2019, Mr. Lyu Shousheng was appointed as the INED, the chairman of the Remuneration Committee and the member of the Audit Committee. Following the appointment of Mr. Lyu Shousheng, the Board comprises seven EDs, four NED and six INEDs. The number of INEDs of the Board represents more than one-third of the members of the Board and, therefore, is in compliance with the requirement of the number of INEDs under Rule 3.10A of the Listing Rules, the vacancy of the chairman of the Remuneration Committee is filled, and the Audit Committee comprises three INEDs, and is therefore in compliance with the requirements under Rule 3.21 and Rule 3.25 of the Listing Rules.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 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 confirmed that they have complied with the standards required by the Model Code during the Period.

DIVIDENDS

The Board resolved not to declare any interim dividends for the six months ended 30 June 2019.

DIVIDEND POLICY

As at 30 June 2019, the Company did not have a dividend policy in place.

REVIEW OF INTERIM RESULTS

This unaudited condensed consolidated interim financial information of the Company for the six months ended 30 June 2019 has been reviewed by the Audit Committee and by PricewaterhouseCoopers, the auditor of the Company, in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by Hong Kong Institute of Certified Public Accountants.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

INVESTOR RELATIONS

The investment management and securities department of the Group is responsible for promoting investor relations, enhancing 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 has participated in a number of one-on-one meetings, investors' conferences, road shows and site visits during the Period. Analysts and fund managers may enrich their knowledge on the production operations of the Group through these activities. Investors and the public may also browse the website of the Company at www.sinotruk.com for the latest information available in respect of the Group including information on the financial conditions and the latest business developments of the Group.

The 2019 AGM was successfully held on 26 June 2019 where certain members of the Board and external auditors were present and communicated with the Shareholders.

CONSTITUTIONAL DOCUMENTS

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

PUBLICATION OF THE 2019 INTERIM RESULTS AND THE INTERIM REPORT

The interim results announcement for the six months ended 30 June 2019 is published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.sinotruk.com). The interim report for the six months ended 30 June 2019 will be published on the HKEx's website and the Company's website and will be despatched to the shareholders of the Company in due course.

DEFINITIONS

In this announcement, 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
“China” or “PRC”	the People’s Republic of China, and for the purpose of this announcement, 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 shares 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
“GDP”	Gross domestic product
“Group” or “We”	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
“HoH”	as compared to the period of six months ended 30 June 2018
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“INED(s)”	the independent non-executive Director(s)
“LDT(s)”	light duty truck(s)

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“NED(s)”	the non-executive Director(s)
“Period”	the six months ended 30 June 2019
“Products Revenue”	the revenue of sales of goods and rendering of services by the segment of heavy duty trucks, light duty trucks and buses as well as engines to external customers
“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
“Sinotruk Finance Company”	中國重汽財務有限公司 (Sinotruk Finance Co., Ltd.), a company incorporated under the laws of the PRC with limited liability, being a non-wholly owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“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

“%” per cent

By order of the Board
Sinotruk (Hong Kong) Limited
Cai Dong
Chairman of the Board and President

Ji’nan, PRC, 30 August 2019

As at the date of this announcement, the Board consists of seven executive Directors including Mr. Cai Dong, Mr. Wang Shanpo, Mr. Liu Wei, Mr. Liu Peimin, Mr. Dai Lixin, Mr. Jörg Mommertz and Mr. Sun Chenglong ; four non-executive Directors including Mr. Andreas Hermann Renschler, Mr. Joachim Gerhard Drees, Mr. Jiang Kui and Ms. Annette Danielski; and six independent non-executive Directors including Dr. Lin Zhijun, Mr. Yang Weicheng, Dr. Wang Dengfeng, Mr. Zhao Hang, Mr. Liang Qing and Mr. Lyu Shousheng.