



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 : 03808

INTERIM REPORT 2020





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FINANCIAL FIGURES

	Six months ended 30 June			%
	2020	2019 ^(Note)	Increase/(Decrease)	
Operating results (RMB million)				
Revenue	42,798	34,623	8,175	23.6
Gross profit	8,575	6,886	1,689	24.5
Profit attributable to owners of the Company	2,941	2,536	405	16.0
Profitability and Liquidity				
Gross profit ratio (%)	20.0	19.9	0.1	0.5
Net profit ratio (%)	7.3	8.0	(0.7)	(8.8)
Current ratio (time)	1.2	1.3	(0.1)	(7.7)
Trade receivable turnover (days)	41.7	46.9	(5.2)	(11.1)
Trade payable turnover (days)	177.7	157.3	20.4	13.0
Sales volume (units)				
HDTs				
— Domestic	104,181	72,706	31,475	43.3
— Export (including affiliated export)	13,892	19,962	(6,070)	(30.4)
Total	118,073	92,668	25,405	27.4
LDTs	81,704	65,401	16,303	24.9
Buses	178	507	(329)	(64.9)
Trucks sold under auto financing services	20,528	20,702	(174)	(0.8)
Per share data				
Earnings per share - basic (RMB)	1.07	0.92	0.15	16.3

Note: In April 2020, the Group acquired the entire equity interests in Datong Gear from CNHTC. The acquisition of Datong Gear was considered to be a business combination under common control as the Group and Datong Gear are under common control of CNHTC both before and after the acquisition of Datong Gear. Accordingly, the assets and liabilities of Datong Gear should have been accounted for at historical amounts in the consolidated financial statements of the Company as if Datong Gear had always been part of the Group. The comparative figures of the interim condensed consolidated financial information for the six months ended 30 June 2020 have been restated and the above 2019 financial figures have also been restated.

DEFINITIONS

“AGM”	the annual general meeting of the Company or any adjournment thereof
“Articles”	the articles of association of the Company, as amended, supplemented, modified or otherwise adopted from time to time
“Audit Committee”	the audit committee of the Company
“Board”	the board of Directors
“CAAM”	China Association of Automobile Manufacturers
“China” or “PRC”	the People’s Republic of China, and for the purpose of this interim report, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“CNHTC”	中國重型汽車集團有限公司(China National Heavy Duty Truck Group Company Limited), a state-owned enterprise organized under the laws of the PRC with limited liability, being the ultimate holding 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
“Datong Gear”	中國重汽集團大同齒輪有限公司 (China National Heavy Duty Truck Group Datong Gear Co., Ltd.), a company organized under the laws of the PRC with limited liability
“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 (Privatstiftung) (trust), being the beneficiary owner of 25% of the entired issued share capital of the Company plus 1 Share
“FPFPS Group”	FPFPS and its subsidiaries including Volkswagen AG and MAN SE
“Group” or “We”	the Company and its subsidiaries

DEFINITIONS

“HDT(s)”	heavy duty truck(s) and medium-heavy duty truck(s)
“HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“HoH”	as compared to the period of six months ended 30 June 2019
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HOWO Bus”	中國重汽集團濟南豪沃客車有限公司 (Sinotruk Ji’nan HOWO Bus Co., Ltd.), a company organized under the laws of the PRC with limited liability, being a wholly owned subsidiary of the Company
“INED(s)”	the independent non-executive Director(s)
“LDT(s)”	light duty truck(s)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“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)
“PBOC”	The People’s Bank of China
“Period”	the six months period ended 30 June 2020
“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
“SHIG”	山東重工集團有限公司 (Shandong Heavy Industry Group Co., Ltd.), a state-owned enterprise organized under the laws of the PRC with limited liability
“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
“TRATON SE”	TRATON SE, a company incorporated under the laws of Germany with limited liability, being a non-wholly owned subsidiary of FPFPS and Volkswagen AG and an intermediate holding company of MAN SE and the shares of which are listed on Germany Xetra and NASDAQ STOCKHOLM (stock code: ISIN DE000TRATON7, WKN TRATON and symbol 8TRA)
“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
“Weichai Power”	濰柴動力股份有限公司 (Weichai Power Co., Ltd.), a company organized under the laws of the PRC with limited liability which shares are listed on the Main Board of the Stock Exchange (stock code: 2338) and on the Shenzhen Stock Exchange in the PRC (stock code: 000338)
“%”	per cent

CORPORATE INFORMATION

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS:

Mr. Cai Dong (*Chairman*)
 Mr. Liu Zhengtao (*President*)
 Mr. Liu Wei
 Mr. Liu Peimin
 Mr. Dai Lixin
 Mr. Richard von Braunschweig
 Ms. Qu Hongkun

NON-EXECUTIVE DIRECTORS:

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. Liu Zhengtao
 Mr. Liu Wei
 Mr. Liu Peimin
 Mr. Dai Lixin
 Mr. Richard von Braunschweig
 Ms. Qu Hongkun

AUDIT COMMITTEE

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

STRATEGY AND INVESTMENT COMMITTEE

Mr. Cai Dong (*Chairman*)
 Mr. Liu Zhengtao
 Mr. Richard von Braunschweig
 Ms. Qu Hongkun
 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 2102-03
 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

CORPORATE INFORMATION

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

Reed Smith Richards Butler

PRC

Commerce & Finance Law Offices

AUDITOR

Ernst & Young

SHARE REGISTRAR

Computershare Hong Kong Investor
Services Limited

COMPANY WEBSITE

www.sinotruk.com

SECURITIES CODE

Equity: 03808.hk

INVESTOR RELATIONS

Investment Management and
Securities Department

PRC: Tel (86) 531 5806 2545

Hong Kong: Tel (852) 3102 3808

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PUBLIC RELATIONS CONSULTANT

Wonderful Sky Financial Group

Tel: (852) 2851 1038

Email: sinotruk@wsfg.hk

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. 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 segments according to the nature of products and services:

(I) HEAVY DUTY TRUCKS SEGMENT

The major source of the Group's revenue is contributed by the sales of HDTs. Its major products series include SITRAK, HOWO, Hohan and Steyr, each of which is further divided into various sub-series. The key production bases are located at Ji'nan, the 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, Haoman and Wangpai 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, the PRC.

(III) ENGINES SEGMENT

Although most of the engines produced by the Group are used to satisfy our own demand, 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. Its financing services cover most areas in the PRC.

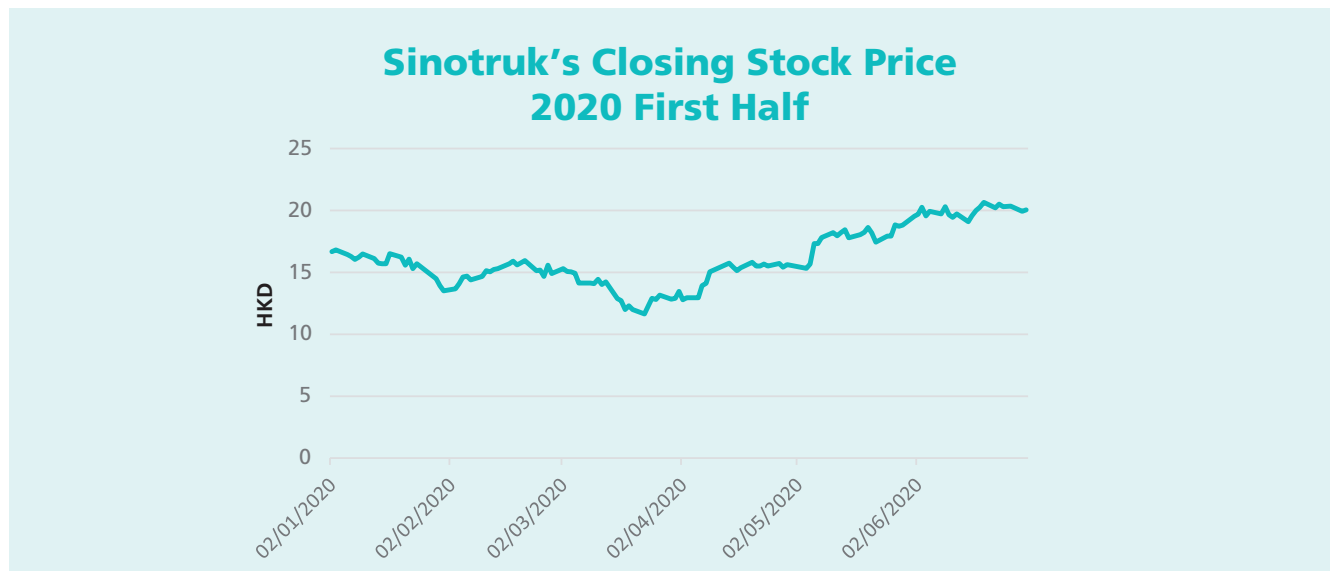
SHAREHOLDER INFORMATION

SHARE INFORMATION

Stock code	03808.hk
Listing as at 30 June 2020	
– Number of issued Shares	2,760,993,339
– Market capitalisation	RMB50,566 million
Board lot size	500 Shares

SHARE PRICES DURING THE PERIOD

Highest price	HKD21.00
Lowest price	HKD11.24
Average closing price	HKD16.14



SHAREHOLDER INFORMATION

SHAREHOLDING DISTRIBUTION AS AT 30 JUNE 2020 (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	7,098	78.1%	3,517,544	0.1%
501 — 1,000	1,290	14.2%	1,289,501	0.1%
1,001 — 2,000	571	6.3%	901,501	0.1%
2,001 — 10,000	106	1.2%	421,000	0.0%
10,001 — 100,000	18	0.2%	518,000	0.0%
100,001 — 500,000	2	0.0%	257,500	0.0%
Above 500,000	4	0.0%	2,754,088,293	99.7%
	<u>9,089</u>	<u>100.0%</u>	<u>2,760,993,339</u>	<u>100.0%</u>

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:

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Hopewell Centre
183 Queen's Road East
Wan Chai, Hong Kong

Tel: (852) 2862 8555

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET OVERVIEW

TRUCKS MARKET

In the first half of 2020, faced with the impact of the COVID-19 pandemic at home and abroad on the Chinese economy and the complex and fast-changing domestic and international environment, the Chinese government has exerted coordinated efforts to push ahead pandemic prevention and control and economic and social development, thereby getting the domestic spread of the virus under control, and accelerating the resumption of work and production. With the rapid recovery of industrial production, the decline in fixed asset investment has significantly narrowed, and the performance of imports and exports was better than expected. In the first half of the year, the Chinese economy declined at the first but grew later, experiencing the transition from negative to positive growth in the second quarter and the main economic indicators recorded restorative growth. The economic operations recovered steadily and the market expectations were generally positive.

During the Period, as influenced by the COVID-19 pandemic, the resumption of production of enterprises at the manufacturing end was postponed, the intermediate circulation routes of products were hindered, and the customers' interest in purchasing vehicles declined, leading to severe short-term suppression of market demands. As a result, the production and sales volume of trucks fell sharply in the first quarter. In the second quarter, as the pandemic was effectively controlled domestically, the national economy began restorative growth and all businesses and industries actively resumed work and production. The supply and demand sides of the manufacturing industry continued to pick up, the consumer market sustained improvement, and the construction commencement of major infrastructure projects was accelerated. Stimulated by a series of favorable factors such as the government's promotion of the phasing out of China III Emission Standard vehicles, greater crackdown on overloading transportation, stricter environmental protection requirements, cancellation of expressway tolls and lowered oil prices, the market witnessed explosive demand for heavy duty trucks, and the truck production and sales volume have increased significantly. In the first half of 2020, the domestic heavy duty trucks market

experienced a decline followed by growth, and recorded significant increment in industry sales volume HoH. According to CAAM, the sales volume for the HDT industry in the first half of 2020 was 816,000 units, representing an increase of 24.3% HoH. In the LDT market, the sales volume in the first quarter declined sharply under the hit of the COVID-19 pandemic. However, along with the vigorous advancement of work and production resumption by the state, the active implementation of "Three-Year Action Plan to Win the Blue-Sky Defense" (《打贏藍天保衛戰三年行動計劃》), the adjustment of the implementation requirements of the China VI Emission Standards, the improved policies of the financial and tax subsidies for the purchase of new energy vehicles, the acceleration of the scrapping of old trucks, etc., the sales volume of light duty trucks recorded a positive growth in the second quarter. According to CAAM, the sales volume for the LDT industry in the first half of 2020 was 1,001,000 units, representing an increase of 4.5% HoH. In the buses market, due to the reduction in and the extension of subsidies for new energy buses released by the government, the sales volume of new energy buses undergone a notable drop. Moreover, due to the overall sluggish demand in the buses market, the sales volume of buses declined obviously.

LOANS MARKET

In 2019, PBOC announced the adoption of the LPR (loan prime rate) mechanism from 20 August 2019. During the Period, the one-year LPR was lowered twice and the five-year LPR was lowered twice. As at 30 June 2020, the one-year LPR was 3.85% and the five-year LPR was 4.65%.

REVIEW OF OPERATIONS

HEAVY DUTY TRUCKS SEGMENT

During the Period, the sales volume of the Group's HDTs was 118,073 units, representing an increase of 27.4% HoH. Total revenue from the HDTs segment was RMB35,614 million, representing an increase of 26.5% HoH. The segmental operating profit margin was 6.4%, representing a decrease of 0.5 percentage points HoH, mainly due to increase in research and development expenses, warranty expenses, provision for early retirement and termination plan, impairment loss on trade receivables, etc.

MANAGEMENT DISCUSSION AND ANALYSIS

DOMESTIC BUSINESS

During the Period, the Group sold 104,181 HDTs in the PRC, representing an increase of 43.3% HoH.

Adhering to a market-oriented strategy, the Group persists in innovation and research and development to reduce fuel consumption and dead weight of tractors, continuously improving product competitiveness. These, coupled with the vigorous growth in the sales of National VI Emission Standard natural gas vehicles, brought about a significant increase of approximately 90.7% HoH in the sales volume of tractors of the Group during the Period. Besides, the Group continued to refine and improve the industry chain of various segment markets, promote the whole value chain marketing, broaden the product positioning, and expand the professional marketing network with an aim to strengthen the points of weakness caused by the absence of professional cargo trucks networks, thereby achieving a significant increase in the sales volume of cargo trucks HoH. Furthermore, the Group consistently optimized the network development of construction vehicles, furthered the in-depth cooperation with major refitting companies, and formulated differentiated promotion policies. Driven by the market-oriented principle, the technical competitiveness of the products was improved in an all-round way, thus building a firm foundation for the sales of engineering vehicles.

Benefiting from the tightening of environmental protection regulation, the market demand for natural gas vehicles has increased significantly. The Group seized the market opportunities and achieved continuous increase in the sales volume by leveraging on the excellent reliability and economical fuel efficiency of various natural gas products. The sales volume of gas vehicles reached 22,000 units, representing an increase of 54% HoH and ranking No.1 in the industry. The new TX series models with comprehensive upgrades in product configuration and power launched by HOWO have generated tremendous market responses upon its debut. The sales volume of the TX series models in the first half of the year was approximately 21,000 units, and the sales volumes of SITRAK tractors, natural gas vehicles and hazardous chemicals vehicles further

realized substantial increase while consolidating their existing market advantages, thereby achieving a further reinforcement of the status of the brand in the domestic high-end HDTs market.

As at 30 June 2020, the Group had a total of 1,273 HDT dealerships (including 138 4S centers and 82 Sinotruk-brand dealerships), 2,050 service centers providing high-quality after-sales service and 149 refitting companies providing truck-refitting services to HDTs in the PRC.

INTERNATIONAL BUSINESS

In the first half of 2020, the COVID-19 pandemic swept across the world. In order to contain the spread of the virus, all countries have adopted measures such as isolation, lockdown, social distancing etc. which have had a tremendous impact on corporate investment, global production and trade, cross-border investment and other economic activities. As a result, a large number of local logistics transportation and engineering projects fell into stagnation, and the market demand for commercial vehicles declined.

During the Period, the Group's export volume (including affiliated exports) of HDTs was 13,892 units, representing a decrease of 30.4% HoH, and the export revenue (including affiliated exports) was RMB4,318 million, representing a decrease of 29.0% HoH.

During the Period, confronted with the unfavorable situation of declining international market demand and orders caused by the COVID-19 pandemic, the Group made positive deployment and grasped opportunities, achieving an increase in the domestic HDTs export market share against the downward trend. Through thorough exploration of segment markets and precise positioning and introduction, it further optimized product structure and realized a significant increase in the orders of MAN technology products HoH. In addition, commercial support policies tailored for dealers have helped to maintain the stable growth of sales volume in certain export markets, for example, Ethiopia, Uzbekistan, Sudan, etc.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2020, the Group had set up approximately 256 distributor sales centers, approximately 277 service outlets and approximately 239 spare parts and accessory stores in over 110 countries and the Group has 12 overseas KD production plants established through cooperation in 9 countries and regions, forming an international marketing network system that primarily covers both developing countries and major emerging economies such as Africa, the Middle East, Central and South America, Central Asia, Russia and Southeast Asia, and certain mature markets in the BRICS countries, Australia, Ireland and New Zealand, Hong Kong and Taiwan.

LIGHT DUTY TRUCKS AND BUSES SEGMENT

During the Period, the sales volume of the Group's LDTs increased by 24.9% HoH to 81,704 units, and the LDT segment of the Group has become an important force in the LDT industry. During the Period, the Group sold 178 buses, representing a decrease of 64.9% HoH. The LDTs and buses segments recorded total revenue of RMB6,885 million during the Period, representing an increase of 12.6% HoH. The segmental operating profit margin was 5.1% as opposed to -1.9% in same period of the previous year, mainly due to the increase in sales volume and the significant decrease in the provision for impairment of trade receivables as compared with the same period last year.

Focusing on major segment markets, the Ji'nan LDTs Division continued to optimize product structure, and increased its market shares in the rural market, the "green channel" market and the cold chain market. Apart from making scientific adjustments to product planning based on market demand, it comprehensively expedited the upgrade of products with cabins as the core and formed a phased plan of improvement. Moreover, new media platform was expanded and online marketing and promotion through online exhibition and live video streaming, were utilized to strengthen terminal sales and turnover rate. Furthermore, it fully promoted the preposition of spare parts and accessory by setting up monthly review mechanism for the works in this regard and standardizing the practices of service providers, thereby making further progress in ensuring their supply provision capacity.

Sinotruk Chengdu Wangpai Commercial Vehicles Co., Ltd. ("Chengdu Wangpai Company") optimized product resources and developed products that meet market demand around the regulatory requirements of segment markets. Putting in place a performance-oriented operation evaluation system supplemented by capital investment, it made advance in the hierarchical management of distribution networks, strengthened standardization management, and improved the overall quality of the distribution network. With great importance being attached to brand construction, Chengdu Wangpai Company also fully enhanced the Chengdu Wangpai product identification system and promoted its brand image. It changed the service philosophy to emphasize on being close to the market, supporting the market and satisfying the market, and strengthened service guarantee through the integration of the sales and after-sales system "一線通".

Sinotruk Fujian Haixi Vehicles Co., Ltd. adjusted its product structure in response to changes in national policies and market demand, developed and introduced lightweight and differentiated products to quickly respond to the needs of market and users. Guided by market demands, it refined classic models and product resources and integrated and improved the main models of China V Emission Standard vehicles, thereby enhancing market competitiveness. It formulated channel selection principles and classified management standards, and improved network layout and quality of sales channel operation. Furthermore, it laid down standardized industry marketing operating process, thereby hoisting segment market development capabilities. Besides, the introduction of digital marketing through the cooperation with 25 Kashangbao (卡商寶) distributors has bolstered the influence of the brand.

MANAGEMENT DISCUSSION AND ANALYSIS

HOWO Bus strengthened its relationship with old customers and kept to develop new ones while expanding sales channels to increase the success rate of bidding. It paid close attention to the direction of national policies, coordinated and schemed market development strategies. Concentrating on the in-depth tending to the domestic tourism segment market, it made comprehensive analysis of the information and resources of existing orders, worked out reasonable and efficient selling proposals and market development plans and secured certain orders. At the same time, multiple measures were taken concurrently to further reduce procurement costs.

As at 30 June 2020, the Group had a total of 1,462 dealerships (including 51 4S centers and 350 SINOTRUK branded dealerships), 2,860 service centers that provide LDT after-sale service and 41 refitting companies to provide truck refitting services to LDTs in the PRC. For buses division, the Group had a total of 10 bus dealerships and 141 service centers for bus products after-sale service.

ENGINES SEGMENT

During the Period, the sales volume of the engine segment increased by 31.8% HoH to 128,680 units. Segment revenue increased by 49.2% HoH to RMB11,299 million. External sales of engines accounted for 5.0% of the segment revenue, representing a decrease of 2.1 percentage points HoH. The segmental operating profit margin was 15.5%, representing a decrease of 1.1 percentage points HoH. The decrease was due to increase in research and development expenses, warranty expenses, provision for early retirement and termination plan, etc.

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 to satisfy the need of the Group's own production, the Group sold engines to other HDTs, bus and engineering machinery manufacturers.

In response to the market demand for low fuel consumption and high reliability, the Group has carried out engine optimization and improvement and cutting-edge technologies researches, conducted in-depth researches on in-cylinder braking and thermal efficiency improvement, and comprehensively completed the performance improvement and fuel (gas) consumption optimization of MC series and MT series engine models, further enhancing its market competitive advantages.

FINANCE SEGMENT

During the Period, the revenue of the Group's finance segment was RMB820 million, representing an increase of 5.0% HoH, and revenue from external sources was RMB563 million, representing an increase of 1.8% HoH. The segmental operating profit margin was 52.0%, representing a decrease of 6.6 percentage points HoH, primarily due to the launch of preferential financial products for promoting the sales of trucks.

The finance segment of the Group adheres to the business philosophy of relying on the Group, serving the Group and serving the sales. Under the premise of fully preventing and controlling financial risks, it provides customers with the most competitive interest rate in the industry. At the same time it actively guides and promotes the using of financial services to serve the truck sales of the Group, and gives full play to the leading role of corporate finance. While promoting the sales of the Group's products, it also lays a solid foundation for building a first-class domestic auto finance company. During the Period, the Group sold 20,528 trucks through auto financing service, which was basically at the same level as in the previous year.

As at 30 June 2020, the Group had established 21 regional offices, extended the geographical coverage of its financing services across China, and further improved its auto financing services.

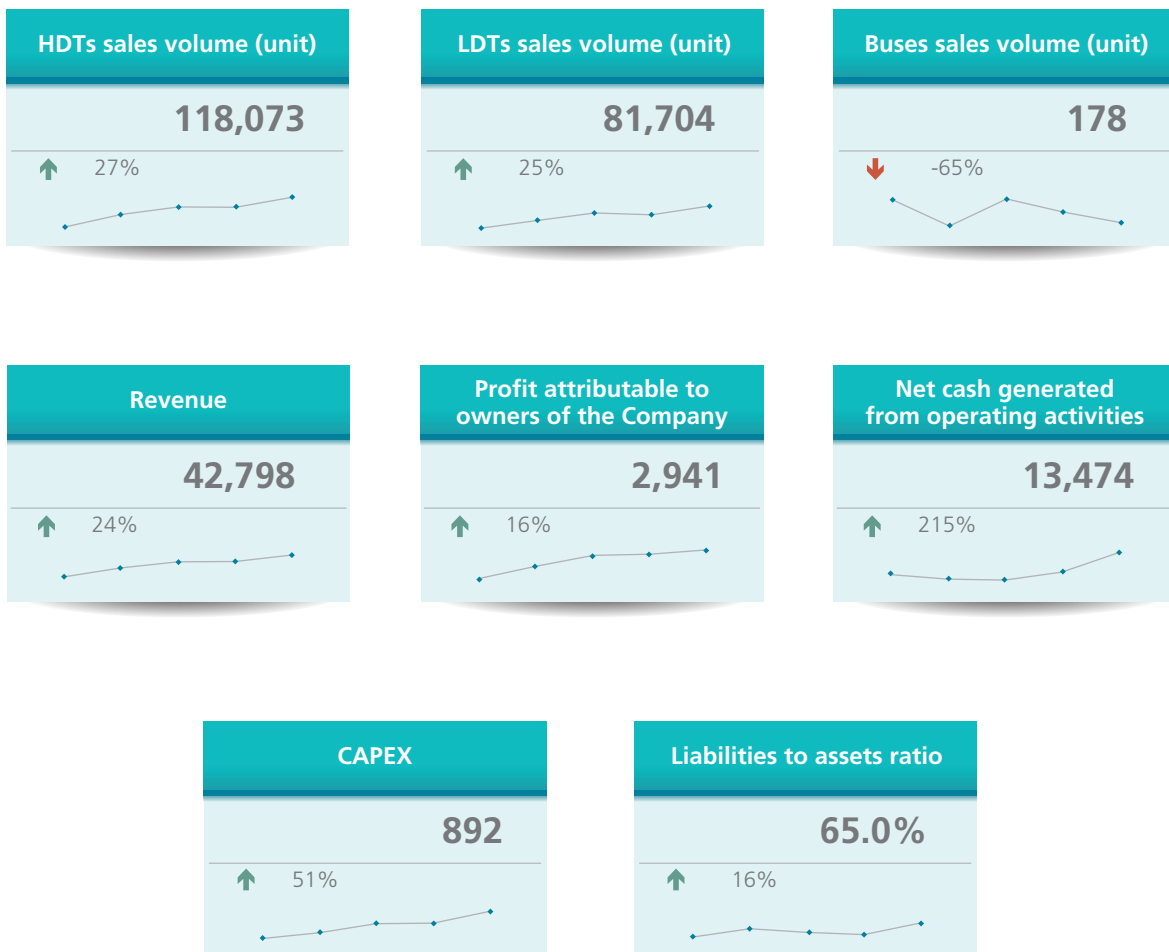
MANAGEMENT DISCUSSION AND ANALYSIS

KEY PERFORMANCE INDICATORS (“KPI”)

The Directors focus on the continuing development of the Group and interests of the Shareholders. The 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 (total liabilities divided by total assets) shows the management how to balance the use of equity and debts financing when maintaining the Group’s liquidity. Capital expenditure (“CAPEX”) provides information for medium to long term development of the Group. Profit attributable to owners of the Company provides the return to the Shareholders for the current reporting period.

The following charts and table present the Group’s KPIs for the six months ended 30 June or as at 30 June of the following years:

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



MANAGEMENT DISCUSSION AND ANALYSIS

Key performance indicators	2020	2019	2018	2017	2016
HDTs sales volume (units)	118,073	92,668	93,527	74,792	42,937
LDTs sales volume (units)	81,704	65,401	68,848	54,739	40,111
Buses sales volume (units)	178	507	919	71	897
Revenue	42,798	34,623	34,266	26,626	15,331
Profit attributable to owners of the Company	2,941	2,536	2,419	1,400	243
Net cash generated from operating activities	13,474	4,272	516	964	3,082
CAPEX	892	591	578	350	205
Liabilities to assets ratio	65.0%	56.0%	56.0%	59.4%	51.6%

Note: Due to business combination under common control between the Group and Datong Gear in 2020 and HOWO Bus in 2019 respectively, 2019 figures have been restated with figures of Datong Gear, 2018 figures have been restated with figures of HOWO Bus only while 2016 to 2017 figures have not been restated with any business combination.

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 "family" 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. The Group continued to promote "Non-stop Service Socialization" ("不停車服務社會化") and "Full Life-cycle Service" ("全生命週期服務"), continuously improving user satisfaction. Strictly complying with 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》), established a complete product recall process with the functions of identifying, collecting, analyzing, 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 protect 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 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 realize their social responsibility commitments in the fields of environmental protection, safety and health. 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 mature performance salary system, which stipulates that employee compensation shall consist of basic salary and performance appraisal salary. Employee income is linked to the economic benefits of the enterprise and employee’s actual contribution, providing employees with competitive salary compensation. In addition, the Group has formulated the “Measures for the Administration of Declaration and Payment of Social Insurance Fees” (《社會保險費申報繳納管理辦法》), and has centralized 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.

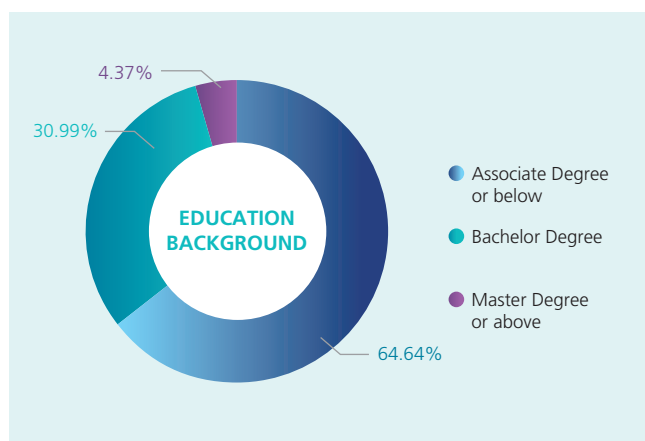
During the Period, the remuneration of the Group (including salaries, retirement benefits, other welfares and post-employment benefits) to all employees including Directors was amounted at RMB3,346 million, representing an increase of 50.7% HoH. The Group did not have share option scheme as at 30 June 2020.

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 high level technicians. The Group has also accelerated the construction of internet training institutes with the intent to achieve innovation of remote training mode by taking full advantage of network technology. The Group has also formulated the “Administrative Measures for the Appointment of Full-time and Part-time Trainers” (《專兼職培訓師聘任管理辦法》), which makes full use of various excellent talents and social training resources within the Group to establish a professional trainer team, aiming to meet the needs of corporate development and employee growth.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2020, the Group had a total of 23,147 employees, which were classified by function and education background as follows:

	Number of employees	%
Management team	252	1.09
Technical and engineering staff	2,574	11.12
Research and development staff	1,507	6.51
Production staff	13,407	57.92
Operation and sales staff	2,467	10.66
Marketing staff	357	1.54
Administrative staff	2,583	11.16
Total	23,147	100.00



PRINCIPAL RISKS AND SOLUTIONS

The Group conducted ongoing risk management, dynamically monitors major risks and powerfully reduced costs to enhance efficiency, which significantly improved the operational quality and efficiency. By continuously tracking and analyzing external environmental information, the Group communicated with internal and external stakeholders and improved the risk management mechanism and risk control capability, which provided effective support for various decisions and deployments and ensured the smooth achievement of business objectives.

The principal risks faced 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:

The Group operated the IATF16949 Quality Control System and conducted overall planning of the quality management system in accordance with these relevant standards, making it applicable in the whole process of product design and development, manufacturing, sales and after-sales service of the Group;

By comprehensively monitoring the quality risk, the Group established a quality risk management reporting system to realize the monitoring, early warning and reporting of major risks;

MANAGEMENT DISCUSSION AND ANALYSIS

With the increase in sales of orders, many new models need to be trial-produced and released. In order to ensure the quality of the vehicle, the Group formulated the "Vehicle Release Management Measures" (《整車釋放管理辦法》) to standardize the vehicle release procedure and clarify the vehicle release conditions, ensuring that the released models have undergone small-volume trial production and can be produced according to normal production pace; and

Regarding to after-sales service management, the Group has designated a person responsible for dealing with the entire process of after-sales quality information, coordinating the problems occurred during rectification and promoting the progress for improvement, in order to further standardize the after-sales management process.

2. HEALTH, SAFETY AND ENVIRONMENTAL RISKS

In accordance with the revision of laws and regulations and the actual situation of operation, the Group, through signing the letter of responsibility, intensifying inspection efforts, establishing an accident warning system, etc., unified deployment, highlighted key points, and earnestly carried out health, safety and environmental protection works, providing basic supervision standards for related risk prevention.

MITIGATION MEASURES:

According to the requirements of the environmental and occupational health and safety management system, the relevant national laws and standards were identified in a timely manner, and the Comprehensive Environmental Protection Management System (《環境保護綜合管理制度》) was implemented to prevent risks to the greatest extent;

In response to the COVID-19 pandemic, compile and distribute the Guidelines for the Prevention and Control of Novel Coronavirus Pneumonia (《新型冠狀病毒肺炎防控指南》) to enhance common sense of prevention and control, eliminate panic, and improve awareness of prevention;

Intensify inspection and assessment efforts, issue monthly inspection reports, and organize self-inspection and self-correction of the safety management system, such as "Special Equipment", "Safety Training" and "Safety Inspection" to discover problems in the production process in a timely manner and urge production units to rectify the problems identified according to the requirements within a timeframe;

Fully use the "online safety and environmental protection training platform" and carry out 5 online training sessions; and

Work on "Three Simultaneity" (i.e. new, renovation and expansion projects for occupational diseases prevention facilities simultaneously), improve technology, and replace high-toxic substances with low-toxic or non-toxic substances in order to control the risks from the source.

3. FOREIGN EXCHANGE RISKS

The Group's international trades are currently transacted in USD or Euro. If there are any significant fluctuations in the exchange rates of RMB against these currencies, the Group may face uncertainties that would otherwise not exist with fixed exchange rates. The Group could be exposed to potential risks such as foreign exchange losses and decrease in investment income.

MANAGEMENT DISCUSSION AND ANALYSIS

MITIGATION MEASURES:

Pay close attention to exchange rate fluctuations, choose opportunities to settle foreign exchange according to capital needs and market exchange rates, strengthen analysis and research, lock forward exchange rates and contract profits to reduce exchange rate losses;

When doing businesses with certain regional markets that own abundant RMB deposits, cross-border RMB is more commonly used as contract settlement currency; and

For long-term forward letter of credit, unpaid debt trading method (i.e. forfeiting) is adopted to obtain cash in advance, accelerate collection of trade receivables and avoid adverse effects of forward exchange rate fluctuations.

ENVIRONMENTAL POLICY, PERFORMANCE AND COMPLIANCE

The Group has strictly complied with various applicable national, provincial and local laws and regulations in respect of environmental protection, 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. Specific measures are as follows:

Strengthen the organization and management of environmental protection works and optimize the construction of system. Implement the “Integrated Environmental Protection Management System” (《環境保護綜合管理制度》) to impose stricter institutional requirements on pollutant emission, hazardous waste management, environmental protection facilities and equipment management, and environmental management of new, renovated and expanded projects;

Organize and convene “face-to-face seminars between government and enterprises” on environmental protection and invite relevant government officers to answer the environmental management questions raised by the manufacturing units of the Group;

Vigorously enhance the operating level of the ISO14001 environmental management system and organize manufacturing units to conduct on-site investigation and formulate treatment measures against environmental pollution risk according to the self-check list of environmental risk points which is classified by urgency, risk and feasibility; and

Optimize the environmental protection propaganda, thoroughly enable “online training platform of safety and environmental protection” to implement online training for the Group’s staffs.

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, unless otherwise disclosed by this report, the Group has complied, in all material respects, the requirements under the Companies Ordinance, the Listing Rules, the SFO and the corporate governance codes regarding, among others, disclosure of information and corporate governance.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS STRATEGIES AND PROSPECTS

According to latest prediction of International Monetary Fund (IMF), the global economic growth is projected at -4.9% in 2020. Under the impacts of the COVID-19 pandemic, the recovery is projected to be more gradual than previously forecast in the second half of 2020. International political and economic situation has remained complicated and fluid, thus the uncertainty of global economy has further increased. In terms of domestic economy situation, with resumption of production in various industries being promoted in order, national economy recovery shows a positive trend. However, the enormous impact on global economy due to the spread of the pandemic will continue to develop and evolve, which brings more challenges of outer risks and relatively large pressure to domestic economy recovery.

In terms of the HDT industry, firstly, the increasingly strict industrial regulations and policies, higher predicted cost of in-depth control of overload and overrun, and enormous ownership volume bring continuous demand for replacement. Secondly, with continuous high-pressure environmental protection policies and the "Battle for a Blue Sky" that enters the final stage, phasing out of China III emission Standard vehicles may happen anytime in the future. Thirdly, further implementation of infrastructure investment project pulls market demand. It is expected that sales volume of HDT will continue to maintain at a moderate level in the second half of the year. In terms of the LDT market, phasing out of vehicles at and below China III emission Standard will be accelerated, and products compliance will drive replacement demand of market inventory. It is expected that sales volume of LDT will keep steady in the second half of the year. In terms of the bus industry that enters an adjustment period, the decreased demand and effect of the pandemic will intensify market competition.

The Group upholds "Aiming for Clients' Satisfaction" as its core value, with a corporate vision of "Building a world-class full range commercial vehicle group".

In the second half of the year, the Group will focus on the following areas:

1. Continue to strengthen technology research and development, optimize product structure, create high quality products that are made with refined core technology and cost competitiveness. Continue to increase R&D investment, conduct comprehensive market verification and introduction of new products, carry out product upgrades and transformation. Accelerate products transformation by focusing on high-end, intelligent, lightweight and experience-oriented designs, ensuring that we are at the forefront of the industry.
2. Continue to focus on key market segments and achieve precise breakthroughs. Explore the market segment of mixer trucks meticulously, improve and promote lightweight products to gain greater market influence. Fully utilize our well-established edges in tipper truck sales and service network, use our modification resources and reputation among the customers to gain a higher share in the tipper truck market segment.
3. Improve the marketing service system persistently to enhance customer satisfaction. Optimize the marketing network and improve the overall network operation quality. Refine our business policies and regional sales promotion policies, increase policy flexibility. Further straighten out the after-sales service process and refine the after-sales service policy. Strengthen the supporting role of the information system and improve the competitiveness of the Group's products in the market.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

REVENUE, GROSS PROFIT AND GROSS PROFIT MARGIN

The Group's revenue for the Period recorded RMB42,798 million, representing an increase of RMB8,175 million or 23.6% HoH. The increase in the revenue is due to the significant increase in the sales volume of HTDs and LTDs. The Group's gross profit for the Period was RMB8,575 million, representing an increase of RMB1,689 million or 24.5% HoH. The increase in gross profit was due to lower average fixed cost per unit resulted by the increase in sales volume, the lower procurement costs and optimization of the sales mix.

Gross profit margin for the Period was 20.0% (gross profit divided by revenue), representing an increase of 0.1 percentage points HoH.

DISTRIBUTION COSTS

Distribution costs for the Period was RMB1,865 million, representing an increase of RMB227 million or 13.9% HoH due to the increase in volume of truck sold and higher warranty expenses. During the Period, distribution costs to Products Revenue ratio was 4.4%, representing a decrease of 0.4 percentage points HoH.

Warranty expenses accounted for 1.5% of Products Revenue for the Period, representing an increase of 0.4 percentage points HoH. The increase was mainly due to an expected increase in warranty services.

ADMINISTRATIVE EXPENSES

Administrative expenses for the Period was RMB2,762 million, representing an increase of RMB1,231 million or 80.4% HoH. During the Period, administrative expenses to revenue ratio was 6.5%, representing an increase of 2.1 percentage points HoH. The increase in the ratio was mainly due to the continuous increase in research and development expenses which was part of the long-term strategic planning of the Group and the increase in the provision for termination and post employment benefits because of streamlining the human resources structure. If the expenses of research and development and provision for termination and post employment benefits are excluded, the administrative expenses was basically the same as the same period last year.

NET IMPAIRMENT LOSSES OF FINANCIAL ASSETS

Net impairment losses of financial assets for the Period was RMB334 million, representing a decrease of RMB20 million or 5.6% HoH. The impairment losses of trade and financing receivables was RMB307 million, accounting for 0.7% 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 RMB395 million, representing an increase of RMB201 million or 103.6% HoH. The increase was mainly due to the significant increase in government subsidies, increase in proceeds from disposal of scraps, increase in net exchange gains, etc, HoH.

FINANCE INCOME – NET

Net finance income for the Period was RMB41 million, representing an increase of finance income of RMB99 million as compared to the net finance expenses of RMB58 million in the corresponding period in 2019. The increase in finance income was due to the increase in interest income by RMB29 million and significant reduction in interest expenses by RMB70 million due to smaller average borrowing scale during the Period.

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 RMB29 million, representing an increase of RMB4 million or 16.0% HoH. The increase was mainly due to the increase in profit shared from the associated company, the group of Prinx (Cayman) Holdings Limited.

INCOME TAX EXPENSE

Income tax expense for the Period was RMB960 million, representing an increase of RMB193 million or 25.2% HoH. The increase was due to the increase in profit before tax. The effective tax rate (profit before income tax but excluding share of profits less losses of investments accounted for using the equity method) for the Period is 23.7%, representing an increase of 1.8 percentage points HoH.

MANAGEMENT DISCUSSION AND ANALYSIS

PROFIT FOR THE PERIOD AND EARNINGS PER SHARE

Profit for the Period was RMB3,119 million, representing an increase of RMB362 million or 13.1% HoH. Net profit ratio (profit for the Period divided by revenue) was 7.3% (2019: 8.0%). Profit attributable to owners of the Company for the Period was RMB2,941 million, representing an increase of RMB405 million or 16.0% HoH. The basic earnings per share attributable to owners of the Company for the Period was RMB1.07, representing an increase of RMB0.15 or 16.3% HoH.

TRADE AND FINANCING RECEIVABLES

As at 30 June 2020, the trade receivables including related parties trade receivables amounted to RMB10,856 million, representing an increase of RMB2,338 million or 27.4% when compared to the balance as at 31 December 2019. The main reason for the increase in such trade receivables was the significant increase in sales in the second quarter of the year which are not yet due, the fact that the Group strengthened marketing and seized the domestic market.

The trade receivables turnover (average trade receivables including related parties trade receivables divided by Products Revenue multiplied by 182 days) for the Period was 41.7 days, representing a decrease of 5.2 days HoH and remained within the Group's credit policies which is from three to twelve months.

As at 30 June 2020, the trade receivables including related parties trade receivables aged not more than twelve months amounted to RMB9,117 million or 84.0% of all trade receivables including related parties trade receivables.

As at 30 June 2020, all notes receivables received from trading and bills discounting services amounted to RMB2,253 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 2020, the financing receivables was RMB12,145 million, which included unsecured loans of RMB430 million to related parties, representing an increase of RMB2,629 million or 27.6% when compared to the balance as at 31 December 2019.

As at 30 June 2020, the financing receivables including loans to related parties aged not more than twelve months amounted to RMB8,481 million or 69.8% of the total financing receivables including loans to related parties.

The finance segment of the Group has granted credit period generally from one year to three years. In addition, the auto financing services receivables are secured by the vehicles together with guarantees provided by the dealers and/or relevant parties while suppliers financing receivables are mainly secured by the beneficial owners of these applicants of financing services.

The Group reviews the repayment progress of key customers or customers with higher risk of default in repayment on monthly basis and assesses impairment loss by reference to their business, actual repayment information and other assessments. During the Period, the Group had made impairment loss allowance for trade receivables and financing receivables at the amount of approximately RMB215 million and RMB92 million respectively.

TRADE PAYABLES

As at 30 June 2020, the trade payables including related parties trade payables amounted to RMB41,530 million, representing an increase of RMB16,345 million or 64.9% when compared to the balance as at 31 December 2019.

The trade payables turnover (average trade payables including related parties trade payables divided by costs of Products Revenue multiplied by 182 days) for the Period was 177.7 days, representing an increase of 20.4 days HoH.

CASH FLOWS

Net cash inflow generated from operating activities for the Period was RMB13,474 million. Due to substantial increase in sales, policies implemented to encourage faster cash collection, and longer suppliers' financing, operating activities for the Period generated additional cash by RMB9,202 million as compared to the corresponding period in the prior year.

MANAGEMENT DISCUSSION AND ANALYSIS

Net cash outflow used in investing activities for the Period was RMB5,139 million. Due to a huge amount of cash generated from operating activities, the Group purchased a lot of wealth management products during the Period with the idle cash. Cash outflow increased by RMB3,220 million as compared to the cash outflow in the corresponding period in 2019.

Net cash outflow used in financing activities for the Period was RMB2,322 million. The repayment of borrowings was RMB700 million during the Period while it was RMB3,450 million in same period last year. Such decrease in cash outflow was partially offset by the increase in the payment of consideration for the business combination under common control during the Period. As a result, cash outflow decreased by RMB1,562 million as compared to the cash outflow in the corresponding period in 2019.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2020, the Group had cash and cash equivalents of RMB21,958 million, representing an increase of RMB6,034 million or 37.9 % when compared to the balance as at 31 December 2019. The Group's total borrowings (including borrowings from the related parties) were about RMB1,416 million as at 30 June 2020. Its gearing ratio (total borrowings divided by total assets) was 1.6% (31 December 2019: 1.5%). As at 30 June 2020, current ratio (total current assets divided by total current liabilities) was 1.2 (31 December 2019: 1.3).

As at 30 June 2020, all borrowings were denominated in RMB (31 December 2019: 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 was as follows:

	As at 30 June 2020	As at 31 December 2019
Repayable within one year	RMB 1,416 million	RMB 1,000 million

As at 30 June 2020, total consolidated equity of the Company was RMB31,464 million, representing an increase of RMB1,938 million or 6.6% when compared with the balance as at 31 December 2019. As at 30 June 2020, the Company's market capitalization was RMB50,566 million (calculated based on the issued share capital of the Company: 2,760,993,339 Shares, closing price: HKD20.05 per Share and at the exchange rate of 1: 0.91344 between HKD and RMB).

As at 30 June 2020, the unutilized credit facilities of the Group from the banks amounted to RMB16,202 million (31 December 2019: RMB18,150 million). An aggregate amount of RMB172 million (31 December 2019: RMB278 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 RMB2,469 million (31 December 2019: RMB2,133 million) to PBOC for its financial operations. The Group meets its daily liquidity needs by matching operating cash flow patterns with funds on hand and enhances its liquidity by way of application for longer credit periods from suppliers, utilization of banking facilities and issuance of bills such as short-term commercial acceptance notes and bank acceptance notes.

The Group has capital expenditure contracted for but not yet incurred as at 30 June 2020 amounted to RMB886 million which will be funded by internal resources and borrowing facilities.

MANAGEMENT DISCUSSION AND ANALYSIS

INVESTMENTS

INVESTMENTS IN SUBSIDIARIES

In April 2020, the Group purchased the entire equity interest in Datong Gear from CNHTC at the actual consideration of approximately RMB1,393 million. For details of the acquisition, please refer to the Company's announcement dated 31 March 2020.

DISPOSAL OF A SUBSIDIARY

In February 2020, the Group disposed of Chengdu Sinotruk Wangpai Automobile Testing Co., Ltd. at consideration of RMB4.9 million.

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 2020, the amount of investments in associates and joint ventures was RMB515 million, representing 0.6% 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".

b) Other long term equity investments

As at 30 June 2020, the Group's unlisted equity investments for long term strategic investment purpose amounted to RMB33 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 and PRC. As at 30 June 2020, the Group had short term equity investment at RMB81 million, representing less than 0.1% of its total assets. Such equity investment is accounted for as equity investment included in financial assets at fair value through profit or loss. 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

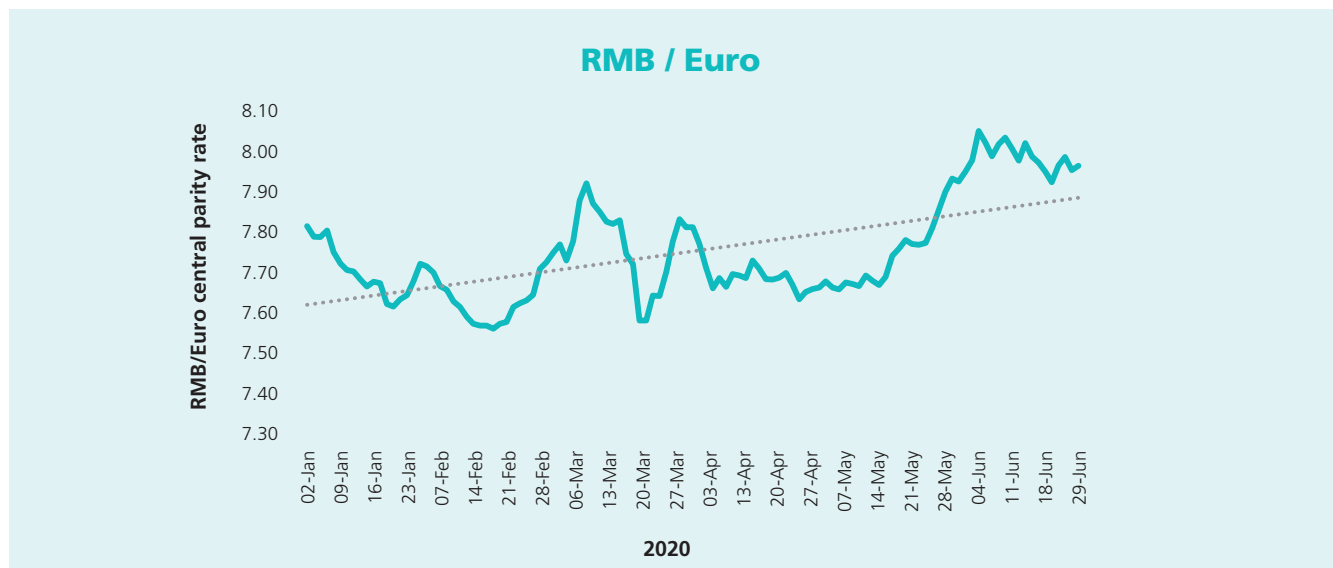
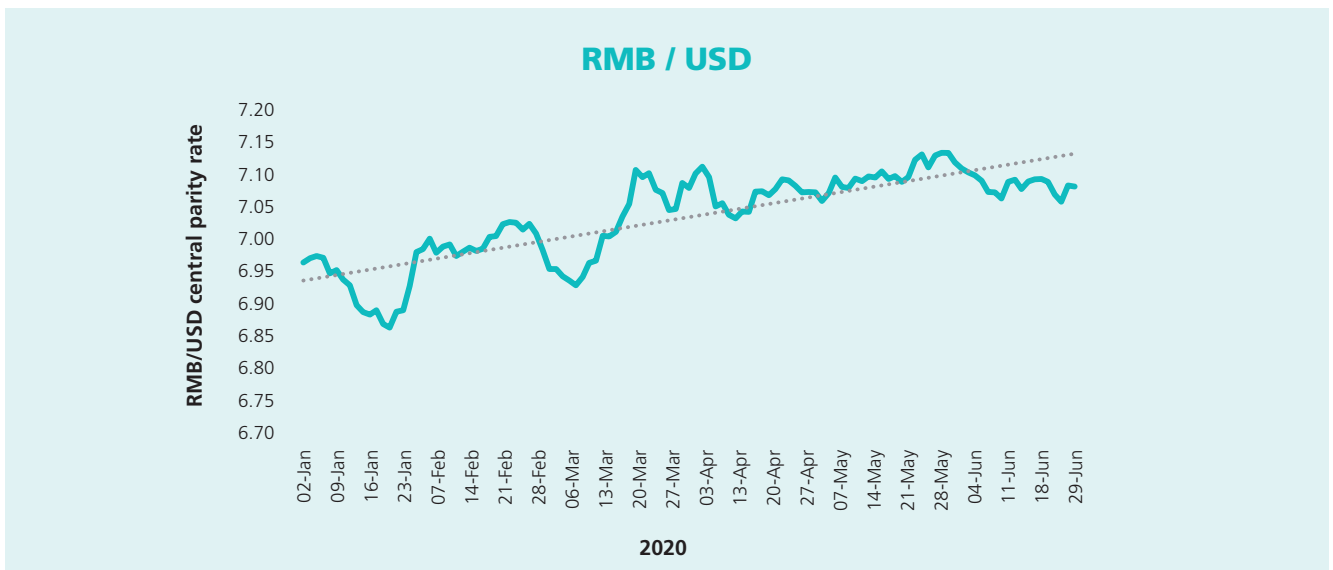
Save as disclosed in the section headed "LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE", as at 30 June 2020, there were no assets of the Group being pledged to secure credit facilities.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL MANAGEMENT AND POLICY

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

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



MANAGEMENT DISCUSSION AND ANALYSIS

The RMB/USD central parity rate in the PRC as at 30 June 2020 was 7.07950, representing a depreciation of RMB by 1.48% when compared to the rate of 6.97620 as at 31 December 2019. The RMB/Euro central parity rate in the PRC as at 30 June 2020 was 7.96100, representing a depreciation of RMB by 1.86% when compared the rate of 7.81550 as at 31 December 2019. RMB against USD and Euro central parity rates recorded high fluctuation in first quarter of 2020 and showed a trend of gradual depreciation in second quarter of 2020.

As at 30 June 2020, the Group's monetary assets and liabilities were denominated in RMB, except for cash and bank balances which in total were equivalent to approximately RMB1,702 million, financial assets at fair value through profit or loss of approximately RMB21 million, accounts receivable and other receivable of approximately RMB342 million, accounts and other payables of approximately RMB9 million, all of which were denominated in currencies other than RMB.

At as 30 June 2020, all borrowings were in RMB and non-RMB cash and bank balances were denominated in USD, HKD, EURO and others at RMB1,420 million, RMB198 million, RMB56 million and RMB28 million, respectively.

During the Period, the Group recorded foreign exchange gains of RMB47 million in operating profit. The potential foreign exchange impacts to the USD and Euro denominated net assets of the Group as at 30 June 2020 are:

	USD denominated net assets	Euro denominated net assets
5% strength/weakness against RMB	Loss/Gain before tax of RMB71 million	Loss/Gain before tax of RMB10 million

GOING CONCERN

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

CONTINGENT LIABILITIES, LEGAL PROCEEDINGS AND POTENTIAL LITIGATION

During the Period, the Group was not involved in any litigation, arbitration or administrative proceedings that could have a material adverse effect on the Group's financial condition and results of operations. The total amount of claims of all lawsuits is approximately RMB157 million and provision for legal claims at approximately RMB16 million as at 30 June 2020.

DISCLAIMER

NON GENERALLY ACCEPTED ACCOUNTING PRINCIPLES ("NON-GAAP") MEASURES

Export revenue (including affiliated exports) is a non-GAAP measure and is used for assessing the Group's performance. This non-GAAP measure is 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 measure 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 measure is provided solely to enhance the overall understanding of the Group's current financial performance. Additionally, since the Group has historically reported non-GAAP results to investors, it is considered the inclusion of non-GAAP measure provides consistency in the Group's financial reporting.

OTHER INFORMATION

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE PRACTICES

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” (the “**CG Code**”) to the Listing Rules as its own code of corporate governance.

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, A.6.7 and E.1.5 of the CG Code.

In respect of code provision A.2.1 of the CG Code, the positions of the chairman of the Board and the president (“**President**”) of the Company are held by the same individual, namely, Mr. Cai Dong until his resignation as the President from 15 June 2020 and the appointment of Mr. Liu Zhengtao as the President on 15 June 2020.

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.6.7 of the CG Code requires that NEDs and INEDs should attend general meetings and develop a balanced understanding of the views of the Shareholders. Mr. Andreas Hermann Renschler, Mr. Joachim Gerhard Drees, Mr. Jiang Kui, Ms. Annette Danielski, Mr. Yang Weicheng, Dr. Wang Dengfeng, Mr. Zhao Hang and Mr. Liang Qing were unable to join 2020 AGM due to business commitments.

In respect of code provision E.1.5 of the CG Code, the Company should have a policy on payment of dividends. The Company has not established a dividend policy as the Company will consider various factors such as the current operating results, distributable reserves, financial position, expected financial performance, expected working capital requirements, sustainable development to determine the dividend, which is to the best interest of the Company and its shareholders as a whole.

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 operation 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 2020, the Board had a total number of seventeen Directors including seven EDs, four NEDs and six INEDs. Seven EDs included Mr. Cai Dong, Mr. Liu Zhengtao, Mr. Liu Wei, Mr. Liu Peimin, Mr. Dai Lixin, Mr. Richard von Braunschweig and Ms. Qu Hongkun. 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.

Mr. Wang Shanpo and Mr. Sun Chenglong resigned as the EDs from 9 March 2020. Each of Mr. Wang Shanpo and Mr. Sun Chenglong has confirmed that he has no disagreement with the Board and nothing relating to the affairs of the Company needed to be brought to the attention of the Shareholders.

OTHER INFORMATION

In addition, Mr. Andreas Hermann Renschler and Mr. Joachim Gerhard Drees resigned as the NEDs from 16 July 2020. Each of Mr. Andreas Hermann Renschler and Mr. Joachim Gerhard Drees has confirmed that he has no disagreement with the Board and nothing relating to the affairs of the Company needed to be brought to the attention of the Shareholders.

EXECUTIVE COMMITTEE

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

As at 30 June 2020, the Executive Committee comprised seven members, namely, Mr. Cai Dong, Mr. Liu Zhengtao, Mr. Liu Wei, Mr. Liu Peimin, Mr. Dai Lixin, Mr. Richard von Braunschweig and Ms. Qu Hongkun. 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 2020, the Strategy and Investment Committee comprised five members, namely, Mr. Cai Dong, Mr. Liu Zhengtao, Mr. Richard von Braunschweig, Ms. Qu Hongkun and Mr. Zhao Hang. Mr. Cai Dong, Mr. Liu Zhengtao, Mr. Richard von Braunschweig and Ms. Qu Hongkun are EDs while Mr. Zhao Hang is an 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 also supervises the remuneration and other benefits offered by the Group to the Directors.

As at 30 June 2020, 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 INEDs while Mr. Liu Wei is an ED. Mr. Lyu Shousheng is the chairman of the Remuneration Committee.

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.

OTHER INFORMATION

As at 30 June 2020, 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 Appendix 10 - Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") of the Listing Rules as the code of conduct for securities transactions by the Directors. The Company has made specific enquiries with all Directors and all Directors confirm that they have complied with the standards required by the Model Code during the Period.

CHANGES IN DIRECTORS' INFORMATION

Dr. Lin Zhijun retired as independent non-executive director of Springland International Limited (stock code: 1700) in March 2020 after it was privatized and withdrew the listing of its shares on the Stock Exchange.

Mr. Cai Dong was appointed as the chairman of Weichai (Chongqing) Motor Co., Ltd. which is a wholly owned subsidiary of Weichai Power in August 2020.

DIVIDENDS

The Board resolved not to declare any interim dividends for the six months ended 30 June 2020.

DIVIDEND POLICY

As at 30 June 2020, the Company did not have a dividend policy in place.

REVIEW OF INTERIM RESULTS

This unaudited interim condensed consolidated financial information of the Company for the six months ended 30 June 2020 has been reviewed by the Audit Committee and by Ernst and Young, 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 THE LISTED SECURITIES OF THE COMPANY

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

SHAREHOLDING ANALYSIS

Based on publicly available information and within the Directors' knowledge as at the date of this interim report, approximately 24% of the Shares were held by the public.

As at 30 June 2020, the major shareholders of the Company were 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.

OTHER INFORMATION

The Company's market capitalisation and shareholding distribution as at 30 June 2020 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 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 Board and senior management are well aware of their important tasks of acting on behalf of the interests of all the Shareholders and improving the Shareholders' returns. The Board considers that AGM is an important opportunity for direct communication with the Shareholders.

The 2020 AGM was successfully held on 29 June 2020. Certain members of the Board and external auditors of the Company attended the 2020 AGM and communicated with the Shareholders via video conferencing system.

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

As at 30 June 2020, none of the Directors and chief executives of the Company or their associates (as defined in the Listing Rules) had interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

OTHER INFORMATION

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

As at 30 June 2020, other than the interests of the Directors and chief executives of the Company as disclosed above, the Company has been notified of the following interests in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of Part XV of the SFO:

A) THE COMPANY

Long position

Name of Shareholder	Capacity in which interests are held	Note	Number of Shares held	Approximate percentage of shareholding
SHIG	Interest in controlled corporation	(a)	1,408,106,603	51%
CNHTC	Interest in controlled corporation	(b)	1,408,106,603	51%
Sinotruk (BVI) Limited	Beneficial owner		1,408,106,603	51%
FPFPS	Interest in controlled corporation	(c)	690,248,336	25%
Ferdinand Porsche Familien-Holding GmbH	Interest in controlled corporation	(d)	690,248,336	25%
Ferdinand Alexander Porsche GmbH	Interest in controlled corporation	(e)	690,248,336	25%
Familie Porsche Beteiligung GmbH	Interest in controlled corporation	(f), (l)	690,248,336	25%
Porsche Automobil Holding SE	Interest in controlled corporation	(g), (m)	690,248,336	25%
Volkswagen AG	Interest in controlled corporation	(h)	690,248,336	25%
Volkswagen Finance Luxemburg S.A.	Interest in controlled corporation	(i)	690,248,336	25%
TRATON SE	Interest in controlled corporation	(j)	690,248,336	25%
MAN SE	Interest in controlled corporation	(k)	690,248,336	25%
MAN Finance and Holding S.A.	Beneficial owner		690,248,336	25%

OTHER INFORMATION

Notes:

- (a) For the purpose of Part XV of the SFO, SHIG has interest in a total of 65% of the voting right in CNHTC, and therefore, is deemed to have interest in all the Shares held (or deemed to be held) by CNHTC under the SFO.
- (b) 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.
- (c) 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.
- (d) 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.
- (e) 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.
- (f) 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.
- (g) 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.
- (h) Volkswagen AG holds 100% interest in Volkswagen Finance Luxemburg S.A. Volkswagen AG is deemed to have interest in all the Shares held (or deemed to be held) by Volkswagen Finance Luxemburg S.A. under the SFO.
- (i) Volkswagen Finance Luxemburg S.A. holds 89.72% voting interest in TRATON SE. Volkswagen Finance Luxemburg S.A. is deemed to have interest in all the Shares held (or deemed to be held) by TRATON SE under the SFO.
- (j) TRATON SE holds 94.68% voting 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.
- (k) MAN SE holds 100% voting 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.
- (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 2020, Familie 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.
- (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 2020, Porsche Automobil Holding SE held a 31.10% interest in the capital of Volkswagen AG and had a voting interest of 53.10% in this entity.

OTHER INFORMATION

B) MEMBERS OF THE GROUP

Long position

Name of equity holder	Nature of interests	Name of the member of the Group	Approximate percentage of equity interest held
Liuzhou Yunli Investment 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 2020, no other persons had any interests or short positions in the shares or underlying shares of the Company recorded in the register required to be kept by the Company under section 336 of Part XV of the SFO or who were directly or indirectly interested in 5% or more of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

CONSTITUTIONAL DOCUMENTS

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

By order of the Board
Mr. Cai Dong
Chairman of the Board

Ji'nan, PRC, 28 August 2020

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 36 to 78, which comprises the condensed consolidated statement of financial position of Sinotruk (Hong Kong) Limited (the "Company") and its subsidiaries (the "Group") as at 30 June 2020 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and 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* ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made 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 HKICPA. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Ernst & Young

Certified Public Accountants

Hong Kong
28 August 2020

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2020

(All amounts in RMB thousands unless otherwise stated)

		For the six months ended 30 June	
Notes	2020 Unaudited	2019 Unaudited Restated	
Revenue	4	42,798,400	34,623,209
Cost of sales		(34,223,075)	(27,737,690)
Gross profit		8,575,325	6,885,519
Distribution costs		(1,865,332)	(1,637,546)
Administrative expenses		(2,762,343)	(1,530,649)
Impairment losses on financial assets, net		(334,448)	(353,856)
Other income and gains, net		395,361	193,714
Operating profit		4,008,563	3,557,182
Finance income		62,766	33,425
Finance costs		(21,773)	(91,873)
Finance income/(costs), net		40,993	(58,448)
Share of profits less losses of investments accounted for using the equity method	6	29,061	25,363
Profit before income tax	5	4,078,617	3,524,097
Income tax expense	7	(960,109)	(766,702)
Profit for the period		3,118,508	2,757,395
Profit attributable to:			
– Owners of the Company		2,941,154	2,536,075
– Non-controlling interests		177,354	221,320
		3,118,508	2,757,395
Earnings per share attributable to owners of the Company for the period (expressed in RMB per share)			
– basic and diluted	8	1.07	0.92

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020
(All amounts in RMB thousands unless otherwise stated)

			For the six months ended 30 June	
Note	2020 Unaudited	2019 Unaudited Restated		
Profit for the period	3,118,508	2,757,395		
Other comprehensive income:				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Remeasurements of post-employment benefit obligations	(157)	(754)		
<i>Items that may be reclassified subsequently to profit or loss</i>				
Share of other comprehensive income of investments accounted for using the equity method	148	57	6	
Exchange differences on translation of foreign operations	(2,152)	(1,583)		
Other comprehensive loss for the period, net of tax	(2,161)	(2,280)		
Total comprehensive income for the period	3,116,347	2,755,115		
Attributable to:				
– Owners of the Company	2,938,993	2,533,808		
– Non-controlling interests	177,354	221,307		
Total comprehensive income for the period	3,116,347	2,755,115		

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2020

(All amounts in RMB thousands unless otherwise stated)

	Notes	30 June 2020 Unaudited	31 December 2019 Restated
ASSETS			
Non-current assets			
Right-of-use assets		1,923,601	1,680,069
Property, plant and equipment	10	10,584,129	10,527,256
Investment properties		777,326	797,513
Intangible assets	11	296,535	318,407
Goodwill		17,478	17,478
Deferred income tax assets		2,269,322	1,688,157
Investments accounted for using the equity method	6	515,231	496,521
Financial assets at fair value through other comprehensive income	12	33,125	33,125
Receivables and other assets	13	4,020,168	2,911,016
		20,436,915	18,469,542
Current assets			
Inventories	14	14,745,472	9,811,219
Receivables and other assets	13	20,312,635	16,183,407
Bills receivable	15	9,175	9,711
Financial assets at fair value through other comprehensive income	12	2,243,401	2,262,313
Financial assets at fair value through profit or loss	26	7,000,622	1,715,101
Amounts due from related parties	25	430,000	270,601
Cash and bank balances	16	24,667,273	18,380,978
		69,408,578	48,633,330
Total assets		89,845,493	67,102,872
EQUITY			
Equity attributable to owners of the Company			
Share capital	17	16,717,024	16,717,024
Other reserves		(358,599)	(499,601)
Retained earnings		11,894,968	10,142,219
		28,253,393	26,359,642
Non-controlling interests		3,210,469	3,166,801
Total equity		31,463,862	29,526,443

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2020

(All amounts in RMB thousands unless otherwise stated)

	Notes	30 June 2020 Unaudited	31 December 2019 Restated
LIABILITIES			
Non-current liabilities			
Lease liabilities		9,945	26,164
Deferred income tax liabilities		40,860	33,891
Termination and post-employment benefit obligations	18	870,868	34,548
Deferred income		538,350	535,231
Other non-current liabilities		5,000	10,000
		1,465,023	639,834
Current liabilities			
Lease liabilities		17,862	31,215
Trade payables and other liabilities	19	52,159,630	31,866,194
Current income tax liabilities		1,017,352	385,240
Borrowings	20	1,400,000	1,000,000
Amounts due to related parties	25	648,401	2,409,685
Provisions for other liabilities	21	1,673,363	1,244,261
		56,916,608	36,936,595
Total liabilities		58,381,631	37,576,429
Net current assets		12,491,970	11,696,735
Total equity and liabilities		89,845,493	67,102,872

The interim condensed financial information on pages 36 to 78 were approved by the board of directors on 28 August 2020 and were signed on its behalf.

Cai Dong
Director

Qu Hongkun
Director

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

(All amounts in RMB thousands unless otherwise stated)

	Unaudited							Non-controlling interests	Total equity		
	Attributable to owners of the Company										
	Share capital	Capital reserve	Revaluation reserve	Statutory reserve	Discretionary reserve	Merger reserve	Translation and other reserves			Retained earnings	Total
Note											
Balance at 31 December 2019	16,717,024	(3,612,554)	41,732	2,471,832	104,294	1,417,970	15,014	10,105,758	27,261,070	3,166,801	30,427,871
Business combination between entities under common control	—	—	—	—	—	(937,889)	—	36,461	(901,428)	—	(901,428)
Balance at 1 January 2020	16,717,024	(3,612,554)	41,732	2,471,832	104,294	480,081	15,014	10,142,219	26,359,642	3,166,801	29,526,443
Profit for the period	—	—	—	—	—	—	—	2,941,154	2,941,154	177,354	3,118,508
Other comprehensive income	—	—	(157)	—	—	—	—	—	(157)	—	(157)
Remeasurements of post-employment benefit obligations	—	—	—	—	—	—	—	—	—	—	—
Share of other comprehensive income of investments accounted for using the equity method	—	—	—	—	—	—	148	—	148	—	148
Exchange differences on translation of foreign operations	—	—	—	—	—	—	(2,152)	—	(2,152)	—	(2,152)
Total other comprehensive loss for the period	—	—	(157)	—	—	—	(2,004)	—	(2,161)	—	(2,161)
Transactions with owners in their capacity as owners	—	—	—	—	—	—	—	(991,530)	(991,530)	—	(991,530)
Dividends of the Company relating to 2019	—	—	—	—	—	—	—	—	—	—	—
Dividends of subsidiaries distributed to non-controlling interests	—	—	—	—	—	—	—	—	—	(133,686)	(133,686)
Dividends paid to the then holding company of a subsidiary	—	—	—	—	—	—	—	(53,712)	(53,712)	—	(53,712)
Total transactions with owners in their capacity as owners	—	—	—	—	—	—	—	(1,045,242)	(1,045,242)	(133,686)	(1,178,928)
Appropriation to reserves	—	—	—	143,163	—	—	—	(143,163)	—	—	—
Balance at 30 June 2020	16,717,024	(3,612,554)	41,575	2,614,995	104,294	480,081	13,010	11,894,968	28,253,393	3,210,469	31,463,862

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the six months ended 30 June 2020
(All amounts in RMB thousands unless otherwise stated)

	Unaudited Restated										Non- controlling interests	Total equity
	Attributable to owners of the Company											
Note	Share capital	Capital reserve	Revaluation reserve	Statutory reserve	Discretionary reserve	Merger reserve	Translation and other reserves	Retained earnings	Total			
Balance at 31 December 2018	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	
Business combination between entities under common control	—	—	—	—	—	(937,889)	—	141,069	(796,820)	—	(796,820)	
Balance at 1 January 2019	16,717,024	(3,613,302)	41,310	1,966,283	104,294	480,081	22,762	8,973,273	24,691,725	2,852,307	27,544,032	
Profit for the period	—	—	—	—	—	—	—	2,536,075	2,536,075	221,320	2,757,395	
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	
Exchange differences on translation of foreign operations	—	—	—	—	—	—	(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	9	—	—	—	—	—	—	(1,554,691)	(1,554,691)	—	(1,554,691)	
Dividends of subsidiaries distributed to non-controlling interests	9	—	—	—	—	—	—	—	—	(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	480,081	21,236	9,793,079	25,670,842	2,961,803	28,632,645	

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020
(All amounts in RMB thousands unless otherwise stated)

		For the six months ended 30 June	
Note	2020 Unaudited	2019 Unaudited Restated	
Cash flows from operating activities			
	14,310,382	5,170,447	
Cash generated from operations	(21,047)	(107,613)	
Interest paid	(815,117)	(791,168)	
Income tax paid			
	13,474,218	4,271,666	
Net cash flows from operating activities			
Cash flows from investing activities			
	(95,149)	(116,296)	
Purchase of items of property, plant and equipment	27,225	19,271	
Proceeds from disposals of property, plant and equipment	(28,226)	(64,910)	
Purchase of intangible assets	(20,600,266)	(17,250,000)	
Purchase of financial assets at fair value through profit or loss			
Proceeds from disposal of financial assets at fair value through profit or loss	15,472,516	15,398,805	
Proceeds from disposal of a subsidiary	4,885	—	
Dividends income received from financial assets at fair value through profit or loss	1,552	6,209	
Interest received	62,896	61,471	
Dividends received from an associate	10,499	17,146	
Dividends received from a joint venture	—	9,505	
Proceeds from government grants	5,336	—	
	(5,138,732)	(1,918,799)	
Net cash used in investing activities			
Cash flows from financing activities			
	—	802,460	
Proceeds from borrowings	(700,000)	(4,252,460)	
Repayments of borrowings	(133,686)	(111,811)	
Dividends paid to non-controlling interests	(53,712)	—	
Dividends paid to the then holding company of a subsidiary	(42,036)	(15,714)	
Principal elements of lease payment	(1,392,708)	(306,612)	
Payment of consideration for business combination under common control			
	(2,322,142)	(3,884,137)	
Net cash used in financing activities			
Net increase/(decrease) in cash and cash equivalents			
	6,013,344	(1,531,270)	
Cash and cash equivalents at beginning of the period	16 15,923,639	12,974,858	
Exchange gains on cash and cash equivalents	21,161	11,563	
	21,958,144	11,455,151	
Cash and cash equivalents at end of the period	16		

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020
(All amounts in RMB thousands unless otherwise stated)

1. GENERAL INFORMATION

Sinotruk (Hong Kong) Limited (the “Company”) was incorporated in Hong Kong on 31 January 2007 as a limited liability company as a result of a group reorganization of China National Heavy Duty Truck Group Company Limited (“CNHTC”). The address of the Company’s registered office is Units 2102-03, 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 gearboxes, and the provision of financial services.

2. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2020 has been prepared in accordance with HKAS 34 *Interim Financial Reporting*. The financial information does not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2019.

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

The financial information relating to the year ended 31 December 2019 that is included in the interim condensed consolidated financial information for the six months ended 30 June 2020 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 China National Heavy Duty Truck Group Datong Gear Co., LTD. (“Datong Gear”) for the year ended 31 December 2019 under merger accounting (note 22). Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 December 2019 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

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 407(3) of the Hong Kong Companies Ordinance.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

(All amounts in RMB thousands unless otherwise stated)

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Company's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions</i> (early adopted)
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

The nature and impact of the revised HKFRSs that are relevant to the preparation of the Company's interim condensed consolidated financial information are described below:

- (a) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.
- (b) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedge relationships.
- (c) Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the Covid-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted. The amendments did not have any impact on the Company's interim condensed consolidated financial information.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020
(All amounts in RMB thousands unless otherwise stated)

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

- (d) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. The amendments did not have any impact on the Company's interim condensed consolidated financial information.

4. SEGMENT INFORMATION

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

The Executive Committee considers the business from both the geographic and business perspective. From the geographic perspective, the Executive Committee assesses the revenue from Mainland China and overseas. From the 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, financial assets at fair value through profit or loss, bills receivable, 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.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

(All amounts in RMB thousands unless otherwise stated)

4. SEGMENT INFORMATION (CONTINUED)

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

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

The segment results for the six months ended 30 June 2020 are as follows:

	Unaudited					Total
	Heavy duty trucks	Light duty trucks and buses	Engines	Finance	Elimination	
External revenue						
Sales of goods	34,559,695	6,715,556	555,975	—	—	41,831,226
Rendering of services	394,553	—	9,599	—	—	404,152
Provision of financial services	—	—	—	563,022	—	563,022
Total external revenue	34,954,248	6,715,556	565,574	563,022	—	42,798,400
Inter-segment revenue	660,179	168,955	10,733,436	257,032	(11,819,602)	—
Total segment revenue	35,614,427	6,884,511	11,299,010	820,054	(11,819,602)	42,798,400
Operating profit before unallocated expenses	2,276,854	348,448	1,748,853	425,902	(786,400)	4,013,657
Unallocated expenses						(5,094)
Operating profit						4,008,563
Finance income, net						40,993
Share of profits less losses of investments accounted for using the equity method						29,061
Profit before income tax						4,078,617
Income tax expense						(960,109)
Profit for the period						3,118,508

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020
(All amounts in RMB thousands unless otherwise stated)

4. SEGMENT INFORMATION (CONTINUED)

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

	Unaudited Restated					Total
	Heavy duty trucks	Light duty trucks and buses	Engines	Finance	Elimination	
External revenue						
Sales of goods	27,206,298	5,822,891	527,361	—	—	33,556,550
Rendering of services	499,252	2,783	11,613	—	—	513,648
Provision of financial services	—	—	—	553,011	—	553,011
Total external revenue	27,705,550	5,825,674	538,974	553,011	—	34,623,209
Inter-segment revenue	438,271	286,677	7,036,484	228,251	(7,989,683)	—
Total segment revenue	28,143,821	6,112,351	7,575,458	781,262	(7,989,683)	34,623,209
Operating profit/(loss) before unallocated expenses	1,946,163	(117,499)	1,254,813	457,784	19,570	3,560,831
Unallocated expenses						(3,649)
Operating profit						3,557,182
Finance costs, net						(58,448)
Share of profits less losses of investments accounted for using the equity method						25,363
Profit before income tax						3,524,097
Income tax expense						(766,702)
Profit for the period						2,757,395

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

(All amounts in RMB thousands unless otherwise stated)

4. SEGMENT INFORMATION (CONTINUED)

The segment assets and liabilities as at 30 June 2020 are as follows:

	Unaudited					Total
	Heavy duty trucks	Light duty trucks and buses	Engines	Finance	Unallocated	
Segment assets	59,556,937	11,444,173	21,022,153	46,640,036	2,306,413	140,969,712
Elimination						(51,124,219)
Total assets						89,845,493
Segment liabilities	38,964,980	12,028,133	9,252,636	39,033,567	2,057,338	101,336,654
Elimination						(42,955,023)
Total liabilities						58,381,631

Reconciled to entity assets and liabilities as at 30 June 2020 as follows:

	Unaudited	
	Assets	Liabilities
Segment assets/liabilities after elimination	87,539,080	56,324,293
Unallocated:		
Deferred tax assets/liabilities	2,269,322	40,860
Current tax assets/liabilities	—	1,017,352
Other assets/liabilities	37,091	999,126
Unallocated assets/liabilities	2,306,413	2,057,338
Total	89,845,493	58,381,631

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020
(All amounts in RMB thousands unless otherwise stated)

4. SEGMENT INFORMATION (CONTINUED)

The segment assets and liabilities as at 31 December 2019 are as follows:

	Restated					Total
	Heavy duty trucks	Light duty trucks and buses	Engines	Finance	Unallocated	
Segment assets	49,769,709	7,579,797	19,628,442	43,331,497	1,786,061	122,095,506
Elimination						(54,992,634)
Total assets						67,102,872
Segment liabilities	31,049,994	7,966,168	8,165,991	36,023,474	2,520,265	85,725,892
Elimination						(48,149,463)
Total liabilities						37,576,429

Reconciled to entity assets and liabilities as at 31 December 2019 as follows:

	Restated	
	Assets	Liabilities
Segment assets/liabilities after elimination	65,316,811	35,056,164
Unallocated:		
Deferred tax assets/liabilities	1,688,157	33,891
Current tax assets/liabilities	69,400	385,240
Current borrowings	—	700,000
Other assets/liabilities	28,504	1,401,134
Unallocated assets/liabilities	1,786,061	2,520,265
Total	67,102,872	37,576,429

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

(All amounts in RMB thousands unless otherwise stated)

4. SEGMENT INFORMATION (CONTINUED)

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

	For the six months ended 30 June	
	2020 Unaudited	2019 Unaudited Restated
Mainland China	39,458,201	29,974,158
Overseas	3,340,199	4,649,051
Total	42,798,400	34,623,209

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2020 Unaudited	2019 Unaudited Restated
Revenue from contracts with customers	42,235,378	34,070,198
Revenue from other sources		
Provision of financial services	563,022	553,011
Total	42,798,400	34,623,209

Timing of revenue recognition:

	For the six months ended 30 June	
	2020 Unaudited	2019 Unaudited Restated
Sales recognised at a point in time	42,235,378	34,070,198
Total revenue from contracts with customers	42,235,378	34,070,198

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020
(All amounts in RMB thousands unless otherwise stated)

5. PROFIT BEFORE INCOME TAX

Profit before tax is arrived at after charging/(crediting):

	For the six months ended 30 June	
	2020 Unaudited	2019 Unaudited Restated
Cost of inventories sold	30,426,556	24,390,243
Employee benefit expenses	3,345,876	2,219,790
Warranty expenses (note 21)	660,416	479,784
Write-down of inventories to net realisable value	163,907	186,402
Impairment of trade receivables, net (note 13)	215,102	296,990
Impairment of financing receivables, net (note 13)	91,598	50,442
Impairment of other financial assets included in prepayments, other receivables and other assets, net	27,748	6,424
Depreciation of right-of-use assets	36,672	47,227
Depreciation of property, plant and equipment (note 10)	819,463	735,871
Amortisation of intangible assets (note 11)	30,044	35,275
(Gains)/losses on disposal of property, plant and equipment	(282)	4,040
Exchange difference, net	(46,914)	(18,013)
Government grants	(96,409)	(51,868)
Gains on disposal of scraps	(71,497)	(28,201)

6. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

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

	30 June 2020 Unaudited	31 December 2019 Restated
Associates (a)	515,231	496,521

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

(All amounts in RMB thousands unless otherwise stated)

6. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

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

	For the six months ended 30 June	
	2020 Unaudited	2019 Unaudited Restated
Associates (a)	29,061	18,623
A joint venture (b)	—	6,740
	29,061	25,363

(a) INVESTMENTS IN ASSOCIATES

	For the six months ended 30 June	
	2020 Unaudited	2019 Unaudited Restated
At 1 January (Restated)	496,521	381,307
Share of profits less losses	29,061	18,623
Share of other comprehensive income	148	57
Dividend received	(10,499)	(17,146)
At 30 June	515,231	382,841

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020
(All amounts in RMB thousands unless otherwise stated)

6. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(b) INVESTMENT IN A JOINT VENTURE

	For the six months ended 30 June	
	2020 Unaudited	2019 Unaudited Restated
At 1 January (Restated)	—	152,841
Share of profits less losses	—	6,740
Dividend received	—	(9,505)
At 30 June	—	150,076

7. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2020 Unaudited	2019 Unaudited Restated
Current income tax		
– Hong Kong profits tax	4,374	1,392
– PRC corporate income tax	1,529,931	795,068
Deferred income tax	1,534,305 (574,196)	796,460 (29,758)
	960,109	766,702

Taxation on profits has been calculated on the estimated assessable profits during the six months ended 30 June 2020 at the rates of taxation prevailing in the countries/districts in which the Group operates.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

(All amounts in RMB thousands unless otherwise stated)

7. INCOME TAX EXPENSE (CONTINUED)

The Company, Sinotruk (Hong Kong) Capital Holding Limited and Sinotruk (Hong Kong) Hongye Limited are subject to Hong Kong profits tax at the rate of 16.5% (2019: 16.5%) on their estimated assessable profits for the period. The Company is determined as a Chinese-resident enterprise and, is subject to corporate income tax at a rate of 25% (2019: 25%) according to the Corporate Income Tax Law of the People's Republic of China (the "CIT Law"). Sinotruk (Hong Kong) International Investment Limited is a qualifying entity under the two-tiered profits tax rates regime in Hong Kong. Its first HKD2 million assessable profits is taxed at a rate of 8.25% and the rest at 16.5% (2019: first HKD2 million assessable profits taxed at a rate of 8.25% and the rest at 16.5%).

Sinotruk Ji'nan Power Co., Ltd., Sinotruk Hangzhou Engines Co., Ltd. and Datong Gear have been recognised as the High New Tech Enterprises in 2017. Sinotruk Hubei Huawei Special Vehicles Co., Ltd. has been recognised as the High New Tech Enterprises in 2019. These companies are entitled to a reduced corporate income tax rate of 15% (2019:15%) 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 corporate income tax at a rate of 15% (2019:15%) according to the Western Development tax incentives of the CIT Law.

SINOTRUK RUS Limited Liability Company is subject to a corporate income tax at a rate of 20% (2019: 20%) according to Tax Code of the Russian Federation.

Sinotruk South Africa (Pty) Ltd. is subject to corporate income tax at a rate of 28% (2019: 28%) according to South Africa Tax Law.

Sinotruk Kazakhstan Limited Liability Partnership is subject to a corporate income tax at a rate of 20% (2019: 20%) according to Kazakhstan Tax Law.

Sinotruk (Kenya) Limited is subject to a corporate income tax rate of 30% (2019: 30%) according to Kenya Tax Law.

The remaining subsidiaries in the PRC are subject to corporate income tax at a rate of 25% (2019: 25%) according to the CIT Law.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020
(All amounts in RMB thousands unless otherwise stated)

8. EARNINGS PER SHARE

	For the six months ended 30 June	
	2020 Unaudited	2019 Unaudited Restated
Profit attributable to owners of the Company	2,941,154	2,536,075
Weighted average number of ordinary shares in issue (in thousand shares)	2,760,993	2,760,993
Basic earnings per share (RMB per share)	1.07	0.92

Diluted earnings per share equals basic earnings per share as the Company had no dilutive potential ordinary shares for the six months ended 30 June 2020 and 30 June 2019.

9. DIVIDENDS

The Board does not recommend an interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil). The final dividend of the Company for the year ended 31 December 2019 was HKD0.39 or RMB0.36 per share of the Company with total amount of approximately RMB991,530,000 (year 2018 final dividend: HKD0.64 per share of the Company with total amount of approximately RMB1,554,691,000). The 2019 final dividend and the corresponding withholding dividend tax will be paid in September 2020.

During the six months ended 30 June 2020, certain non-wholly owned subsidiaries of the Company have approved the dividends to non-controlling interests amounting to approximately RMB133,686,000 (six months ended 30 June 2019: approximately RMB111,811,000).

During the six months ended 30 June 2020, Datong Gear paid an interim dividend to CNHTC in respect of the year ended 31 December 2019, which amounting to approximately RMB53,712,000 (six months ended 30 June 2019: Nil), before the completion of the acquisition of Datong Gear by the Group.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

(All amounts in RMB thousands unless otherwise stated)

10. PROPERTY, PLANT AND EQUIPMENT

	For the six months ended 30 June	
	2020 Unaudited	2019 Unaudited Restated
At 1 January (Restated)	10,527,256	11,065,709
Additions	885,669	567,937
Transfers	17,610	(68,790)
Disposals	(26,943)	(23,311)
Depreciation (note 5)	(819,463)	(735,871)
At 30 June	10,584,129	10,805,674

As at 30 June 2020, the Group is in the process of applying for certificate of ownership for the buildings with net book amount of approximately RMB282,546,000 (31 December 2019: approximately RMB146,055,000). As at the date of approval of this interim condensed consolidated financial information, the process is still in undergoing.

11. INTANGIBLE ASSETS

	For the six months ended 30 June	
	2020 Unaudited	2019 Unaudited Restated
At 1 January (Restated)	318,407	363,620
Additions	6,168	22,584
Transfers	2,004	1,716
Amortisation (note 5)	(30,044)	(35,275)
At 30 June	296,535	352,645

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020
(All amounts in RMB thousands unless otherwise stated)

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30 June 2020 Unaudited	31 December 2019 Restated
Non-current		
Equity investments	33,125	33,125
Current		
Debt investments (a)		
– bank acceptance notes	2,242,401	2,214,070
– commercial acceptance notes	1,000	48,243
	2,243,401	2,262,313

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

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 notes based on transaction dates at the respective dates of the statement of financial position is as follows:

	30 June 2020 Unaudited	31 December 2019 Restated
Less than 3 months	1,784,645	1,367,283
3 months to 6 months	320,825	804,201
6 months to 12 months	137,931	90,829
	2,243,401	2,262,313

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(All amounts in RMB thousands unless otherwise stated)

13. RECEIVABLES AND OTHER ASSETS

	30 June 2020 Unaudited	31 December 2019 Restated
Trade receivables	12,622,716	10,482,052
Impairment	(1,766,964)	(1,966,983)
Trade receivables, net (a)	10,855,752	8,515,069
Financing receivables	12,057,396	9,516,765
Impairment	(342,126)	(250,528)
Financing receivables, net (b)	11,715,270	9,266,237
Prepayments and other assets:		
Prepayments	450,124	344,905
Other receivables	319,637	223,616
Others	1,032,641	805,278
	1,802,402	1,373,799
Impairment	(40,621)	(60,682)
Prepayments and other assets, net	1,761,781	1,313,117
Total	24,332,803	19,094,423
Portion classified as non-current		
Trade receivables	280,610	234,119
Financing receivables	3,664,268	2,619,191
Prepayments and other assets	75,290	57,706
Non-current portion	4,020,168	2,911,016
Current portion	20,312,635	16,183,407

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13. RECEIVABLES AND OTHER ASSETS (CONTINUED)

- (a) The sales policy of the Group generally requires its customers to pay a certain amount of deposits when orders of commercial vehicles are made and to settle purchase price in cash, on credit or by acceptance notes. A credit period from 3 to 12 months is granted to selected customers based on credit assessment.

As at 30 June 2020, approximately RMB983,215,000 (31 December 2019: approximately RMB1,262,400,000) of the Group's trade receivables are secured by letters of credit issued by certain overseas third parties.

An ageing analysis of trade receivables based on invoice date at respective dates of statement of financial position, net of provisions, is as follows:

	30 June 2020 Unaudited	31 December 2019 Restated
Less than 3 months	7,369,106	4,219,726
3 months to 6 months	1,170,713	1,266,274
6 months to 12 months	577,566	727,617
1 year to 2 years	888,550	1,379,473
2 years to 3 years	391,362	484,073
Over 3 years	458,455	437,906
	10,855,752	8,515,069

The movements in provision for impairment of trade receivables are as follows:

	For the six months ended 30 June	
	2020 Unaudited	2019 Unaudited Restated
At 1 January (Restated)	1,966,983	1,250,389
Impairment losses, net (note 5)	215,102	296,990
Amounts written off as uncollectible	(415,121)	(8,900)
At 30 June	1,766,964	1,538,479

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13. RECEIVABLES AND OTHER ASSETS (CONTINUED)

- (b) An ageing analysis of financing receivables based on maturity date at respective dates of statement of financial position, net of provisions, is as follows:

	30 June 2020 Unaudited	31 December 2019 Restated
Less than 3 months	2,142,502	1,999,901
3 months to 6 months	2,066,092	1,617,283
6 months to 12 months	3,842,407	3,023,068
1 year to 2 years	3,177,627	2,281,593
2 years to 3 years	465,582	296,536
Over 3 years	21,060	47,856
	11,715,270	9,266,237

Financing receivables represents loans and lease financing granted by Sinotruk Finance Co., Ltd. and Shandong HOWO Auto Finance Co., Ltd. which are involved in the provision of financial services to suppliers of the Group and to individuals and entities when they purchase commercial vehicles of the Group from dealers. Receivables to those who purchased commercial vehicles of the Group from dealers were secured by the vehicles and most of these receivables were guarantees provided by these dealers and their relevant parties.

The movements in provision for impairment of financing receivables are as follows:

	For the six months ended 30 June	
	2020 Unaudited	2019 Unaudited Restated
At 1 January (Restated)	250,528	177,617
Impairment losses, net (note 5)	91,598	50,442
At 30 June	342,126	228,059

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14. INVENTORIES

	30 June 2020 Unaudited	31 December 2019 Restated
Raw materials	1,880,927	1,588,722
Work in progress	2,013,990	2,497,786
Finished goods – engines, parts and components	151,526	254,548
Finished goods – commercial vehicles	11,037,687	5,825,676
	15,084,130	10,166,732
Less: write-down of inventories to net realisable value	(338,658)	(355,513)
	14,745,472	9,811,219

15. BILLS RECEIVABLE

	30 June 2020 Unaudited	31 December 2019 Restated
Bills receivable	9,175	9,711

The bills receivable is financial asset at amortised cost and held for the purpose of collection of contractual cash flows.

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

	30 June 2020 Unaudited	31 December 2019 Restated
Less than 3 months	4,473	2,961
3 months to 6 months	4,702	5,750
6 months to 12 months	—	1,000
	9,175	9,711

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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(All amounts in RMB thousands unless otherwise stated)

16. CASH AND BANK BALANCES

	30 June 2020 Unaudited	31 December 2019 Restated
Restricted cash	2,709,129	2,457,339
Cash and cash equivalents	21,958,144	15,923,639
	24,667,273	18,380,978

17. SHARE CAPITAL

Ordinary shares, issued and fully paid:

	Unaudited	
	Number of shares	Share capital
Balance at 1 January 2020 (Restated) and at 30 June 2020	2,760,993,339	16,717,024

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020
(All amounts in RMB thousands unless otherwise stated)

18. TERMINATION AND POST-EMPLOYMENT BENEFIT OBLIGATIONS

	30 June 2020 Unaudited	31 December 2019 Restated
Termination benefits (a)	558,759	1,034
Post-employment benefits (b)	312,106	33,510
Post-employment medical insurance plan	3	4
	870,868	34,548

- (a) Termination benefits balance at 30 June 2020 mainly represent the early retirement and termination plan under the streamlining of human resources structure for the six months ended 30 June 2020.
- (b) In January 2020, the Group approved the supplementary pension insurance plans and other comprehensive retirement benefit plans for employees retired before 1 January 2019. These plans include annual living subsidies for employees after their retirement.
- (c) The Group engaged an independent actuary, Towers Watson Consulting Co., Ltd., to estimate the present value of the obligations of its above termination benefits and post-employment benefits. These plans estimate future cash outflows based on average salary increase rate and mortality rate assumptions and determines its present value at a discount rate.

19. TRADE PAYABLES AND OTHER LIABILITIES

	30 June 2020 Unaudited	31 December 2019 Restated
Trade and bills payables (a)	41,391,055	25,030,729
Contract liabilities	3,261,251	1,755,388
Other taxes	291,136	218,202
Payroll and social security	1,205,231	1,028,412
Accrued expenses and others	6,010,957	3,833,463
	52,159,630	31,866,194

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

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19. TRADE PAYABLES AND OTHER LIABILITIES (CONTINUED)

- (a) The ageing analysis of trade payables based on invoice date and bills payables based on issue or endorsement date at respective dates of statement of financial position, is as follows:

	30 June 2020 Unaudited	31 December 2019 Restated
Less than 3 months	35,876,617	21,641,534
3 months to 6 months	5,324,324	3,208,583
6 months to 12 months	94,841	76,850
1 year to 2 years	52,695	75,846
2 years to 3 years	31,919	14,761
Over 3 years	10,659	13,155
	41,391,055	25,030,729

20. BORROWINGS

	30 June 2020 Unaudited	31 December 2019 Restated
Current		
Short-term bank borrowings - unsecured	1,400,000	1,000,000

Interest expenses on borrowings for the six months ended 30 June 2020 were approximately RMB44,248,000 (2019: approximately RMB105,066,000), out of which approximately RMB1,355,000 (2019: approximately RMB1,364,000) arising from 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 3.30% per annum (2019: 3.93%) was used, representing the weighted average rate of the borrowing cost of the loans used to finance the projects.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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20. BORROWINGS (CONTINUED)

The Group's borrowings are repayable as follows:

	30 June 2020 Unaudited	31 December 2019 Restated
Within 1 year	1,400,000	1,000,000

Movements in borrowings are analysed as follows:

	For the six months ended 30 June	
	2020 Unaudited	2019 Unaudited Restated
At 1 January (Restated)	1,000,000	3,000,000
Proceeds from borrowings	1,400,000	1,502,460
Repayments of borrowings	(1,000,000)	(2,902,460)
At 30 June	1,400,000	1,600,000

The Group has the following undrawn borrowing facilities:

	30 June 2020 Unaudited	31 December 2019 Restated
Expiring within one year	16,202,020	18,150,000

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21. PROVISIONS FOR OTHER LIABILITIES

For the six months ended 30 June 2020

	Unaudited		
	Products warranties	Legal claims	Total
At 1 January (Restated)	1,222,036	22,225	1,244,261
Additional provisions (note 5)	660,416	1,280	661,696
Utilised during the period	(224,679)	(7,915)	(232,594)
At 30 June	1,657,773	15,590	1,673,363

For the
six months
ended
30 June
2019

	Unaudited Restated
	Products warranties
At 1 January (Restated)	978,623
Additional provisions (note 5)	479,784
Utilised during the period	(399,069)
At 30 June	1,059,338

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22. BUSINESS COMBINATION

In April 2020, Sinotruk Ji'nan Power Co., Ltd. ("Ji'nan Power"), a wholly-owned subsidiary of the Company, acquired from CNHTC the entire equity interest of Datong Gear. The consideration was satisfied by cash, amounting to approximately RMB1,392,708,000.

Since Ji'nan Power and Datong Gear are ultimately controlled by CNHTC both before and after the above mentioned acquisition, the acquisition is regarded as a "common control combination". Accordingly, the Group has applied merger accounting to account for the acquisition of Datong Gear 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 Datong Gear has been combined, by using the merger accounting, as if the Group had acquired Datong Gear from the beginning of the earliest financial period presented. The net assets of the Group and Datong Gear are combined using the existing book values from the perspective of CNHTC, the controlling party. No amount is recognised in consideration for goodwill or excess of the Group's interest in the net fair value of Datong Gear's identifiable assets, liabilities and contingent liabilities over the cost of acquisition at the time of common control combination. Accordingly, the comparative figures of this consolidated financial information have been restated.

The consolidated statement of profit or loss 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.

The comparative amounts in the consolidated statement of financial position 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 recognised as expenses in the period in which they are incurred.

23. CONTINGENT LIABILITIES

The directors are of opinion that except for the provision for legal claims already made as disclosed in note 21, there is no other material contingent liability in respect of legal claims. The provision for guarantees of products warranties has been disclosed in note 21.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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24. CAPITAL COMMITMENTS

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

	30 June 2020 Unaudited	31 December 2019 Restated
Purchase of property, plant and equipment and intangible assets	886,376	486,434

25. RELATED PARTY TRANSACTIONS

The immediate holding company of the Company is Sinotruk (BVI) Limited, a company incorporated in the 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 Company 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 to as the FPFPS Group.

Before 31 December 2019, Sinotruk (Hong Kong) Hongye Limited ("Hongye") was a jointly controlled entity of the Group. The Group has acquired all remaining equity interests of Hongye on 31 December 2019, and thereafter Hongye has become a wholly-owned subsidiary of the Company.

Prinx (Cayman) Holding Limited and its subsidiaries (referred to 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 (before become as wholly-owned subsidiary of the Company), Prinx Cayman Group, Panzhihua Mining Truck and Changjiu Sinotruk, key management personnel of the Company and the CNHTC Group as well as their close family members, and other PRC government-related entities ("Other State-owned Enterprises").

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25. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) SIGNIFICANT RELATED PARTY TRANSACTIONS

Financial activities with related parties

(i) CNHTC Group

	Highest balance during the six months ended 30 June 2020 Unaudited	Balance at 30 June 2020 Unaudited	Highest balance during the six months ended 30 June 2019 Unaudited Restated	Balance at 30 June 2019 Unaudited Restated
Assets				
Loans	430,000	430,000	700,000	200,000
Liabilities				
Deposits taking	945,223	410,681	1,017,939	317,541
Borrowings	16,000	16,000	36,000	36,000
	961,223	426,681	1,053,939	353,541

(ii) Hongye

	Highest balance during the six months ended 30 June 2020 Unaudited	Balance at 30 June 2020 Unaudited	Highest balance during the six months ended 30 June 2019 Unaudited Restated	Balance at 30 June 2019 Unaudited Restated
Liabilities				
Deposits taking	—	—	127,369	58,330

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25. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

Trading, servicing and other transactions with related parties

	For the six months ended 30 June	
	2020 Unaudited	2019 Unaudited Restated
(i) CNHTC Group		
Fee income	33	82
Sale of raw materials	513	—
Provision for construction supervisions design services	1,203	2,643
Interest expense for deposits taking services	3,799	2,947
Supply of auxiliary production services	4,302	5,385
Aggregate of interest income for loan services	5,434	2,404
Rental income	5,681	7,816
Rental expenses	8,827	14,685
Purchases of spare parts	53,943	91,146
Purchases of general services	37,273	36,178
Sale of trucks	160,401	120,293
Sale of spare parts	363,739	306,969
Purchases of trucks	876,057	1,426,081
Purchases of construction and project management services	—	2,727
Interest expenses for accepting loan services	173	883
Purchases of technology development	—	166
	1,521,378	2,020,405
(ii) FPFPS Group		
Sale of trucks	204	—
Purchases of trucks	1,529	—
Sale of spare parts	—	14,889
	1,733	14,889
(iii) Prinx Cayman Group		
Purchases of spare parts	87,892	194,576
Sale of raw materials	—	7,216
	87,892	201,792

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25. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

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

	For the six months ended 30 June	
	2020 Unaudited	2019 Unaudited Restated
(iv) Hongye		
Sale of trucks	—	144,529
Interest expenses for deposits taking services	—	665
	—	145,194
(v) Changjiu Sinotruk		
Purchase of transportation services	91,846	111,468
(vi) Key management compensation		
Salaries and other short-term benefits	5,222	3,572
Post-employment benefits	103	100
	5,325	3,672

(vii) Other state-owned enterprises

The Group has transactions with other state-owned enterprises including but not limited to sale 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.

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25. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) BALANCES WITH RELATED PARTIES

	30 June 2020 Unaudited	31 December 2019 Restated
Amounts due from related parties		
(i) CNHTC Group		
Loans	430,000	250,000
Trade receivables	—	2,620
Prepayments	—	17,981
	430,000	270,601

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

	30 June 2020 Unaudited	31 December 2019 Restated
Less than 3 months	—	320
3 months to 6 months	—	24
6 months to 12 months	—	2,276
	—	2,620

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25. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) BALANCES WITH RELATED PARTIES (CONTINUED)

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

	30 June 2020 Unaudited	31 December 2019 Restated
Within 6 months	430,000	50,000
6 months to 12 months	—	200,000
	430,000	250,000

The interest rate of loans to related parties is 3.70% (2019: 4.13%) per annum.

	30 June 2020 Unaudited	31 December 2019 Restated
Amounts due to related parties		
(i) CNHTC Group		
Contract liabilities	13,022	8,679
Other payables	49,901	1,401,176
Trade payables	105,114	74,119
Borrowings	16,000	—
Deposits taking	410,681	833,057
	594,718	2,317,031
(ii) Prinx Cayman Group		
Trade payables	—	63,984
(iii) Panzhihua Mining Truck		
Contract liabilities	32	183
(iv) Changjiu Sinotruk		
Other payables	19,838	11,930
Trade payables	33,813	16,557
	53,651	28,487

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25. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) BALANCES WITH RELATED PARTIES (CONTINUED)

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

	30 June 2020 Unaudited	31 December 2019 Restated
Less than 3 months	138,263	154,586
3 months to 6 months	660	70
6 months to 12 months	—	4
1 year to 2 years	4	—
	138,927	154,660

As at 30 June 2020 and 31 December 2019, 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 2020 and 31 December 2019, 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 31 December 2019, trade receivables due from related parties were not past due or impaired.

Balances with other state-owned enterprises

As at 30 June 2020 and 31 December 2019, majority of the Group's bank balances and borrowings were with state-owned banks.

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26. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's non-current financial instruments are as follows:

	Carrying amounts		Fair values	
	30 June 2020 Unaudited	31 December 2019 Restated	30 June 2020 Unaudited	31 December 2019 Restated
Financial assets				
Financial assets at fair value through other comprehensive income	33,125	33,125	33,125	33,125
Trade and financing receivables	3,944,878	2,853,310	3,944,878	2,853,310
	<u>3,978,003</u>	<u>2,886,435</u>	<u>3,978,003</u>	<u>2,886,435</u>
Financial liabilities				
Other non-current liabilities	5,000	10,000	5,000	10,000

Management has determined that the carrying amounts of cash and bank balances, bills receivable, trade and financing receivables, financial assets included in prepayments and other receivables, trade and bills payables, dividend payables and borrowings based on their notional amount reasonably approximate to their fair values because these financial instruments are mostly short term in nature.

The Group invests in financial products issued by banks in Mainland China which are included in receivables and other assets. The Group has estimated the fair value of the unlisted investments based on quoted market prices or by using a discounted cash flow valuation model based on the market interest rate of instruments with similar terms and risks.

The fair value of other non-current liabilities has been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

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26. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

At 30 June 2020

	Fair value measurement using			Total Unaudited
	Quoted prices in active markets (Level 1) Unaudited	Significant observable inputs (Level 2) Unaudited	Significant unobservable inputs (Level 3) Unaudited	
Financial assets at fair value through other comprehensive income	—	2,243,401	33,125	2,276,526
Financial assets at fair value through profit or loss	80,815	3,009,410	3,910,397	7,000,622
	80,815	5,252,811	3,943,522	9,277,148

At 31 December 2019

	Fair value measurement using			Total Restated RMB'000
	Quoted prices in active markets (Level 1) Restated RMB'000	Significant observable inputs (Level 2) Restated RMB'000	Significant unobservable inputs (Level 3) Restated RMB'000	
Financial assets at fair value through other comprehensive income	—	—	2,295,438	2,295,438
Financial assets at fair value through profit or loss	24,966	—	1,690,135	1,715,101
	24,966	—	3,985,573	4,010,539

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26. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

The movements in fair value measurement within Level 3 during the period are as follows:

	For the six months ended 30 June	
	2020 Unaudited	2019 Unaudited Restated
Financial assets at fair value through profit or loss and other comprehensive income:		
At 1 January (Restated)	3,985,573	723,181
Total gains recognised in the statement of profit or loss included in other income	20,262	31,756
Purchases	16,900,000	16,350,000
Disposal	(16,962,313)	(13,520,000)
At 30 June	3,943,522	3,584,937

During the six months ended 30 June 2020, 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 2020, 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 comprise equity investment traded on The Stock Exchange of Hong Kong Limited. Their fair values are based on closing prices.

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

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 RMB3,000 million and interest rates are determined based on the range of foreign exchange rate of EUR/USD, EUR/JPY, USD/CHF, USD/JPY or price of gold that are quoted in active markets.

Level 3 financial assets at fair value through profit or loss include wealth management products acquired from a trust company with a principal of RMB152 million with the principal and interest rates non-guaranteed and from banks at aggregate principals of RMB3,700 million with the principals 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.

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For the six months ended 30 June 2020

(All amounts in RMB thousands unless otherwise stated)

26. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Level 3 financial assets at fair value through other comprehensive income include equity investments that are not publicly traded. The fair values are estimated by the Group using its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at each date of the statement of financial position. In connection with the assessment of the fair value of the equity investments, 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.

27. EVENTS AFTER THE REPORTING PERIOD

No significant subsequent events take place after the reporting period.



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