中国重汽
SINOTRUK

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

(Incorporated in Hong Kong with limited liability)

Stock Code : 3808

INTERIM REPORT 2019


中国重汽
SINOTRUK
安全 经济 高效
中国重汽
HOWO
豪沃T7H

CONTENTS

Financial Figures	002
Definitions	003
Corporate Information	006
The Group	007
Shareholder Information	008
Management Discussion and Analysis	010
Other Information	026
Report on Review of Interim Financial Information	034
Interim Condensed Consolidated Statement of Profit or Loss	035
Interim Condensed Consolidated Statement of Comprehensive Income	036
Interim Condensed Consolidated Statement of Financial Position	037
Interim Condensed Consolidated Statement of Changes in Equity	039
Interim Condensed Consolidated Statement of Cash Flows	041
Notes to the Condensed Consolidated Interim Financial Information	042

FINANCIAL FIGURES

	Six months ended 30 June			
	2019	2018 (Note)	Increase/(Decrease)	
				%
Operating results (RMB million)				
Revenue	**34,492**	34,266	226	0.7
Gross profit	**6,734**	6,193	541	8.7
Operating profit	**3,506**	3,212	294	9.2
Profit attributable to owners of the Company	**2,493**	2,419	74	3.1
Profitability and Liquidity				
Gross profit ratio (%)	**19.5**	18.1	1.4	7.7
Operating profit ratio (%)	**10.2**	9.4	0.8	8.5
Net profit ratio (%)	**7.9**	7.6	0.3	3.9
Current ratio (time)	**1.3**	1.3	—	—
Trade receivable turnover (days)	**46.7**	41.1	5.6	13.6
Trade payable turnover (days)	**153.7**	156.6	(2.9)	(1.9)
Sales volume (units)				
HDTs				
— Domestic	**72,706**	74,522	(1,816)	(2.4)
— Export (including affiliated export)	**19,962**	19,005	957	5.0
Total	**92,668**	93,527	(859)	(0.9)
LDTs	**65,401**	68,848	(3,447)	(5.0)
Buses	**507**	919	(412)	(44.8)
Trucks sold under auto financing services	**20,702**	15,364	5,338	34.7
Per share data				
Earnings per share - basic (RMB)	**0.90**	0.88	0.02	2.3

Note: In April 2019, the Group acquired the entire equity interests in Sinotruk Ji'nan HOWO Bus Co., Ltd. ("**HOWO Bus**") from CNHTC. The acquisition of HOWO Bus was considered to be a business combination under common control as the Group and HOWO Bus are under common control of CNHTC both before and after the acquisition of HOWO Bus. Accordingly, the assets and liabilities of HOWO Bus should have been accounted for at historical amounts in the consolidated financial statements of the Company as if HOWO Bus had always been part of the Group. The interim financial information for the six months ended 30 June 2018 have been restated and the above 2018 financial figures have also been restated..

DEFINITIONS

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

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

DEFINITIONS

"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 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)
"Ji'nan Truck Company"	中國重汽集團濟南卡車股份有限公司 (Sinotruk Ji'nan Truck Co., Ltd.), a joint stock company incorporated under the laws of the PRC with limited liability, being a non-wholly owned subsidiary of the Company and the shares of which are listed on the Shenzhen Stock Exchange (stock code: 000951)
"LDT(s)"	light duty truck(s)
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"MAN Group"	MAN SE and its subsidiaries
"MAN SE"	MAN SE, a company incorporated under the laws of Germany with limited liability, being a non-wholly owned subsidiary of FPFPS and the shares of which are listed on the German Stock Exchange in Germany (stock code: ISIN DE0005937007, WKN 593700 and symbol MAN)
"NED(s)"	the non-executive Director(s)
"Period"	the six months ended 30 June 2019
"Product Revenue"	the revenue of sales of goods and rendering of services by the segments 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)

DEFINITIONS

"Share(s)"	the ordinary share(s) in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s) from time to time
"Shenzhen Stock Exchange"	Shenzhen Stock Exchange in the PRC
"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
"Strategy and Investment Committee"	the strategy and investment committee of the Company
"Subsidiary"	a subsidiary for the time being of the Company within the meaning of the Companies Ordinance whether incorporated in Hong Kong or elsewhere and "Subsidiaries" shall be construed accordingly
"USD"	United States dollars, the lawful currency of the United States of America
"Volkswagen AG"	Volkswagen AG, a company incorporated under the laws of Germany with limited liability, being a non-wholly owned subsidiary of FPFPS and an intermediate holding company of MAN SE and the shares of which are listed on German Stock Exchange (stock code: ISIN DE0007664005, WKN 766400 and symbol VOW)
"Volkswagen Group"	Volkswagen AG and its subsidiaries, including MAN Group
"%"	per cent

CORPORATE INFORMATION

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS:

Mr. Cai Dong *(Chairman and President)*
Mr. Wang Shanpo
Mr. Liu Wei
Mr. Liu Peimin
Mr. Dai Lixin
Mr. Jörg Mommertz
Mr. Sun Chenglong

NON-EXECUTIVE DIRECTORS:

Mr. Andreas Hermann Renschler
Mr. Joachim Gerhard Drees
Mr. Jiang Kui
Ms. Annette Danielski

INDEPENDENT NON-EXECUTIVE DIRECTORS:

Dr. Lin Zhijun
Mr. Yang Weicheng
Dr. Wang Dengfeng
Mr. Zhao Hang
Mr. Liang Qing
Mr. Lyu Shousheng

EXECUTIVE COMMITTEE

Mr. Cai Dong *(Chairman)*
Mr. Wang Shanpo
Mr. Liu Wei
Mr. Liu Peimin
Mr. Dai Lixin
Mr. Jörg Mommertz
Mr. Sun Chenglong

AUDIT COMMITTEE

Dr. Lin Zhijun *(Chairman)*
Dr. Wang Dengfeng
Mr. Lyu Shousheng

STRATEGY AND INVESTMENT COMMITTEE

Mr. Cai Dong *(Chairman)*
Mr. Wang Shanpo
Mr. Jörg Mommertz
Mr. Sun Chenglong
Mr. Zhao Hang

REMUNERATION COMMITTEE

Mr. Lyu Shousheng *(Chairman)*
Dr. Lin Zhijun
Mr. Yang Weicheng
Mr. Liang Qing
Mr. Liu Wei

HEAD QUARTERS

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

REGISTERED OFFICE IN HONG KONG

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

COMPANY SECRETARY

Mr. Kwok Ka Yiu

AUTHORIZED REPRESENTATIVES

Mr. Dai Lixin
Mr. Kwok Ka Yiu

BOARD SECRETARY

Mr. Dai Lixin

PRINCIPAL BANKERS

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

LEGAL ADVISERS

HONG KONG

Sidley Austin

PRC

DeHeng Law Offices

AUDITOR

PricewaterhouseCoopers

SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited

COMPANY WEBSITE

www.sinotruk.com

SECURITIES CODE

Equity: 3808.hk

INVESTOR RELATIONS

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

THE GROUP

BUSINESS

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

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

OPERATIONS

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

(I) HEAVY DUTY TRUCKS SEGMENT

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

(II) LIGHT DUTY TRUCKS AND BUSES SEGMENT

The Group's LDT products mainly include HOWO, Huanghe, Fuluo, Haoman and Wangpai "7 series" products, which production bases are located at Ji'nan, Chengdu and Fujian, the PRC. The Group's bus products cover a full range of 6 - 18 meters of medium and large-sized buses, including pure electric power bus, hybrid power bus, hydrogen fuel bus, dual-source trolley bus, diesel bus and natural gas bus, which fully meet different customer needs. Its production base is located in Ji'nan, PRC.

(III) ENGINES SEGMENT

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

(IV) FINANCE SEGMENT

The finance segment of the Group provides financial services to those parties related to the production and sales of the Group's products and to the CNHTC Group. Financial services include deposits taking, borrowings, commercial notes and bank bills discounting, auto financing services and supply chain financing services. It also cooperates with authorized financial institutions to provide auto financing services. It builds up an auto financing services network. At present, it has already set up 26 regional offices and extended its financing services to over 30 provinces, covering most areas in the PRC.

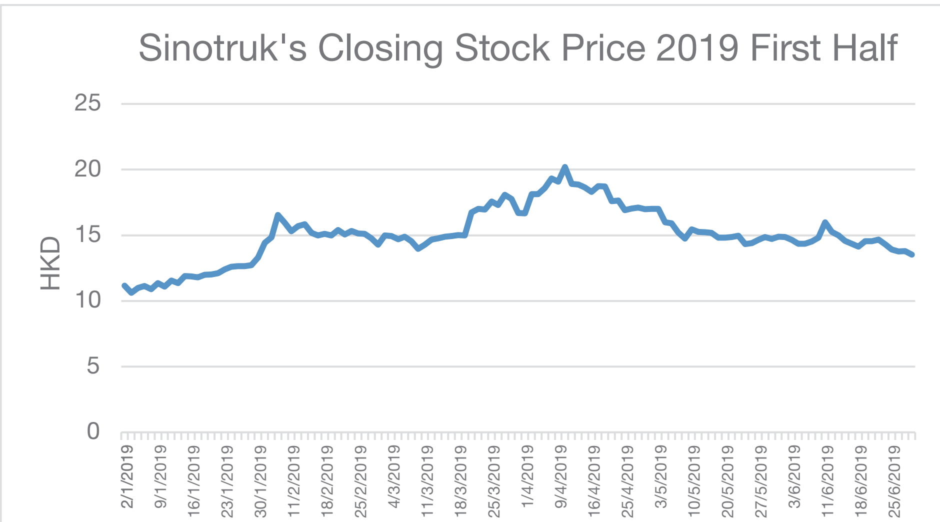
SHAREHOLDER INFORMATION

SHARE INFORMATION

Stock code	3808
Listing as at 30 June 2019	
– Number of issued Shares	2,760,993,339
– Market capitalisation	RMB32,837 million
Board lot size	500 Shares

SHARE PRICES DURING THE PERIOD

Highest price	HKD20.40
Lowest price	HKD10.30
Average closing price	HKD15.06



SHAREHOLDER INFORMATION

SHAREHOLDING DISTRIBUTION AS AT 30 JUNE 2019 (BASED ON SINOTRUK'S REGISTER OF MEMBERS)

Size of Shareholding	No. of Shareholders	% of Shareholders	No. of Shares held	% of no. of Shares issued
1 — 500	7,489	77.8%	3,711,124	0.1%
501 — 1,000	1,382	14.4%	1,381,501	0.1%
1,001 — 2,000	624	6.5%	988,501	0.1%
2,001 — 10,000	109	1.1%	449,500	0.0%
10,001 — 100,000	21	0.2%	600,000	0.0%
100,001 — 500,000	2	0.0%	257,500	0.0%
Above 500,000	4	0.0%	2,753,605,213	99.7%
	9,631	100.0%	2,760,993,339	100.0%

Details about Sinotruk's major Shareholders are disclosed in the section headed "SHAREHOLDING ANALYSIS" in the OTHER INFORMATION contained in this report.

SINOTRUK'S REGISTRAR - COMPUTERSHARE HONG KONG INVESTOR SERVICES LIMITED

For corporate communications:

By post: 17M Floor, Hopewell Centre
183 Queen's Road East
Wan Chai, Hong Kong

By email: securities@sintorukhk.com

For transfer of shares:

Address: Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wan Chai, Hong Kong

Tel: (852) 2862 8555

MANAGEMENT DISCUSSION AND ANALYSIS

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 grow 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 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 vehicles 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 rises. 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

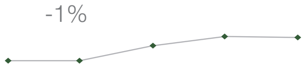
The following charts and table present the Group's KPIs for the six months ended 30 June of the following years:

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

HDTs sales volume (units)

92,668

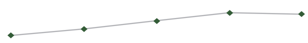
-1%



LDTs sales volume (units)

65,401

-5%



Buses sales volume (units)

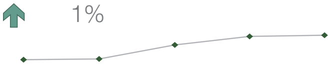
507

-45%

Revenue

34,492

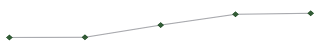
1%



Profit attributable to owners of the Company

2,493

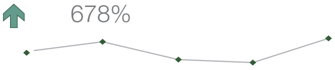
3%



Net cash generated from operating activities

4,012

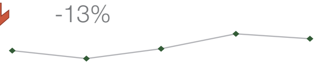
678%



CAPEX

503

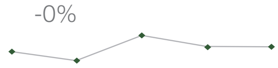
-13%



Liabilities to assets ratio

55.7%

-0%



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.

MANAGEMENT DISCUSSION AND ANALYSIS

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》),

MANAGEMENT DISCUSSION AND ANALYSIS

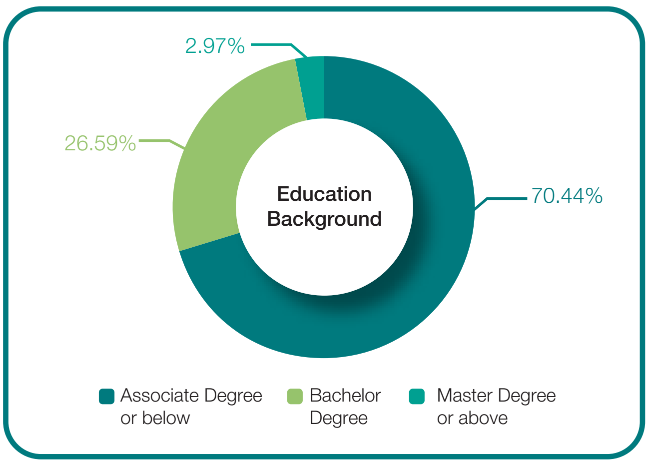
and has centralised to report and pay social insurance such as basic retirement insurance premiums, basic medical insurance premiums, unemployment insurance premiums, work-related injury insurance premiums, and maternity insurance premiums. The Group also provides a free inauguration medical examination 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	24,728	100.00



MANAGEMENT DISCUSSION AND ANALYSIS

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 report.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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, respresenting 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 report.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 in 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 report.

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

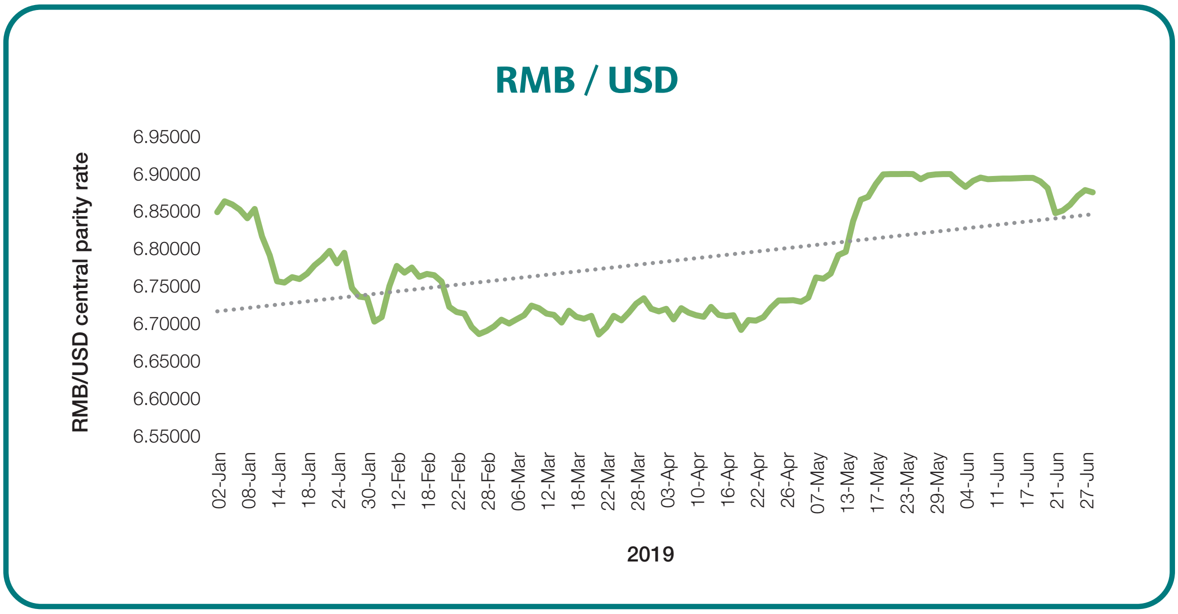
Save as disclosed, as at 30 June 2019, there were no assets of the Group being pledged to secure credit facilities (31 December 2018: Nil).

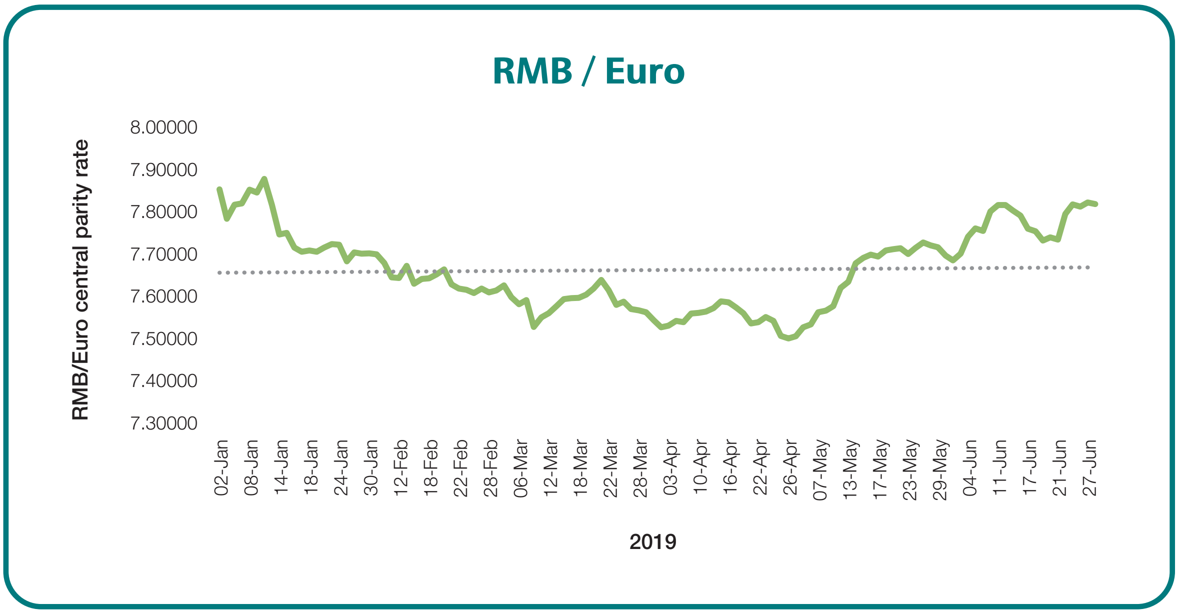
FINANCIAL MANAGEMENT AND POLICY

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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

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.

OTHER INFORMATION

BOARD

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

As at 30 June 2019, the Board had a total number of seventeen Directors including seven EDs, four NEDs and six INEDs. Seven EDs included Mr. Cai Dong, Mr. Wang Shanpo, Mr. Liu Wei, Mr. Liu Peimin, Mr. Dai Lixin, Mr. Jörg Mommertz and Mr. Sun Chenglong. Four NEDs included Mr. Andreas Hermann Renschler, Mr. Joachim Gerhard Drees, Mr. Jiang Kui and Ms. Annette Danielski. Six INEDs included Dr. Lin Zhijun, Mr. Yang Weicheng, Dr. Wang Dengfeng, Mr. Zhao Hang, Mr. Liang Qing and Mr. Lyu Shousheng.

Ms. Wan Chunling resigned as the ED on 29 January 2019 and Mr. Chen Zheng resigned as the INED on 15 May 2019. Each of Ms. Wan Chunling and Mr. Chen Zheng has confirmed that she/he has no disagreement with the Board and nothing relating to the affairs of the Company needed to be brought to the attention of the Shareholders.

EXECUTIVE COMMITTEE

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

As at 30 June 2019, the Executive Committee comprised seven members, namely, Mr. Cai Dong, Mr. Wang Shanpo, Mr. Liu Wei, Mr. Liu Peimin, Mr. Dai Lixin, Mr. Jörg Mommertz and Mr. Sun Chenglong. Mr. Cai Dong is the chairman of the Executive Committee.

STRATEGY AND INVESTMENT COMMITTEE

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

As at 30 June 2019, the Strategy and Investment Committee comprised four members, namely, Mr. Cai Dong, Mr. Wang Shanpo, Mr. Jörg Mommertz and Mr. Zhao Hang. Mr. Cai Dong, Mr. Wang Shanpo and Mr. Jörg Mommertz are the EDs. Mr. Zhao Hang is the INED. Mr. Cai Dong is the chairman of the Strategy and Investment Committee.

REMUNERATION COMMITTEE

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

As at 30 June 2019, the Remuneration Committee comprised five members, namely, Mr. Lyu Shousheng, Dr. Lin Zhijun, Mr. Yang Weicheng, Mr. Liang Qing and Mr. Liu Wei. Mr. Lyu Shousheng, Dr. Lin Zhijun, Mr. Yang Weicheng and Mr. Liang Qing are the INEDs while Mr. Liu Wei is the ED. Mr. Lyu Shousheng is the chairman of the Remuneration Committee.

OTHER INFORMATION

AUDIT COMMITTEE

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

As at 30 June 2019, the Audit Committee comprised three members, namely, Dr. Lin Zhijun, Dr. Wang Dengfeng and Mr. Lyu Shousheng who are all INEDs. Dr. Lin Zhijun is the chairman of the Audit Committee.

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.

SHAREHOLDERS AND INVESTOR RELATIONS COMMUNICATION POLICY

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

OTHER INFORMATION

Sinotruk's website has been adopted as the designated company website for publication of the Company's announcements, notices and other corporate communications. As at 30 June 2019, about 90.6 per cent of registered Shareholders in Sinotruk's register of the members did not opt to receive corporate communications via print version.

SHAREHOLDING ANALYSIS

Based on publicly available information and within the Directors' knowledge as at 30 June 2019, approximately 24 per cent of Sinotruk's shares were held by the public.

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

The Company's market capitalisation and shareholding distribution as at 30 June 2019 are set out in the section headed "Shareholder Information" of this report.

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.

OTHER INFORMATION

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

As at 30 June 2019, the directors and chief executives of the Company and their associates (as defined in the Listing Rules) had the following interests in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of Part XV of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code:

ASSOCIATED CORPORATION

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

Long position

Name of Director	Nature of interest	Number of ordinary shares held	Percentage of shareholding
Mr. Cai Dong	Family interest	18,900	0.0028%

Save as disclosed above, as at 30 June 2019, none of the Directors and chief executives of the Company or their associates (as defined in the Listing Rules) had, or were deemed to have interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 30 June 2019, other than the interests of the Directors and chief executives of the Company as disclosed above, the Company had been notified of the following interests in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of Part XV of the SFO:

A) THE COMPANY

Long position

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

OTHER INFORMATION

Notes:

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

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

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

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

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

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

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

(h) TRATON SE holds 75.28% interest in MAN SE. TRATON SE is deemed to have interest in all the Shares held (or deemed to be held) by MAN SE under the SFO.

(i) MAN SE holds 100% interest in MAN Finance and Holding S.A. MAN SE is deemed to have interest in all the Shares held (or deemed to be held) by MAN Finance and Holding S.A. under the SFO.

(j) Notwithstanding the information recorded in the register required to be kept by the Company under section 336 of Part XV of the SFO, the Company has been informed that, as at 30 June 2019, Famille Porsche Beteiligung GmbH held a 27.73% interest in the capital of Porsche Automobil Holding SE and had a voting interest of 55.46% in this entity.

(k) Notwithstanding the information recorded in the register required to be kept by the Company under section 336 of Part XV of the SFO, the Company has been informed that, as at 30 June 2019, Porsche Automobil Holding SE held a 30.80% interest in the capital of Volkswagen AG and had a voting interest of 52.20% in this entity.

(l) Notwithstanding the information recorded in the register required to be kept by the Company under section 336 of Part XV of the SFO, the Company has been informed that, as at 30 June 2019, Volkswagen AG held a 88.5% interest in the capital of TRATON SE.

(m) Notwithstanding the information recorded in the register required to be kept by the Company under section 336 of Part XV of the SFO, the Company has been informed that, as at 30 June 2019, TRATON SE held a 86.87% interest in the capital of MAN SE and had a voting interest of 87.04% in this entity.

B) MEMBERS OF THE GROUP

Long position

Name of equity holder	Nature of interests	Name of the member of the Group	Percentage of equity interest held
Liuzhou Yunli Assets Investment and Guarantee Co., Ltd.	Beneficial owner	Sinotruk Liuzhou Yunli Special Vehicles Co., Ltd.	40%
Yongan Fudi Investment Co., Ltd.	Beneficial owner	Sinotruk Fujian Haixi Vehicles Co., Ltd.	20%
Chengdu Dachenggong Mechanics Co., Ltd.	Beneficial owner	Sinotruk Chengdu Wangpai Commercial Vehicles Co., Ltd.	20%
Suizhou Huawei Investment Holdings Co., Ltd.	Beneficial owner	Sinotruk Hubei Huawei Special Vehicle Co., Ltd.	40%
Kodiak America LLC.	Beneficial owner	Sinotruk Liuzhou Yunli Kodiak Machinery Co., Ltd.	49%

Save as disclosed above, as at 30 June 2019, no other persons had any interests or short positions in the shares or underlying shares of the Company recorded in the register required to be kept by the Company under section 336 of Part XV of the SFO or were directly or indirectly interested in 5% or more of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

CONSTITUTIONAL DOCUMENTS

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

By order of the Board
Cai Dong
Chairman of the Board and President

Ji'nan, PRC, 30 August 2019

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

羅兵咸永道

Report On Review of Interim Financial Information
To the Board of Directors of Sinotruk (Hong Kong) Limited
(incorporated in Hong Kong with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 35 to 76, which comprises the interim condensed consolidated statement of financial position of Sinotruk (Hong Kong) Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2019 and the interim condensed consolidated statement of profit or loss, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 30 August 2019

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2019
(All amounts in RMB thousands unless otherwise stated)

	Note	Six months ended 30 June 2019 Unaudited	Six months ended 30 June 2018 Restated
Revenue	6	**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	7	**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	8	**25,363**	60,905
Profit before income tax		**3,472,110**	3,240,785
Income tax expense	9	**(757,668)**	(627,056)
Profit for the period		**2,714,442**	2,613,729
Profit attributable to:			
– Owners of the Company		**2,493,122**	2,418,898
– Non-controlling interests		**221,320**	194,831
		2,714,442	2,613,729
Earnings per share for profit attributable to owners of the Company for the period (expressed in RMB per share) – basic and diluted	10	**0.90**	0.88

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 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:			
Items that will not be reclassified subsequently to profit or loss			
Remeasurements of post-employment benefit obligations		**(754)**	109
Items that may be reclassified to profit or loss			
Share of other comprehensive income of investments accounted for using the equity method	8	**57**	1,472
Currency translation differences		**(1,583)**	(3,224)
Other comprehensive loss for the period, net of tax		**(2,280)**	(1,643)
Total comprehensive income for the period		**2,712,162**	2,612,086
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		**2,712,162**	2,612,086

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 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	3.1	—	1,611,631
Right-of-use assets	3.1	1,651,583	—
Property, plant and equipment	12	10,164,980	10,451,415
Investment properties	13	793,942	712,797
Intangible assets	12	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	8	532,803	534,148
Financial assets at fair value through other comprehensive income	14	37,925	37,925
Financial assets at fair value through profit or loss		176,703	173,688
Receivables and other assets	15	3,200,056	2,300,620
		18,378,977	17,641,334
Current assets			
Inventories	16	9,478,750	11,600,047
Receivables and other assets	15	17,959,488	15,023,133
Financial assets at amortised cost	17	72,798	33,990
Financial assets at fair value through other comprehensive income	14	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	26(b)	513,906	370,972
Cash and bank balances	18	13,617,359	15,190,878
		47,904,699	46,827,435
Total assets		66,283,676	64,468,769
EQUITY			
Equity attributable to owners of the Company			
Share capital	19	16,717,024	16,717,024
Other reserves		98,628	(60,683)
Retained earnings		9,609,057	8,832,204
		26,424,709	25,488,545
Non-controlling interests		2,961,803	2,852,307
Total equity		29,386,512	28,340,852

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
LIABILITIES			
Non-current liabilities			
Lease liabilities	3.1	**40,559**	—
Deferred income tax liabilities		**31,695**	41,056
Termination and post-employment benefit obligations	20	**9,500**	9,307
Deferred income		**306,176**	316,438
		387,930	366,801
Current liabilities			
Lease liabilities	3.1	**30,623**	—
Trade payables and other liabilities	21	**32,731,236**	29,194,413
Current income tax liabilities		**410,706**	284,642
Borrowings	22	**1,600,000**	3,000,000
Amounts due to related parties	26(b)	**678,981**	2,305,088
Provisions for other liabilities	23	**1,057,688**	976,973
		36,509,234	35,761,116
Total liabilities		**36,897,164**	36,127,917
Total equity and liabilities		**66,283,676**	64,468,769

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

The condensed consolidated interim financial information on pages 35 to 76 were approved by the Board of Directors on 30 August 2019 and were signed on its behalf.

Cai Dong
Director

Sun Chenglong
Director

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019
(All amounts in RMB thousands unless otherwise stated)

		Restated										
		Attributable to owners of the Company									Non-controlling interests	Total equity
	Note	Share capital	Capital reserve	Revaluation reserve	Statutory reserves	Discretionary reserve	Merger reserve	Translation reserve	Retained earnings	Total		
Balance at 31 December 2017		16,717,024	(3,623,161)	68,742	1,707,360	104,294	1,144,582	21,700	6,616,922	22,757,463	2,673,248	25,430,711
Business combination between entities under common control		–	–	–	–	–	273,388	–	(212,623)	60,765	–	60,765
Changes in accounting policies		–	–	(27,493)	–	–	–	–	(44,509)	(72,002)	(3,691)	(75,693)
Balance at 1 January 2018		16,717,024	(3,623,161)	41,249	1,707,360	104,294	1,417,970	21,700	6,359,790	22,746,226	2,669,557	25,415,783
Profit for the period		–	–	–	–	–	–	–	2,418,898	2,418,898	194,831	2,613,729
Other comprehensive income												
Remeasurements of termination and post-employment benefit obligations		–	–	33	–	–	–	–	–	33	76	109
Share of other comprehensive income of investments accounted for using the equity method		–	–	–	–	–	–	1,472	–	1,472	–	1,472
Currency translation differences		–	–	–	–	–	–	(3,224)	–	(3,224)	–	(3,224)
Total other comprehensive income for the period		–	–	33	–	–	–	(1,752)	–	(1,719)	76	(1,643)
Transactions with owners in their capacity as owners												
Dividends of the Company relating to 2017		–	–	–	–	–	–	–	(1,614,554)	(1,614,554)	–	(1,614,554)
Dividends of subsidiaries distributed to non-controlling interests		–	–	–	–	–	–	–	–	–	(175,759)	(175,759)
Changes in ownership interests in a subsidiary without change of control		–	11,194	–	–	–	–	–	–	11,194	(11,194)	–
Total transactions with owners in their capacity as owners		–	11,194	–	–	–	–	–	(1,614,554)	(1,603,360)	(186,953)	(1,790,313)
Appropriation to reserves		–	–	–	58,218	–	–	–	(58,218)	–	–	–
Balance at 30 June 2018		16,717,024	(3,611,967)	41,282	1,765,578	104,294	1,417,970	19,948	7,105,916	23,560,045	2,677,511	26,237,556

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019
(All amounts in RMB thousands unless otherwise stated)

		Unaudited										
		Attributable to owners of the Company									Non-controlling interests	Total equity
	Note	Share capital	Capital reserve	Revaluation reserve	Statutory reserves	Discretionary reserve	Merger reserve	Translation reserve	Retained earnings	Total		
Balance at 31 December 2018		16,717,024	(3,613,302)	41,310	1,966,283	104,294	1,144,582	22,762	9,092,592	25,475,545	2,852,307	28,327,852
Business combination between entities under common control		–	–	–	–	–	273,388	–	(260,388)	13,000	–	13,000
Balance at 1 January 2019		16,717,024	(3,613,302)	41,310	1,966,283	104,294	1,417,970	22,762	8,832,204	25,488,545	2,852,307	28,340,852
Profit for the period		–	–	–	–	–	–	–	2,493,122	2,493,122	221,320	2,714,442
Other comprehensive income												
Remeasurements of post-employment benefit obligations		–	–	(741)	–	–	–	–	–	(741)	(13)	(754)
Share of other comprehensive income of investments accounted for using the equity method		–	–	–	–	–	–	57	–	57	–	57
Currency translation differences		–	–	–	–	–	–	(1,583)	–	(1,583)	–	(1,583)
Total other comprehensive loss for the period		–	–	(741)	–	–	–	(1,526)	–	(2,267)	(13)	(2,280)
Transactions with owners in their capacity as owners												
Dividends of the Company relating to 2018		–	–	–	–	–	–	–	(1,554,691)	(1,554,691)	–	(1,554,691)
Dividends of subsidiaries distributed to non-controlling interests		–	–	–	–	–	–	–	–	–	(111,811)	(111,811)
Total transactions with owners in their capacity as owners		–	–	–	–	–	–	–	(1,554,691)	(1,554,691)	(111,811)	(1,666,502)
Appropriation to reserves		–	–	–	161,578	–	–	–	(161,578)	–	–	–
Balance at 30 June 2019		16,717,024	(3,613,302)	40,569	2,127,861	104,294	1,417,970	21,236	9,609,057	26,424,709	2,961,803	29,386,512

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019
(All amounts in RMB thousands unless otherwise stated)

	Note	Six months ended 30 June 2019 Unaudited	2018 Restated
Cash flows from operating activities			
Cash generated from operations		**4,895,735**	1,296,113
Interest paid		**(107,613)**	(114,653)
Income tax paid		**(775,732)**	(665,729)
Net cash generated from operating activities		**4,012,390**	515,731
Cash flows from investing activities			
Purchase of property, plant and equipment		**(79,666)**	(458,007)
Proceeds from disposals of property, plant and equipment		**19,271**	1,461
Proceeds from disposals of assets classified as held for sale		**–**	184,682
Purchase of intangible assets		**(64,910)**	(29,935)
Purchase of financial assets at amortised cost		**–**	(1,200,000)
Proceeds from disposal of financial assets at amortised cost		**–**	1,516,595
Purchase of financial assets at fair value through profit or loss		**(17,250,000)**	(5,442,636)
Proceeds from disposal of financial assets at fair value through profit or loss		**15,398,805**	6,965,216
Dividends income received from financial assets at fair value through profit or loss		**6,209**	264
Interest received		**61,471**	36,035
Dividends received from an associate		**17,146**	22,723
Dividends received from a joint venture		**9,505**	—
Net cash (used in)/generated from investing activities		**(1,882,169)**	1,596,398
Cash flows from financing activities			
Proceeds from borrowings	22	**802,460**	4,235,000
Repayments of borrowings	22	**(4,252,460)**	(4,310,000)
Dividends paid to non-controlling interests of subsidiaries		**(111,811)**	(171,724)
Principal elements of lease payment		**(15,714)**	—
Purchase of a subsidiary		**(306,612)**	—
Net cash used in financing activities		**(3,884,137)**	(246,724)
Net (decrease)/increase in cash and cash equivalents		**(1,753,916)**	1,865,405
Cash and cash equivalents at beginning of the period		**12,826,516**	9,896,098
Exchange gains on cash and cash equivalents		**11,902**	30,210
Cash and cash equivalents at end of the period	18	**11,084,502**	11,791,713

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019
(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).

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").

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019
(All amounts in RMB thousands unless otherwise stated)

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 HKFRSs 2015-2017 Cycle	Annual improvements of HKFRS 3, HKFRS 11, HKAS12 and HKAS 23	1 January 2019

The Group leases various offices, warehouses, equipment and vehicles. Rental contracts are made for fixed periods. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments (including in-substance fixed payments).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019
(All amounts in RMB thousands unless otherwise stated)

3 ACCOUNTING POLICIES (CONTINUED)

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

The lease payments are discounted using incremental borrowing rate of the Group which the Group would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability; and
- any lease payments made at or before the commencement date.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. There is no low-value assets.

Extension options are included in a number of property and equipment leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension options held are exercisable only by the Group and not by the respective lessor. None of the extension option was exercised in the six months ended 30 June 2019.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option. Extension options are only included in the lease term if the lease is reasonably certain to be extended.

The Group has adopted HKFRS 16 Leases from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the simplified transition approach in the standard. The reclassifications and the adjustments arising from the new leasing standards are therefore recognised in the opening consolidated statement of financial position on 1 January 2019.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as at 1 January 2019 in each territory or region where the lease assets are located. The weighted average discount rate applied to the lease liabilities on 1 January 2019 was 4.13%.

Operating lease commitments disclosed as at 31 December 2018	17,148
Less:	
Short-term leases recognised on a straight-line basis as expense	(6,582)
	10,566
Discounted using the lessee's incremental borrowing rate at the date of initial application, lease liabilities recognised as at 1 January 2019	9,918
Add:	
Rental prepayment recogised as at 31 December 2018	63
Reclassification of Leasehold land and land use rights	1,611,631
Right-of-use assets recognised as at 1 January 2019	1,621,612

(All amounts in RMB thousands unless otherwise stated)

3 ACCOUNTING POLICIES (CONTINUED)

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

The right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid rental expenses relating to that lease recognised in the consolidated statement of financial position as at 1 January 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to the following types of assets:

	30 June 2019	1 January 2019
Leasehold land and land use rights	**1,581,008**	1,611,631
Buildings	**70,359**	9,981
Equipment and vehicles	**216**	—
Total right-of-use assets	**1,651,583**	1,621,612
Current lease liabilities	**30,623**	5,038
Non-current lease liabilities	**40,559**	4,880
Total lease Liabilities	**71,182**	9,918

The change in accounting policies 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019
(All amounts in RMB thousands unless otherwise stated)

3 ACCOUNTING POLICIES (CONTINUED)

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

(i) Impact on segment disclosures and profit

Segment profit for the six months ended 30 June 2019, segments assets and segment liabilities as at 30 June 2019 all increased as a result of the change in accounting policy. Lease liabilities are now included in segment liabilities, whereas finance lease liabilities were previously excluded from segment liabilities. The following segments were affected by the change in policy:

	Segment profit	Segment assets	Segment liabilities
Heavy duty trucks	356	41,650	42,006
Light duty trucks and buses	246	27,852	28,098
Engines	3	593	596
Finance	2	480	482
	607	70,575	71,182

There is no impact to basic earnings per share for the six months ended 30 June 2019 as a result of the adoption of HKFRS 16.

(ii) Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HKFRIC 4 Determining whether an Arrangement contains a Lease.

(All amounts in RMB thousands unless otherwise stated)

3 ACCOUNTING POLICIES (CONTINUED)

3.2 The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning on 1 January 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.

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.

For this business combination under common control, the financial information of the Group and that of HOWO Bus has been combined, by using the merger accounting, as if the Group had acquired HOWO Bus from the beginning of the earliest financial period presented. The net assets of the Group and HOWO Bus are combined using the existing book values from the perspective of CNHTC, the controlling party. No amount is recognized in consideration for goodwill or excess of the Group's interest in the net fair value of HOWO Bus's identifiable assets, liabilities and contingent liabilities over the cost of acquisition at the time of common control combination. The difference between the consolidation and book value of HOWO Bus at the time of common control combination is taken to the reserves of the Group. Accordingly, the comparative figures of this consolidated financial information have been restated.

The consolidated income statement includes the results of each of the combining entities from the earliest date presented or since the date when the combining entities first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019
(All amounts in RMB thousands unless otherwise stated)

3 ACCOUNTING POLICIES (CONTINUED)

3.3 Business combination between entities under common control (Continued)

The comparative amounts in the consolidated financial statements are presented as if the entities had been combined at the previous date of consolidated statement of financial position unless they first came under common control at a later date.

Transaction costs, including professional fees, registration fees, costs of furnishing information to shareholders, costs or losses incurred in combining operations of the previously separate businesses, included in relation to the common control combination that are to be accounted for by using merger accounting are recognized as expense in the year in which they are incurred.

4 ESTIMATES

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2018, except for the changes in estimates that are required in determining the provision for income taxes, the estimates and judgements applied under the adoption of HKFRS 16 and useful lives of equipment as described below.

(i) Critical judgements in determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension. Extension options are only included in the lease term if the lease is reasonably certain to be extended. Potential future cash outflows have been included in the lease liability because it is reasonably certain that the leases will be extended.

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

(ii) Useful lives of equipment

The Group decided to depreciate the fixed assets of related equipment with high vibration, high corrosion and rapid technological advancement by double declining balance method from 1 March 2019; the Group expects to increase the depreciation expense of 2019 by approximately RMB79,267,000 after adopting the double declining balance method.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019
(All amounts in RMB thousands unless otherwise stated)

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

5.1 Financial risk factors

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

The condensed consolidated interim financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2018.

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

5.2 Liquidity risk

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the date of the financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Unaudited Repayment period			
As at 30 June 2019	**Less than 1 year**	**Between 1 and 2 years**	**More than 2 years**	**Total**
Borrowings	**1,600,000**	**–**	**–**	**1,600,000**
Interests payments on borrowings (a)	**38,089**	**–**	**–**	**38,089**
Trade and other payables	**29,789,998**	**–**	**–**	**29,789,998**
Amounts due to related parties	**669,219**	**–**	**–**	**669,219**
Interests payments on borrowings from related parties	**763**	**–**	**–**	**763**
	32,098,069	**–**	**–**	**32,098,069**

	Restated Repayment period			
As at 31 December 2018	Less than 1 year	Between 1 and 2 years	More than 2 years	Total
Borrowings	3,000,000	—	—	3,000,000
Interests payments on borrowings (a)	54,707	—	—	54,707
Trade and other payables	25,953,793	—	—	25,953,793
Amounts due to related parties	2,297,725	—	—	2,297,725
Interests payments on borrowings from related parties	26,816	—	—	26,816
	31,333,041	—	—	31,333,041

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019
(All amounts in RMB thousands unless otherwise stated)

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

5.2 Liquidity risk (Continued)

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

5.3 Fair value estimation

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

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

The following table presents the Group's financial assets that are measured at fair value at 30 June 2019:

	Unaudited			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Financial assets at fair value through profit or loss	**46,765**	**601,566**	**3,551,812**	**4,200,143**
Financial assets at fair value through other comprehensive income	**—**	**—**	**2,276,883**	**2,276,883**
Total assets	**46,765**	**601,566**	**5,828,695**	**6,477,026**

The following table presents the Group's financial assets that are measured at fair value at 31 December 2018:

	Restated			
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss	103,544	1,458,268	690,056	2,251,868
Financial assets at fair value through other comprehensive income	—	—	2,568,160	2,568,160
Total assets	103,544	1,458,268	3,258,216	4,820,028

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

5.3 Fair value estimation (Continued)

During the six months ended 30 June 2019, there were no significant changes in the business or economic circumstances that affect the fair value of the Group's financial assets.

During the six months ended 30 June 2019, there were no reclassifications of financial assets, no transfers among different levels and no other changes in valuation techniques.

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

Level 2 financial assets at fair value through profit or loss comprise wealth management products acquired from banks with principal preservation and floating return. The investment principals are RMB600 million and interest rates are determined based on the range of foreign exchange rate of AUD/USD or price of gold that are quoted in active market.

Level 3 financial assets at fair value through profit or loss include wealth management products acquired from a trust company at a principal of RMB152 million with principal and interest rates non-guaranteed and from banks at aggregate principals of RMB3,350 million with principal and interest rates non-guaranteed. Their fair values are estimated by using a discounted cash flow approach and main inputs used by the Group are estimated yield rates written in contracts by the counterparties.

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

Level 3 financial assets at fair value through other comprehensive income comprise bank and commercial acceptance notes that are held for collection of contractual cash flow and for selling the financial assets. The fair values are estimated by using a discounted cash flow approach with discount rates quoted in main state-owned bank.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019
(All amounts in RMB thousands unless otherwise stated)

6 SEGMENT INFORMATION

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

The Executive Committee considers the 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.

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 TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019
(All amounts in RMB thousands unless otherwise stated)

6 SEGMENT INFORMATION (CONTINUED)

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

	Unaudited					
	Heavy duty trucks	Light duty trucks and buses	Engines	Finance	Elimination	Total
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 TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019
(All amounts in RMB thousands unless otherwise stated)

6 SEGMENT INFORMATION (CONTINUED)

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

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

(All amounts in RMB thousands unless otherwise stated)

6 SEGMENT INFORMATION (CONTINUED)

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

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

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	737,776	1,564,311
Total	66,283,676	36,897,164

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019
(All amounts in RMB thousands unless otherwise stated)

6 SEGMENT INFORMATION (CONTINUED)

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

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

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	29,602	7,218
Total	64,468,769	36,127,917

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019
(All amounts in RMB thousands unless otherwise stated)

7 OPERATING PROFIT

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

	Six months ended 30 June	
	2019	2018
	Unaudited	Restated
Employee benefit expenses	**2,111,178**	2,000,356
Warranty expenses (Note 23)	**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 (Note 12)	**688,253**	562,098
Amortisation of intangible assets (Note 12)	**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)

8 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

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

	30 June	31 December
	2019	2018
	Unaudited	Restated
Associates (a)	**382,727**	381,307
Joint venture (b)	**150,076**	152,841
	532,803	534,148

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

	Six months ended 30 June	
	2019	2018
	Unaudited	Restated
Associates (a)	**18,623**	50,645
Joint venture (b)	**6,740**	10,260
	25,363	60,905

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019
(All amounts in RMB thousands unless otherwise stated)

8 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(a) Investments in associates

	Six months ended 30 June	
	2019	2018
At 1 January (Restated)	**381,307**	333,675
Share of profits less losses	**18,623**	50,645
Share of other comprehensive losses	**(57)**	(599)
Dividend received	**(17,146)**	(22,723)
At 30 June (Unaudited)	**382,727**	360,998

(b) Investment in a joint venture

	Six months ended 30 June	
	2019	2018
At 1 January (Restated)	**152,841**	144,152
Share of profits less losses	**6,740**	10,260
Share of other comprehensive income	**—**	2,071
Dividend received	**(9,505)**	—
At 30 June (Unaudited)	**150,076**	156,483

9 INCOME TAX EXPENSE

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

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.

9 INCOME TAX EXPENSE (CONTINUED)

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.

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019
(All amounts in RMB thousands unless otherwise stated)

10 EARNINGS PER SHARE

Basic

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

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

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.

11 DIVIDENDS

The Board does not recommend an interim dividend for the six months ended 30 June 2019 (2018: Nil). The final dividend of the Company for the year ended 31 December 2018 was approximately HKD1,767,036,000 or approximately RMB1,554,691,000 (year 2017 final dividend: approximately HKD1,932,695,000 or approximately RMB1,614,544,000). The relevant final dividend and the corresponding withholding dividend tax were paid in July 2019.

During the six months ended 30 June 2019, certain Group's non-wholly owned subsidiaries have approved dividends to non-controlling interests amounting to approximately RMB111,811,000 (2018: approximately RMB175,759,000).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019
(All amounts in RMB thousands unless otherwise stated)

12 CAPITAL EXPENDITURES

	Property, plant and equipment	Intangible assets
Six months ended 30 June 2019		
At 1 January 2019 (Restated)	**10,451,415**	**325,163**
Additions	**491,342**	**11,910**
Transfers	**(68,790)**	**1,716**
Disposals	**(20,734)**	**—**
Depreciation and amortisation (Note 7)	**(688,253)**	**(32,148)**
At 30 June 2019 (Unaudited)	**10,164,980**	**306,641**
Six months ended 30 June 2018		
At 1 January 2018 (Restated)	9,961,110	357,655
Additions	577,430	785
Disposals	(1,986)	—
Depreciation and amortisation (Note 7)	(562,098)	(30,944)
At 30 June 2018 (Restated)	9,974,456	327,496

As at 30 June 2019, the Group is in the process of applying certificate of ownership for the buildings with net book amount of approximately RMB69,234,062 (31 December 2018: approximately RMB138,119,840). As at the date of these condensed consolidated interim financial information was approved, the process is still undergoing.

13 INVESTMENT PROPERTIES

	Six months ended 30 June	
	2019	2018
At 1 January (Restated)	**712,797**	709,576
Transfers	**81,145**	—
At 30 June (Unaudited)	**793,942**	709,576

(a) Leases term

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019
(All amounts in RMB thousands unless otherwise stated)

13 INVESTMENT PROPERTIES (CONTINUED)

(b) Fair value hierarchy

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

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

Fair value hierarchy

	Unaudited		
	Fair value measurements as at 30 June 2019		
Description	**Quoted prices in active markets for identical assets (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Recurring fair value measurements:			
– Warehouses	**–**	**–**	**59,447**
– Factories	**–**	**–**	**368,486**
– Office units	**–**	**287,858**	**78,151**
	–	**287,858**	**506,084**

	Restated		
	Fair value measurements as at 31 December 2018		
Description	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Recurring fair value measurements:			
– Warehouses	–	–	59,447
– Factories	–	–	287,341
– Office units	–	287,858	78,151
	–	287,858	424,939

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019
(All amounts in RMB thousands unless otherwise stated)

13 INVESTMENT PROPERTIES (CONTINUED)

(c) Valuation techniques

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

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

There were no changes in valuation techniques during the period.

14 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30 June 2019 Unaudited	31 December 2018 Restated
Non-current		
Equity investments	**37,925**	37,925
Current		
Debt investments (a)		
– bank acceptance notes	**2,236,316**	2,512,798
– commercial acceptance notes	**2,642**	17,437
	2,238,958	2,530,235

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

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.

(a) The ageing analysis of these acceptance 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
	2,238,958	2,530,235

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019
(All amounts in RMB thousands unless otherwise stated)

15 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	**3,200,056**	2,300,620
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	**17,959,488**	15,023,133

(All amounts in RMB thousands unless otherwise stated)

15 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 2019 Unaudited	31 December 2018 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
	9,377,634	7,460,656

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 (Note 14). 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.

(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 2019 Unaudited	31 December 2018 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**	—
	10,350,234	8,543,272

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 TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019
(All amounts in RMB thousands unless otherwise stated)

16 INVENTORIES

	30 June 2019 Unaudited	31 December 2018 Restated
Raw materials	**1,714,142**	1,670,438
Work in progress	**1,026,638**	1,539,262
Finished goods - engines, parts and components	**214,959**	197,913
Finished goods – trucks	**6,841,674**	8,448,481
	9,797,413	11,856,094
Less: write-down of inventories to net realisable value	**(318,663)**	(256,047)
	9,478,750	11,600,047

17 FINANCIAL ASSETS AT AMORTISED COST

	30 June 2019 Unaudited	31 December 2018 Restated
Bills discounted (a)	**72,798**	33,990

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

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

	30 June 2019 Unaudited	31 December 2018 Restated
Less than 3 months	**42,610**	4,480
3 months to 6 months	**30,188**	24,351
6 months to 12 months	**–**	5,159
	72,798	33,990

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019
(All amounts in RMB thousands unless otherwise stated)

18 CASH AND BANK BALANCES

	30 June 2019 Unaudited	31 December 2018 Restated
Restricted cash	**2,532,857**	2,364,362
Cash and cash equivalents	**11,084,502**	12,826,516
	13,617,359	15,190,878

19 SHARE CAPITAL

Ordinary shares, issued and fully paid:

	Unaudited	
	Number of shares	Share capital
Balance at 1 January 2019 and at 30 June 2019	**2,760,993,339**	**16,717,024**

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

20 TERMINATION AND POST-EMPLOYMENT BENEFITS

	30 June 2019 Unaudited	31 December 2018 Restated
Termination benefits	**2,998**	2,979
Post-employment benefits	**6,443**	6,260
Post-employment medical insurance plan	**59**	68
	9,500	9,307

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019
(All amounts in RMB thousands unless otherwise stated)

21 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
	32,731,236	29,194,413

(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
	24,655,936	22,234,261

(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 TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019
(All amounts in RMB thousands unless otherwise stated)

22 BORROWINGS

	30 June 2019 Unaudited	31 December 2018 Restated
Current		
Short-term bank borrowings - unsecured	**1,600,000**	3,000,000

Interest expenses on borrowings for the six months ended 30 June 2019 were approximately RMB105,066,000 (2018: approximately RMB111,501,000), out of which approximately RMB1,364,000 (2018: approximately RMB1,212,000) arising on financing for the construction of plant and equipment were capitalised during the period and were included in "additions" in property, plant and equipment. A capitalisation rate of 3.93% per annum (2018: 4.02%) was used, representing the weighted average rate of the borrowing cost of the loans used to finance the projects.

The Group's borrowings are repayable as follows:

	30 June 2019 Unaudited	31 December 2018 Restated
Within 1 year	**1,600,000**	3,000,000

Movements in borrowings are analysed as follow:

	Six months ended 30 June	
	2019	2018
At 1 January (Restated)	**3,000,000**	4,990,000
Proceeds from borrowings	**1,502,460**	4,300,000
Repayments of borrowings	**(2,902,460)**	(6,290,000)
At 30 June (Unaudited)	**1,600,000**	3,000,000

The Group has the following undrawn borrowing facilities:

	30 June 2019 Unaudited	31 December 2018 Restated
Expiring within one year	**2,980,418**	3,738,833

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019
(All amounts in RMB thousands unless otherwise stated)

23 PROVISIONS FOR OTHER LIABILITIES

Products Warranties

	Six months ended 30 June	
	2019	2018
At 1 January (Restated)	**976,973**	1,029,919
Additional provisions (Note 7)	**471,252**	627,765
Utilised during the period	**(390,537)**	(435,670)
At 30 June (Unaudited)	**1,057,688**	1,222,014

24 CONTINGENT LIABILITIES

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

25 CAPITAL COMMITMENTS

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

	30 June 2019 Unaudited	31 December 2018 Restated
Purchase of property, plant and equipment and intangible assets	**386,347**	379,751

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019
(All amounts in RMB thousands unless otherwise stated)

26 RELATED PARTY TRANSACTIONS

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

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

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

The Directors consider that the major related parties are the CNHTC Group, the FPFPS Group, Hongye, Prinx Cayman Group, Panzhihua Mining Truck and Changjiu Sinotruk, key management personnel of the Company and CNHTC as well as their close family members, and other PRC government-related entities ("Other State-owned Enterprises").

(a) Significant related party transactions

Financing activities with related parties

(i) CNHTC

	Highest balance during six months ended 30 June 2019 Unaudited	Balance at 30 June 2019 Unaudited	Highest balance during six months ended 30 June 2018 Restated	Balance at 30 June 2018 Restated
Assets				
Loans	700,000	200,000	—	—
Liabilities				
Deposits taking	1,017,939	344,039	1,070,665	1,069,458
Borrowings	36,000	36,000	1,616,000	1,616,000
	1,053,939	380,039	2,686,665	2,685,458

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019
(All amounts in RMB thousands unless otherwise stated)

26 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Significant related party transactions (Continued)

Financing activities with related parties (Continued)

(ii) Hongye

	Highest balance during six months ended 30 June 2019 Unaudited	Balance at 30 June 2019 Unaudited	Highest balance during six months ended 30 June 2018 Restated	Balance at 30 June 2018 Restated
Liabilities				
Deposits taking	**127,369**	**58,330**	108,994	93,904

Trading, servicing and other transactions with related parties

	Six months ended 30 June 2019 Unaudited	2018 Restated
(i) CNHTC Group		
Sales of trucks	**120,293**	248,645
Purchases of trucks	**1,426,081**	1,401,822
Sales of spare parts	**307,004**	367,829
Purchases of spare parts	**719,509**	800,834
Supply of auxiliary production services	**5,385**	2,038
Purchases of general services	**36,148**	53,032
Rental income	**7,834**	8,327
Rental expenses	**14,685**	8,827
Purchases of construction and project management services	**2,727**	15,102
Provision for construction supervision design services	**2,643**	970
Interest expense for deposits taking service	**3,332**	4,528
Interest expenses for accepting loan service	**833**	796
Aggregate of interest income for loan service	**2,404**	8,909
Purchases of technology development	**166**	—
Fee income	**82**	293
	2,649,126	2,921,952

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019
(All amounts in RMB thousands unless otherwise stated)

26 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Significant related party transactions (Continued)

Trading, servicing and other transactions with related parties (Continued)

		Six months ended 30 June	
		2019	2018
		Unaudited	Restated
(ii)	**FPFPS Group**		
	Sales of spare parts	**14,889**	19,540
(iii)	**Prinx Cayman Group**		
	Purchases of spare parts	**194,576**	176,473
	Sales of raw materials	**7,216**	28,577
		201,792	205,050
(iv)	**Panzhihua Mining Truck**		
	Sales of trucks	**—**	2,325
(v)	**Hongye**		
	Sales of trucks	**144,529**	793,394
	Sales of spare parts	**—**	1,118
	Interest expenses for deposits taking services	**665**	261
		145,194	794,773
(vi)	**Changjiu Sinotruk**		
	Purchase of transportation service	**111,468**	—
(vii)	**Key management compensation**		
	Salaries and other short-term benefits	**3,572**	4,062
	Post-employment benefits	**100**	147
		3,672	4,209

(viii) Other Stated-owned Enterprises

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019
(All amounts in RMB thousands unless otherwise stated)

26 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Balances with related parties

	30 June 2019 Unaudited	31 December 2018 Restated
Amounts due from related parties		
(i) CNHTC Group		
Trade receivables	**3,631**	3,401
Loans	**200,000**	—
Prepayments	**17,568**	—
Other receivables	**1,821**	—
	223,020	3,401
(ii) Prinx Cayman Group		
Trade receivables	**–**	1,936
(iii) Hongye		
Trade receivables	**288,283**	365,550
Other receivables	**2,603**	85
	290,886	365,635
	513,906	370,972

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

	30 June 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
	291,914	370,887

(All amounts in RMB thousands unless otherwise stated)

26 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Balances with related parties (Continued)

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	200,000	—

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

	30 June 2019 Unaudited	31 December 2018 Restated
Amounts due to related parties		
(i) CNHTC Group		
Deposits taking	344,039	109,814
Borrowings	36,000	1,886,000
Trade payables	1,037	7,499
Other payables	13,879	10,351
Contract liabilities	9,612	7,363
	404,567	2,021,027
(ii) Prinx Cayman Group		
Trade payables	82,226	57,758
(iii) Panzhihua Mining Truck		
Contract liabilities	150	—
(iv) Hongye		
Other payables	95,648	94,503
Deposit taking	58,330	126,497
	153,978	221,000
(v) Changjiu Sinotruk		
Trade payables	24,788	5,014
Other payables	13,272	289
	38,060	5,303
	678,981	2,305,088

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019
(All amounts in RMB thousands unless otherwise stated)

26 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Balances with related parties (Continued)

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

	30 June 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**	—
	108,051	70,271

As at 30 June 2019 and 31 December 2018, except for deposits taking, borrowings and loans, amounts due from/to related parties were all unsecured, interest free and due within one year. As at 30 June 2019 and 31 December 2018, deposits taking and borrowings from related parties and loans to related parties were unsecured, bearing interest at rates mutually agreed and due within one year.

As at 30 June 2019 and 31 December 2018, trade receivables due from related parties were not past due or impaired.

Balances with Other State-owned Enterprises

As at 30 June 2019 and 31 December 2018, majority of the Group's bank balances and borrowings are with state-owned banks.

中国重汽
SINOTRUK
CNHTC