中国重汽
SINOTRUK

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

(incorporated in Hong Kong with limited liability)
Stock Code : 3808

Every Step Counts for Success

ANNUAL REPORT 2011

CONTENTS

HIGHLIGHTS

	2011	2010	Increase/(Decrease)	
				%
Operating results (RMB million)				
Turnover	**36,604**	39,656	(3,052)	(7.7)
Earnings before interest and tax	**2,246**	2,505	(259)	(10.3)
Profit attributable to equity holders of the Company	**1,002**	1,481	(479)	(32.3)
Profitability				
Gross profit margin	**15.6%**	16.0%	(0.40%)	(2.5)
Operating profit margin	**5.6%**	5.8%	(0.2%)	(3.4)
Net profit margin	**3.2%**	4.4%	(1.2%)	(27.3)
Liquidity				
Current ratio (time)	**1.3**	1.4	(0.1)	(7.1)
Inventory turnover (days)	**139.2**	105.0	34.2	32.6
Trade receivable turnover (days)	**119.5**	78.5	41.0	52.2
Trade payable turnover (days)	**129.1**	119.2	9.9	8.3
Per share data				
Earnings per share - basic (RMB)	**0.36**	0.54	(0.18)	(33.3)
Dividend per share (HKD)	**0.10**	0.18	(0.08)	(44.4)
Share information *(as at 31 December)*				
Number of issued shares (million)	**2,761**	2,761	—	—
Market capitalisation (RMB million)	**9,714**	18,819	(9,105)	(48.4)

- Turnover at RMB36,604 million, 7.7% decrease
- Heavy duty truck sales volume at 130,029 units, 13.4% decrease including export volume at 20,852 units, 53.9% increase; medium and light duty truck sales volume at 21,981 units
- Profit attributable to equity holders of the Company at RMB1,002 million, 32.3% decrease
- Basic earnings per share at RMB0.36, 33.3% decrease
- Proposed final dividend per share at HKD0.10, 44.4% decrease

FIVE YEARS FINANCIAL SUMMARY

Results

	For the year ended 31 December				
	2007 RMB'000	2008 RMB'000	2009 RMB'000	2010 RMB'000	**2011 RMB'000**
Turnover	21,297,372	26,000,199	27,900,781	39,656,160	**36,603,546**
Profit before income tax	1,888,764	1,299,105	1,309,022	2,054,248	**1,465,967**
Income tax expense	(500,806)	(185,909)	(292,973)	(324,733)	**(297,645)**
Profit for the year	1,387,958	1,113,196	1,016,049	1,729,515	**1,168,322**
Attributed to:					
Equity holders of the Company	1,109,185	880,774	836,759	1,480,745	**1,002,177**
Non-controlling interests	278,773	232,422	179,290	248,770	**166,145**
	1,387,958	1,113,196	1,016,049	1,729,515	**1,168,322**

ASSETS, LIABILITIES AND EQUITY

	As at 31 December				
	2007 RMB'000	2008 RMB'000	2009 RMB'000	2010 RMB'000	**2011 RMB'000**
Total assets	24,165,530	28,302,312	39,374,871	53,909,618	**51,993,325**
Total liabilities	12,262,223	15,858,580	21,198,022	34,149,547	**31,424,725**
Total equity	11,903,307	12,443,732	18,176,849	19,760,071	**20,568,600**
Attributed to:					
Equity holders of the Company	10,987,079	11,305,492	16,893,017	18,127,378	**18,749,639**
Non-controlling interests	916,228	1,138,240	1,283,832	1,632,693	**1,818,961**
	11,903,307	12,443,732	18,176,849	19,760,071	**20,568,600**

In May 2010, the Group acquired 100% of equity interests in CNHTC Ji'ning Commercial Truck Co., Ltd. ("Ji'ning Commercial Truck") from CNHTC. The acquisition of Ji'ning Commercial Truck was considered to be a business combination under common control as the Group and Ji'ning Commercial Truck are under common control of CNHTC both before and after the acquisition of Ji'ning Commercial Truck. Accordingly, the assets and liabilities of Ji'ning Commercial Truck should have been accounted for at historical amounts in the consolidated financial statements of the Group as if Ji'ning Commercial Truck had always been part of the Group. The figures for the years of 2009 and 2010 have been restated while the figures for the years of 2007 to 2008 have not been restated.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors:

Ma Chunji *(Chairman)*
Cai Dong *(President)*
Wei Zhihai *(Vice President)*
Wang Haotao *(Vice President)*
Tong Jingen *(Chief Economist)*
Wang Shanpo *(Chief Engineer)*
Gao Dinggui *(Vice President)*

Non-executive Directors:

Georg Pachta-Reyhofen
Jörg Schwitalla
Lars Wrebo

Independent Non-executive Directors:

Shao Qihui
Lin Zhijun
Ouyang Minggao
Hu Zhenghuan
Chen Zheng
Li Xianyun

EXECUTIVE COMMITTEE

Ma Chunji *(Chairman)*
Cai Dong
Wei Zhihai
Wang Haotao
Tong Jingen
Wang Shanpo
Gao Dinggui

STRATEGY AND INVESTMENT COMMITTEE

Ma Chunji *(Chairman)*
Cai Dong
Shao Qihui
Ouyang Minggao
Hu Zhenghuan
Wang Haotao
Wang Shanpo

REMUNERATION COMMITTEE

Chen Zheng *(Chairman)*
Lin Zhijun
Li Xianyun
Wei Zhihai
Tong Jingen

AUDIT COMMITTEE

Lin Zhijun *(Chairman)*
Ouyang Minggao
Chen Zheng

HEAD QUARTER

165 Yingxiongshan Road
Ji'nan, Shandong Province
China
Postal code: 250002

REGISTERED OFFICE IN HONG KONG

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

COMPANY SECRETARIES AND AUTHORIZED REPRESENTATIVES

Tong Jingen
Kwok Ka Yiu

PRINCIPAL BANKERS

Industrial and Commercial Bank of China - Ji'nan Branch, Tianqiao Sub-branch
Bank of China - Ji'nan Branch
Agricultural Bank of China - Ji'nan Branch, Huaiyin Sub-branch
China Construction Bank - Ji'nan Branch, Tianqiao Sub-branch

LEGAL ADVISERS

Hong Kong
Sidley Austin

PRC
DeHeng Law Offices

AUDITOR

PricewaterhouseCoopers

SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited

COMPANY WEBSITE

www.sinotruk.com

STOCK CODE

3808

INVESTOR RELATIONS

Securities Department

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PUBLIC RELATIONS CONSULTANT

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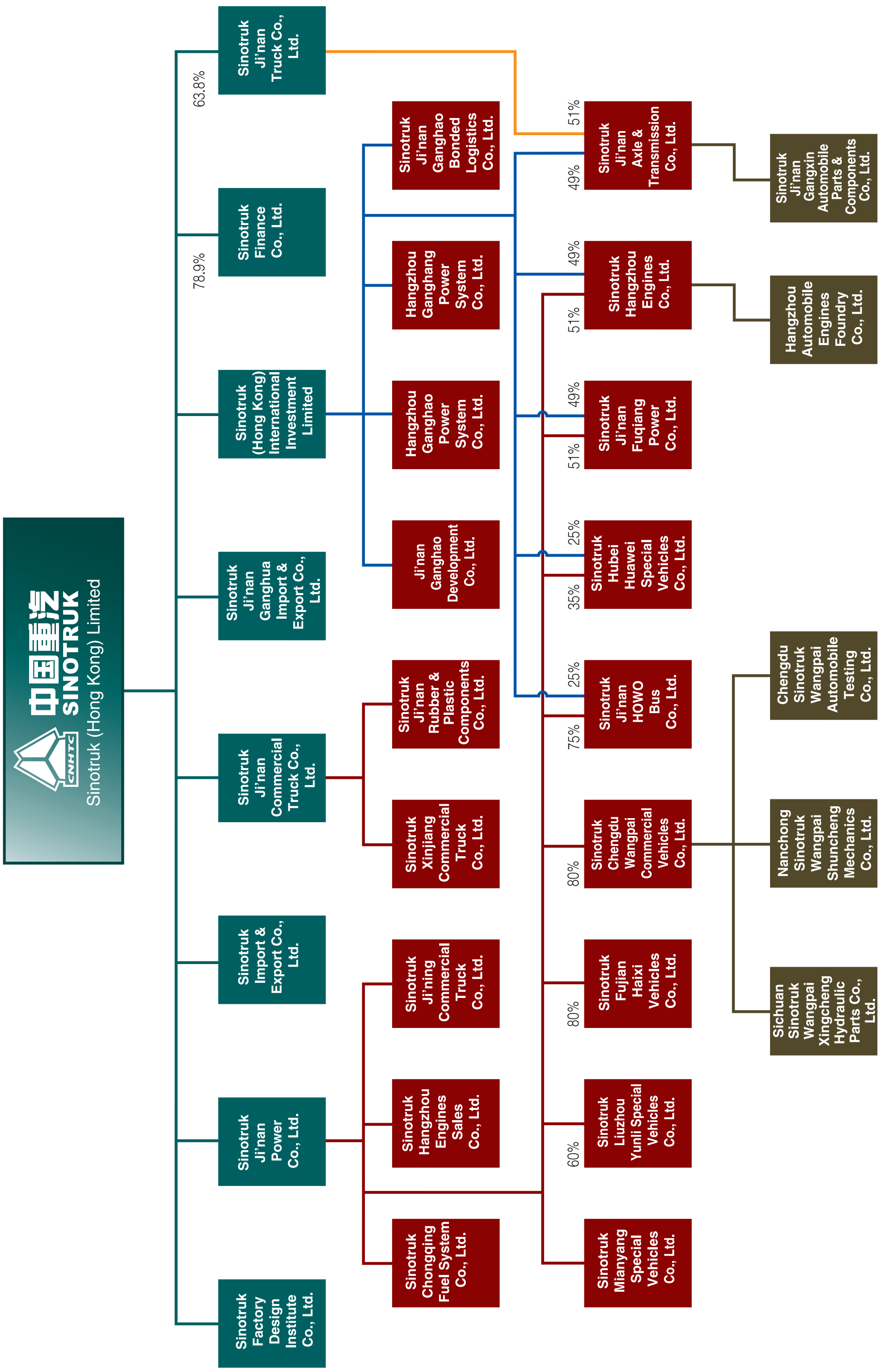
ORGANISATION STRUCTURE

Organisation Structure

As at 31 December 2011



Note : All above subsidiaries are directly wholly-owned subsidiaries of their immediate holding companies unless otherwise stated

BUSINESS

Sinotruk (Hong Kong) Limited ("Sinotruk" or the "Company") and its subsidiaries (together referred to as the "Group") specialises in the research, development, manufacture and sale of heavy duty trucks, medium heavy duty trucks and light duty trucks and buses, etc. Through our diverse product portfolio, we serve a wide range of customers from all major industries including infrastructure, construction, container transportation, logistics, mining, steel and chemical industries.

The Group mainly manufactures complete trucks and also produces key parts and components such as engines, cabins, axles, steel frames and gearboxes. We have capabilities for developing and manufacturing trucks as well as have a most complete production chain. We also provide third parties with truck engines and engines used in industrial and construction machineries in addition to our own use. Our products are not only sold domestically but also exported to other countries and regions.

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

(i) Trucks Segment

Our Trucks Segment mainly comprises Sinotruk Ji'nan Truck Co., Ltd., Sinotruk Ji'nan Commercial Truck Co., Ltd., Sinotruk Ji'nan Axle & Transmission Co., Ltd., Sinotruk Import & Export Co., Ltd., Sinotruk Mianyang Special Vehicles Co., Ltd., Sinotruk Liuzhou Yunli Special Vehicles Co., Ltd., Sinotruk Hubei Huawei Special Vehicles Co., Ltd., Sinotruk Ji'ning Commercial Truck Co., Ltd., Sinotruk Chengdu Wangpai Commercial Vehicles Co., Ltd., Sinotruk Fujian Haixi Vehicles Co., Ltd., Sinotruck (Hong Kong) International Investment Limited and Sinotruk Ji'nan HOWO Bus Co., Ltd., etc. They are engaged in the production of trucks and parts and components, domestic and export sales, truck refitting and production of special vehicles.

(ii) Engines Segment

The Engines Segment mainly comprises Sinotruk Ji'nan Power Co., Ltd., Sinotruk Hangzhou Engine Co., Ltd., Sinotruk Ji'nan Fuqiang Power Co., Ltd., Sinotruk Chongqing Fuel System Co., Ltd., and Sinotruk Hangzhou Engines Sales Co., Ltd., etc. They are mainly engaged in the production of engines, engine parts, gearboxes, various types of casting and forging as well as sales of engines.

(iii) Finance Segment

The Finance Segment comprises a subsidiary, Sinotruk Finance Co., Ltd. It provides financial services related to the members of the Group and China National Heavy Duty Truck Group Company Limited ("CNHTC" or the "Parent Company") and its subsidiaries excluding the Group ("CNHTC Group"). The financial services include deposits taking, borrowings, notes and bills discounting and provision of guaranteed vehicle consumer loans.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors"), I am pleased to present the annual results of the Group for the year ended 31 December 2011 (the "Period").

Review

In 2011, both the international and domestic economies were complex and volatile. The Chinese government tightened its monetary policy as a response, leading to a slow-down in consecutive quarterly economic growths in mainland China as well as a decline in the country's fixed asset investment. As a result, the domestic heavy duty truck market shrank substantially. According to the China Association of Automobile Manufacturers (CAAM), the country's heavy duty truck sales decreased by 13.44%. The sales of heavy duty trucks by the Group decreased by 13.4% to 130,029 units in 2011. To cope with the challenges of the market, the Group strengthened its management, optimized its product mix and controlled operating costs. Its operations maintained the momentum of development.

During the Period, the Group's turnover decreased by 7.7% to approximately RMB36,604 million. Profit before income tax decreased by 28.6% to RMB1,466 million. Profit attributable to equity holders decreased by 32.3% to RMB1,002 million.

Faced with the challenging economic conditions at home and abroad, the Group set a strategic goal of developing itself into a comprehensive commercial vehicle manufacturer which develops and makes heavy duty trucks, medium heavy duty trucks, light duty trucks and buses after a thorough study of the trends of the markets for commercial vehicles. It optimized both the product mix and production structure, and raised both the product quality standards and operating efficiency. All these moves were aimed at enhancing the Group's overall competitive strength.

During the Period, the Group made efforts to optimize the product mix. It raised the products' quality standards, and built up the capacity for mass production of medium heavy duty trucks. Following the trial run of the light duty truck production bases of Sinotruk Fujian Haixi Vehicles Co., Ltd. ("Sinotruk Fujian Haixi Company") and Sinotruk Chengdu Wangpai Commercial Vehicles Co., Ltd. ("Sinotruk Wangpai Company") and the light truck production base in Ji'nan, new products have been launched. These three light truck production bases have preliminarily formed a golden triangle geographically to serve the domestic market effectively, marking the Group's significant progress towards its goal of becoming a comprehensive commercial vehicle manufacturer.

The cooperation projects between the Group and MAN also made smooth progress. A new model SITRAK T7H has been launched under the series of SITRAK (汕德卡), a new brand which was introduced in Shanghai by both parties. SITRAK T7H has gained a positive market reaction. The localization of other products under the cooperation progressed smoothly.

The Group is dedicated to research and development and continues investment in the innovation and development of new proprietary technology and adopts MAN's leading technology in order to raise the production technology and product quality as well as to launch ever more competitive new products into the market. In the 2012 business conference fair, the Group introduced new models, including high-end medium heavy duty truck HOWO T5G, medium heavy duty truck New Huanghe C5B, light duty truck of HOWO series and other new fuel vehicles into the markets. These new products cover a range of different grades and models of commercial vehicles and satisfy the needs of various clients.

We also emphasize the quality management and so have adopted a series of work guidance and implemented work procedures to improve and ensure the quality of products. This has resulted in higher customer satisfaction. CNHTC Group was awarded an honour of "An Enterprise With AA Level Inspection And Quarantine Credit" by the General Administration of Quality Supervision, Inspection and Quarantine of the People's Republic of China. The award is one of the highest reputation awards in respect of quality of products to acknowledge the efforts and achievements in quality management.

The Group has actively implemented its "Going Out" overseas development strategy by strengthening the cooperation with international partners and developed overseas markets. The marketing and sales network has been built in a way to facilitate its overseas market expansion and the price-performance ratio of its products enhances their competitiveness in the international markets. These helped boost the export volume substantially. During the Period, the Group's heavy duty truck exports rose by 53.9% to 20,852 units and remained China's largest heavy duty truck exporter.

Dividends

The board has recommended a final dividend of HK$0.10 per share for the financial year ended 31 December 2011, which is subject to our shareholders' approval at the forthcoming annual general meeting of the Company.

Prospects and Strategy

Looking ahead, numerous uncertainties will still cast a shadow over the recovery of the global economy. The Chinese government is expected to continue its prudent monetary policy and active fiscal policy to ensure stable growth of the domestic economy. The country's heavy duty truck industry is expected to be difficult as it is being affected by the state policies and these economic policies. The competition in the heavy duty truck industry is also expected to become more intense with more market entrants. The Group will weigh the challenges and opportunities and make timely adjustments to its operating strategy with a view to achieving healthy development.

Among our priorities are:

1) To strengthen the marketing and sales network by raising quality standards of the services and to improve the capability for innovation of marketing; boost sales by providing of financing support services.

2) To continue to attach great importance to leading technology by stepping up efforts in innovation; continue to lift the standards of production technology and product quality through cooperation with MAN and adoption of its technology; optimize the product mix; carry out the marketing of new products effectively; provide a wide range of technologically advanced and high quality products to satisfy the needs of various clients.

3) To continue the internationalization strategy by establishing and improving a strong brand image and thus increasing the influence of Sinotruk in the overseas markets; actively develop and expand overseas markets and increase exports. All these measures are aimed at lifting the Group to the international standards.

4) To step up efforts in management style innovation; continue the Group's lean management; strengthen operation risk management; all these measures are aimed at making management more effective and raising operational efficiency.

5) We will also focus on raising the quality of the staff, attract and cultivate talent with international experiences; provide opportunities of career development for various types of talent; offer incentives to the employees to encourage them to contribute to the Group's development; all these measures are aimed at enhancing the staff loyalty to ensure the Group's development.

Appreciation

On behalf of the Board, I would like to express our gratitude to our shareholders for their trust and support. I would also like to thank the management team and all the employees of Sinotruk for their contribution and hard work over the past year.

Chairman
Ma Chunji

27 March 2012


中国重汽
HOWO A7
340

CONTINUE TO STRIDE FORWORD

MANAGEMENT DISCUSSION AND ANALYSIS

Market Overview

In 2011, as the PRC government implemented tight monetary policies, fixed asset investment decelerated, and the growth of real estate development and investment decreased significantly. The progress of infrastructural projects such as roads and railways also slowed down which reduced the demand for heavy duty trucks used in construction. In addition, the demand for cargo transportation trucks decreased sharply due to the rising costs of fuels and labor, keen competition in cargo transportation market and the persistently low transportation fees. Furthermore, the government implemented a series of policies such as "Regulations on the Protection of Road Safety", which included strict penalties against overloaded vehicles. All of the reasons mentioned above curbed the demand for heavy duty trucks, leading to a decline in heavy duty truck sales in the domestic market. According to the China Association of Automobile Manufacturers (中國汽車工業協會, CAAM), the country's heavy duty truck (of more than 14 tons) sales decreased by 13.44% to about 880,600 units in 2011.

Review of Operations

Trucks Segment

During the Period, the Group's heavy duty truck sales decreased by 13.4% to 130,029 units. Medium and light duty truck sales was 21,981 units.

Although the Group's sales decreased along with the decline in industry heavy duty truck demand, the Group enjoyed significant competitive edge in the segments for heavy duty trucks for construction projects and specialty vehicles, and still kept its leading position in the industry.

Domestic Business

During the Period, the Group carefully conducted research on the development trend of commercial trucks and set its strategy of expanding its product lines to cover a full range of commercial trucks including heavy duty truck, medium heavy duty truck, light duty truck and bus. The Group optimized its product mix and production mix with an aim of enhancing its overall profitability and competitiveness. The moves also lifted the technological and quality standards of the products and thus enhanced their competitiveness.

During the Period, the Group continued to expand its sales and marketing network with the focus on improving the quality of the network. As a result, the Group established a mutually beneficial operating system with distributors and refitting companies. The Group actively boosted sales with a number of truck purchase financing plans, including consumer credit and bonded sales financing. The Group also established strategic partnership with major clients in order to help boost truck sales.

During the Period, the Group has preliminarily completed its sales networks for various brands and continuously optimized the sales network for heavy duty trucks. The networks of sales, marketing and services for medium heavy duty truck and light duty truck have also been developed. As at 31 December 2011, there were 1,386 domestic distributors selling the Group's products, including 259 4S centres and 251 stores specializing in products of the Group's own brands. There were 1,615 services station providing quality after-sales services for users of the Group's products and 280 refitting companies providing refitting services for the Group's customers. In addition, there were 473 sales outlets and 353 service outlets for the Group's Ji'nan light truck production department, 577 distributors for Sinotruk Wangpai Company and 84 distributors and 89 service outlets for Sinotruk Fujian Haixi Company. The Group's sales network was further improved.

During the Period, the Group's bus products were launched in both domestic and overseas markets. With its proprietary technology, the Group developed a series of bus products, including diesel bus, compressed natural gas bus, liquefied natural gas bus, electric trolley bus. The Group not only developed different series of products, but also provided tailor-made products for niche markets such as group shuttle bus and school bus to meet the demand of different users. Meanwhile, the Group has set up the networks of marketing and sales of bus products. In the domestic market, the Group forms the sales network with 8 regional distribution firms, 13 distributors and 21 service stations. In the international markets, the Group has preliminarily established a comprehensive sales network which covers Europe, Americas, Africa, Central Asia, Russia, Asia-Pacific and etc. During the Period, the Group sold 356 buses.

International Business

In 2011, the global economic growth slowed down and the sovereign debts crisis in the Eurozone was spreading. To cope with the complicated global market conditions, the Group adjusted the export product mix structure and overseas market distribution, improved its brand reputation, and focused on the improvement of sales network and after-sales services. In addition, the Group further strengthened management system and improved the incentive mechanism for its overseas marketing and sales teams to boost sales. Presently, the Group has established a network of sales and after-sales services with 24 representative offices, 86 distributors, 231 sales outlets, 243 services outlets and 250 accessories and components outlets.

During the Period, the Group consolidated and developed traditional overseas markets such as Africa, and at the same time explored emerging markets including South American countries. As a result, the Group's shares of overseas markets for heavy duty trucks in Africa, Southeast Asia and South America increased significantly. The Group exported 20,852 heavy duty trucks, representing an increase of 53.9%, and continued to rank first in heavy duty truck export in China.

Technological Upgrade and Production Capacity

During the Period, the major investment and construction projects included the introduction of the MAN engine, TGA cabin as well as the localization of the spare parts production. The construction of production facilities of the medium duty truck and light duty truck projects aims to enhance the production technology, product quality and to balance production capacities among trucks, engines and gearboxes, etc. It also aims to increase production capacity and enhance the product quality standards and research and development capabilities of the Group's forged part production unit.

The introduction of MAN's production technology and product localization were carried out according to the agreement between the Group and MAN.

The project of light duty truck in Ji'nan, the medium and light duty truck production projects of Sinotruk Fujian Haixi Company and the cabin production project of Sinotruk Ji'ning Commercial Truck Co., Ltd. are progressing smoothly and form a solid foundation for technology upgrade and product diversification.

Presently, the Group has capacities for producing 170,000 heavy duty trucks, 40,000 medium and light duty trucks and 200,000 engines annually. The Group processes research and development centres and production plants of trucks and spare parts in Ji'nan, Hangzhou, Chengdu and Fujian. It is able to meet the demand with its optimized product mix and production capacities.

New Products

The Group's research and development investment not only enhances the production technology but also steps up efforts to innovate new products and series of trucks. The moves help diversify its commercial truck products to include heavy duty trucks, medium heavy duty trucks and light duty trucks as well as buses. The Group is developing into a manufacturer of a complete range of commercial trucks.

After the Group and MAN jointly launched a model of heavy duty truck SITRAK T7H in the 14th Shanghai International Automobile Industry Exhibition, a new series of model HOWO-T5G was introduced in the Group's 2012 business conference. HOWO-T5G is a high-end medium heavy duty truck, and is in a leading position in terms of performance, reliability, accessories and appearance in China. HOWO-T5G series has a wide product range which includes tractor trucks, tippers, loaders, van and multi-purpose vehicles. It is also equipped for different loading tonnages and forms of drives as well as designed with light weight. HOWO-T5G works well for city, inter-provincial long–distance cargo transportation, various kinds of special vehicles and is able to satisfy the demand of different market segments.

The Group launches lightened HOWO tippers and HOWO-A7 tractor-trucks with upgraded structure and accessories to satisfy the market needs for lightened models.

Sinotruk Ji'nan Commercial Truck Co., Ltd. combines the advanced domestic production technology and leading foreign design concepts to develop the new medium heavy duty truck series "New Huanghe C5B". The series are divided into four kinds of products - cargo transportation, industrial use, mining and chassis for special purpose vehicles. These products have been launched into the market.

Moreover, Sinotruk Ji'ning Commercial Truck Co., Ltd. introduced the new heavy duty truck series "Haohan" for cargo transportation so as to satisfy this niche market.

The HOWO light duty truck series was designed with Sinotruk's own truck technology and localized internationally advanced technology by Ji'nan light truck production department. It is developed to tap for domestic high-end light duty truck market. The series are applicable to various environments with high performance and efficiency as well as low cost. The presentation of HOWO light duty truck series symbolized a remarkable milestone of diversification in commercial trucks.

Engines Segment

During the Period, the Group was able to produce 200,000 units of engines which not only satisfy the demand of the Group and its connected parties but also those of manufacturers of heavy duty trucks, buses and construction machinery. The Group will raise the proportion of external sales in its engine sales and expand its domestic market share. These moves will increase its income source.

During the Period, the Engines Segment's sales volume decreased by 32.1% to 135,680 units. Revenue (including sales of components and inter-segment revenue) decreased by 32.9% to RMB 8,334 million. External sales accounted for 21.1% of the engine segment's revenue, up by 2.8 percentage points from 18.3% for the year of 2010.

The project of localizing MAN engine technology has been progressing on schedule. The prototypes of engines for heavy duty trucks and medium heavy duty trucks were completed. Experiments, testing and verification are being carried out.

Finance Segment

During the Period, the external revenue of the Group's finance segment increased from RMB 75 million by RMB 20 million to RMB 95 million. The increase was mainly due to the expansion of the consumer credit business, the growth in interest income from lending and the increase in bills discounting income.

During the Period, the credit availability contracted in China, making it more difficult for customers to get truck loans from banks. In order to satisfy the customers' demand for truck purchase, Sinotruk Finance Co., Ltd. continued to explore new channels for providing consumer credit by cooperating with authorized financial institutions while taking a prudent approach towards credit risk management. As at 31 December 2011, Sinotruk Finance Co., Ltd. had already set up 18 regional offices and extended its consumer credit business coverage to over 20 provinces, covering most parts of China. Thus, a vehicle consumer credit network was established preliminarily. In 2011, the Group sold 3,261 trucks with these consumer credits.

Research and Development

The Group is dedicated to research and development and will increase capital expenditure in research and development. During the Period, the technology centre actively researched, developed, innovated, tested and verified products of trucks and their key parts and components. By leveraging the Group's research and development capability and strengthening the cooperation with MAN, we together with MAN co-developed high quality and high technology engines, parts and components and trucks. This enhanced the competitiveness of Sinotruk.

The engine developed under "Research and Development on Natural Gas Engine" project of the "11th Five-Year National High-tech Research and Development Plan" undertaken by the Group has been accredited in Ji'nan by an expert team organized by the National Ministry of Science and Technology. This engine achieves China IV emission standard with great breakthrough in terms of power, fuel consumption and environment protection.

As at 31 December 2011, the Group together with its parent company participated in the formulation of 41 Industry Standards for China's heavy duty trucks and had obtained 1,734 patents. We continued to rank first in the domestic heavy duty truck industry in terms of the number of patents owned.

Quality Control

The Group continued to implement lean management in order to enhance and improve quality control. It enhanced the employees' awareness of product quality, strengthened their skill set and provided quality assurance training for employees. It also improved the procedures of quality control, raised the standard of product quality assessment and increased the capabilities to meet the requirements of suppliers. Moreover, it made some improvements in product design, manufacturing and after-sale services by studying and applying the advanced quality concepts and management methods of MAN. Following the adoption and execution of quality enhancement policies, the quality and reliability of the Group's products were increased substantially and the frequency of after-sales services and compensation claims per truck decreased significantly. This showed that the increase in the products quality was recognized by the customers.

Significant Investments and Cooperation

In July 2011, Sinotruk Ji'nan Power Co., Ltd. agreed the transfer of ownership in Sinotruk Mianyang Special Vehicles Co., Ltd. with Sichuan Fulin Industrial Group Co., Ltd. and Mianyang Hi-tech Zone Heping Automobile Co., Ltd. which sold 30% and 10% ownership in Sinotruk Mianyang Special Vehicles Co., Ltd. respectively. Thereafter, Sinotruk Mianyang Special Vehicles Co., Ltd. became a wholly owned subsidiary of Sinotruk Ji'nan Power Co., Ltd.

In July 2011, Sinotruk Ji'nan Commercial Truck Co., Ltd. invested RMB40 million to establish Sinotruk Xinjiang Commercial Truck Co., Ltd. which is principally engaged in the research and development, manufacturing and sales of auto parts and mechanical engineering.

In December 2011, Sinotruk Ji'nan Commercial Truck Co., Ltd. invested RMB240 million to establish Sinotruk Ji'nan Rubber & Plastic Components Co., Ltd. which is principally engaged in the research and development, manufacturing and sales of auto parts and rubber products.

In December 2011, Sinotruk Ji'nan Power Co., Ltd. invested RMB50 million to establish Sinotruk Hangzhou Engines Sales Co., Ltd. which is principally engaged in the wholesale of engines and auto parts.

Human Resources

As at 31 December 2011, the Group had a total of 22,782 employees. The Group highly values human resources and further improves staff promotion mechanism. It implements the performance assessment system and middle management promotion system so as to provide better career platform for development. In addition, the Group reforms human resources allocation system to enhance employees' enthusiasm; focuses on identifying and developing high caliber individuals; strengthen training on internationalization; hires talent for the senior management and professional technicians to support its internationalization strategy.

Prospects

For the year of 2012, the recovery of world economy will still be affected by the sovereign debt crisis in the Eurozon, turbulent situations in certain countries and regions and many other uncertainties. It is expected that the Chinese government will adopt a series of flexible and prudent macroeconomic control measures, with suitable and opportune adjustments, to maintain the country's economic growth momentum. It is believed that the implementation of infrastructure construction projects, which are part of the Chinese government's plans to revitalize provincial economy and to improve the people's livelihood, will bring new opportunities to the heavy duty truck industry. However, the market conditions are still severe for the Group in view of the macroeconomic control measures, tightened rules and regulations, and fierce competition in the truck industry. The Group will adopt various measures to ensure a stable development.

1. To continue regionalization in sales and marketing network and to achieve a breakthrough in forming the network. The Group will apply the differentiation policies in developing and running different sales and marketing networks for different products; make a breakthrough in forming mutually beneficial partnerships for sales and distribution network with an aim of enhancing market development. The Group nurtures a stronger awareness of quality services among the staff so as to build stronger brand awareness. Meanwhile, the Group will take full advantage of its financial strength by innovating more financial support services for truck purchase with a view to boost sales.

2. To improve the overall quality standards of the products. The Group will focus on the quality control to the products' reliability and customer satisfaction; implement quality management policy strictly; step up efforts in internal quality assessment; raise the employees' skills and awareness of product quality. The Group will also strengthen its cooperation and exchange activities with MAN on quality management to lift the overall quality standards.

3. To adhere to technological innovation and optimization of product mix. Capitalizing on the Group's advantages in capital, human resources, research and development equipments, we will continue to focus on innovating technology and products, optimize product mix, upgrade the truck production technology and fully develop a whole range of competitive products to satisfy the various needs of customers.

4. To continue to enhance efficiency and quality with the lean management method. The Group will improve the organizational structure of its production units to ensure operational compliance, and improve the production processes to raise efficiency. We will also establish a sound corporate risk management system and strengthen the overall management controls so as to maintain a fast development momentum.

5. To strengthen the Group's cooperation with MAN. The Group continues to localize the technology and products from MAN and will jointly develop overseas markets. We will also expand the scope and areas of the cooperation according to the needs of the market development.

6. To adhere to the international development strategy. The Group will step up efforts in expanding the global market and strengthening international cooperation. It will also raise the brand awareness, improve the quality of sales and marketing network, and focus on providing higher quality overseas after-sales services and encourage the overseas agents to sell spare parts with franchise so as to aim to boost exports.

7. To continue the reform in human resources system and to motivate the employee. The Group will attach great importance to training and developing high caliber individuals and make medium to long term talents training and development plan. It will also improve human resources allocation system and provide fair working conditions so as to ensure a sufficient supply of talent for corporate continuity development.

Financial review

Turnover, gross profit and gross profit margin

For the year ended 31 December 2011, the Group's turnover recorded RMB 36,604 million, compared with that of 2010 at RMB 39,656 million, representing a decrease of RMB 3,052 million or 7.7%. The decrease in turnover primarily resulted from the reduction in sales volume.

Gross profit for the year ended 31 December 2011 was RMB 5,706 million, representing a decrease of RMB 638 million or 10.1% compared to that of 2010 at RMB 6,344 million. Gross profit margin decreased by 0.4 percentage points from 16.0% for 2010 to 15.6% for 2011. The decrease in gross profit was due to the reduction in sales volume which led to an increase in depreciation and amortization expenses of each truck.

Distribution costs

Distribution costs decreased from RMB 2,366 million for 2010 to RMB 2,210 million for 2011, reduced by RMB156 million or 6.6%. The decrease was mainly due to the reduction in truck sales volume and lower warranty expenses but the growth of export volume resulting in the increase in sea freight reduced the extent of the decrease.

Administrative expenses

Administrative expenses increased from RMB 1,661million for 2010 to RMB 1,819 million for 2011, increased by RMB 158 million or by 9.5%. The increase was mainly due to (i) the growth of the Group's operating scale by the acquisition of Sinotruk Wangpai Company and Sinotruk Fujian Haixi Company in the second half of 2010 and (ii) increase in amortization of intangible assets of the Group.

Other gains/losses – net

There was a net other gains of RMB 366 million in year 2011 against the net other losses of RMB 24 million in year 2010. The turnaround from net other losses to net other gains was mainly attributable to the realized exchange gains from the conversion of Euro funds and revaluation gain from Euro deposits as Euro against RMB was appreciated. The Group has closely monitored and analyzed the trend of the movement of Euro against RMB and take actions on a timely manner.

Financial costs – net

Net financial costs for 2011 were RMB 577 million while the net finance costs was RMB 239 million for 2010, increased by RMB 338 million or 141.4%. The net financial costs were mainly resulted by the increase in loan interest rate and increase in interest expense.

Income tax expense

Income tax expense decreased by RMB 27 million or 8.3% to RMB 298 million in year 2011 from RMB 325 million in year 2010, due to reduce in profit before tax.

Profit for the year and earnings per share

Profit for the year ended 31 December 2011 decreased by 32.5% to RMB 1,168 million from RMB 1,730 million in year 2010. The basic earnings per share attributable to the equity holders of the Company decreased from RMB 0.54 in 2010 to RMB 0.36 in year 2011.

Cash flow

During the year ended 31 December 2011, net cash outflow from operating activities was about RMB 1,426 million (with considering the bank acceptances bills amount increase by RMB 606 million, the net cash outflow from operating activities during the Period was RMB 820 million). Compared with net cash outflow from operating activities at RMB 6,380 million in year 2010, the cash outflow from operating activities decreased by RMB 4,954 million which was mainly resulted by the increase of levels of finished products and spare parts for the preparation of the peak season of first quarter of 2011 in year 2010.

Net cash outflow from investing activities in year 2011 was RMB 1,605 million, an increase of RMB 1,283 million compared with RMB 322 million of year 2010. The increase was resulted by the release of funds from maturity of fixed deposits at the end of 2009 at the amount of RMB 1,038 million in 2010.

In year 2011, net cash inflow from financing activities was RMB 1,096 million while it was RMB 6,841 million in year 2010. The net cash inflow from financing activities was decreased by RMB 5,745 million. The decrease was due to the reduction in new borrowings.

Liquidity and Financial Resources

At 31 December 2011, the Group had cash and cash equivalents of RMB 9,577 million, and bank acceptance bills of RMB 8,552 million. Cash and cash equivalents recorded a decrease of RMB 1,984 million and bank acceptance bills recorded an increase of RMB 606 million when compared with those of year 2010. At the end of Period, the Group's total borrowings (including long-term and short-term borrowings) were about RMB 15,606 million, and its gearing ratio was 30.0%, which was calculated by dividing borrowings by total assets (2010: 26.4%). All of borrowings were denominated in RMB (2010: 99.0%). Most of the borrowings had preferential bank floating rates and were due within one year. The current ratio (total current assets divided by total current liabilities) as at 31 December 2011 was 1.3 (31 December 2010: 1.4).

As at 31 December 2011, the Group's total available credit facilities amounted to RMB 44,184 million of which RMB 11,159 million had been utilised. A total net book value of RMB 1,038 million of the Group's deposits and bank deposits was pledged to secure its borrowings and credit facilities. In addition, Sinotruk Finance Co., Ltd. had made mandatory deposits at RMB 714 million to People's Bank of China ("PBOC") for its financial operations. The Group meets the daily liquidity needs by matching operating cash flow patterns with funds on hand and enhances its liquidity by way of application of longer credit periods from suppliers, utilization of banking facilities and issue of bills such as short-term commercial acceptance notes and bank acceptance notes.

Financial Management and Policy

The finance department is responsible for financial risk management of the Group. One of our key financial policies is to manage exchange rate risk. Our treasury policy prohibited the Group from participating in any speculative activities. As at 31 December 2011, most of the Group's assets and liabilities were denominated in RMB, except for restricted cash and bank deposits which in total are equivalent to approximately RMB 244 million, accounts receivable of approximately RMB 1,100 million, and accounts payable of approximately RMB 261 million, all of which were denominated in currencies other than RMB.

Capital Structure

As at 31 December 2011, owner's equity was RMB 20,569 million, representing an increase of RMB 809 million or 4.1% when compared with RMB 19,760 million at the end of year 2010. As at 31 December 2011, the Company's market capitalisation was RMB 9,714 million (calculated by issued share capital: 2,760,993,339 shares, closing price: HKD 4.34 per share and at the exchange rate of 0.81070 between HKD and RMB).

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 under review, the Group was not involved in any litigation, arbitration or administrative proceedings that could have a material adverse effect on its financial condition and results of operations. The Group estimates that the total amount of claims of all lawsuits is approximately RMB 62 million. There was no provision for legal claims as at 31 December 2011.

DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Ma Chunji (馬純濟), aged 58, is our executive Director and the chairman of the Board. Mr Ma is a senior economist with over 30 years' experience in government, corporate management and strategic planning. Mr Ma graduated from the Central Party College in 1995 with a diploma in economic management. He is currently the vice-chairman of China Association of Automobile Manufacturers (中國汽車工業協會) and a member of the Eleventh National People's Congress. Mr Ma joined the Group in August 2000. Mr Ma received a "National Model Worker" award from the State Council in 2005. In 2006, he was conferred a lifetime membership at the World Confederation of Productivity Science (世界生產力科學院) and was awarded the title "Star Entrepreneur of Ji'nan City (濟南市明星企業家)" in 2007, the title "Shandong Province Top Ten Confucianist Merchants"(山東省十大儒商) in 2008, and in 2009 the title "Brilliant 60 years, Top Ten Persons of the Year in Automobile (輝煌60年中國十大汽車風雲人物)" and the title "Top Hundred of Heroic Models in Shandong Province for Outstanding Contributions to the Establishment and Construction of New China (山東省一百位為新中國成立、建設做出突出貢獻的英雄模範人物)". He is also the chairman of the Parent Company. Prior to joining us, Mr Ma had been vice mayor of Ji'nan Municipal Government, the head of Ji'nan Auto Accessory Works (濟南汽車配件廠) and the district head of Huaiyin District, Ji'nan City (濟南市槐蔭區) and the director of the Economic Committee of Ji'nan (濟南市經委), and deputy commissioner of Ji'nan Mechanics and Industrial Bureau (濟南市機械工業局).

Cai Dong (蔡東), aged 48, is our executive Director and president. Mr Cai is a senior engineer with a bachelor degree in engineering from Jiangsu Polytechnic University (江蘇工學院) and an executive MBA degree from Nankai University (南開大學). He joined Ji'nan Auto Manufacturing Factory in 1983 and led our research and development, production and marketing. He received an "Outstanding National Entrepreneur" award conferred jointly by the China United Enterprises Association (中國企業聯合會), China Entrepreneurs Association (中國企業家協會) and China Enterprise Management Science Foundation (中國企業管理科學基金會) in April 2006. Mr Cai was previously director of the technology center of the Parent Company. Mr Cai was a director, chief engineer and the general manager of the Parent Company from 2001 to 2007.

Wei Zhihai (韋志海), aged 57, is our executive Director and vice president. Mr Wei graduated from Tsinghua University with a diploma in legal studies in 2005. Mr Wei is the chairman of Sinotruk (Hong Kong) International Investment Limited and its PRC subsidiary, Ji'nan Ganghao Development Co., Ltd., Sinotruk Chengdu Wangpai Commercial Vehicles Co. Ltd. as well as chief legal advisor of the Parent Company. Mr Wei joined us in 2004. From 2004 to 2007, he was a director and the deputy general manager of the Parent Company. Mr Wei is a senior economist with over 20 years of experience in business development and corporate management. Prior to joining us, Mr Wei was the head of Ji'nan No. 4 Machine Tool Works (濟南第四機床廠) and the deputy director of the Economic Committee of Ji'nan.

Wang Haotao (王浩濤), aged 48, is our executive Director and vice president. Mr Wang is an engineer with extensive experience in business development. Mr Wang graduated from Shandong Agricultural Machinery College (山東農業機械學院) with a diploma in machinery engineering in 1987 and a master degree in engineering from Jiangsu University (江蘇大學). He joined the Parent Company in 1987. Mr Wang is currently the vice general manager and director of the Parent Company as well as the chairman of Sinotruk Ji'nan Truck Co., Ltd. ("Sinotruk Ji'nan Truck Company"). Sinotruk Ji'nan Truck Company is a wholly owned subsidiary of the Company, the shares of which are listed on the Shenzhen Stock Exchange in the PRC. He was the director of business development and international cooperation department of the Parent Company from 1994 to 1998 and the deputy general manager of the Parent Company in 2001.

Tong Jingen (童金根), aged 49, is our executive Director, company secretary and chief economist. Mr Tong graduated with a master's degree in engineering from Tsinghua University in 1989. Mr Tong is a senior economist with 20 years of experience in corporate management and business development in the automotive industry. He joined Ji'nan Auto Manufacturing Factory in 1983 and was the chief economist and director of the Parent Company from July 2002 to April 2007. Mr Tong was the deputy director of the corporate management department of Ji'nan Motor Vehicle Company (濟南汽車製造廠) from 1995 to 1996, and was the deputy manager of sales department of the Parent Company from 1998 to 2001.

Wang Shanpo (王善坡), aged 47, is our executive Director and chief engineer. Mr Wang graduated with a bachelor degree in engineering from Jilin University of Technology (吉林工業大學) in 1984 , with a master's degree in engineering from Shandong Industrial University (山東工業大學) in 1991 and with a Ph.D. degree in engineering from Jiangsu University（江蘇大學) in December 2001. Mr Wang is a senior engineer with 20 years of experience in automotive research and development and engineering. He joined the Parent Company in 1984 and was the chief engineer of the Parent Company. Mr Wang was the director of Sinotruk Technical Center from 1999 to 2000.

Gao Dinggui (高定貴), aged 47, is our executive Director and vice president. Mr Guo studied at the Internal-combustion Engine Department of Wuhan University of Technology and obtained a bachelor degree of engineering in 1983 and obtained a master degree in business administration from China Europe International Business School in 1991. Mr Gao has 26 years of experience in the industry and extensive experience in strategic planning, marketing, production operation and research and development. From 1983 to 1989, Mr Gao worked as a design engineer at Luoyang Tractor Research Institute which was affiliated to Ministry of Machine-Building Industry of China and engaged in development and design of engines. From 1991 to 1999, Mr Gao served with Bosch (China) Investment Ltd. where he assumed responsibilities as project manager, sales director and executive director of marketing. From 1999 to 2001, Mr Gao worked at the Diesel System Division of Bosch Group, responsible for product application, sales and services for Korean customers. From 2001 to 2002, he worked with Wuxi Europe-Asia Diesel Injection System Co., Ltd. and became the deputy general manager in charge of sales, marketing and research and development. From 2002 to 2006, Mr Gao was the general manager of China and vice president of operations in Asia-pacific of Eagle Ottawa Leather Company. From 2007 to 2011, Mr Gao joined Honeywell Automotive Parts Services (Shanghai) Co., Ltd. as general manager responsible for China areas. Mr. Gao joined the Company in February 2012.

Non-executive Directors

Georg Pachta-Reyhofen, aged 56, is our non-executive Director. Dr Pachta-Reyhofen is chief executive officer of MAN SE. MAN SE's shares are listed on the German Stock Exchange in Frankfurt (ISIN DE 0005937007, WKN 593700). He is also chief executive officer of MAN Truck & Bus AG. Dr Pachta-Reyhofen also serves on the supervisory boards of MAN Diesel & Turbo SE, MAN Latin America Indústria e Comércio de Veículos Ltda. and Rheinmetall MAN Military Vehicles GmbH. Dr Pachta-Reyhofen graduated from Vienna University of Technology with a mechanical engineering degree and a doctorate in engineering science and obtained the title of doctor of technical sciences later. Dr Pachta-Reyhofen started working for the MAN Group in 1986. From 1996 to 1999, he worked with MAN A.S. (now MAN Türkiye A.S.) as technical director and became a member of its executive board with responsibility for development, quality assurance and logistics in 1998. From 1999 to 2001, he was head of engine development at the Nuremberg site of MAN Truck & Bus AG. Dr Pachta-Reyhofen became a member of the MAN Truck & Bus AG's executive board in 2001 and was responsible for its technical and purchasing activities. He was chairman of the executive board of MAN Diesel SE from July 2006 until the end of 2009.

Jörg Schwitalla, aged 51, is our non-executive Director. Mr Schwitalla is the chief human resources officer of MAN SE. Mr Schwitalla is also member of the supervisory board of MAN Diesel & Turbo SE, MAN Latin America Indústria e Comércio de Veículos Ltda., MAN Truck & Bus AG and MAN Pensionsfonds AG. Mr Schwitalla graduated with a degree in business administration in 1987. He worked for over ten years for tire manufacturer Michelin in various personnel and production functions at different locations. He was senior vice president human resources in the CompAir/Invensys Group for two years. He spent seven years with automotive components supplier Valeo in personnel and management functions in Germany and France and became vice president human resources in Paris. He initially joined the MAN Group as vice president human resources for MAN Truck & Bus AG in October 2006 before assuming responsibility for the MAN Group in the same capacity in June 2007. He was made senior vice president human resources for the MAN Group in January 2009 and subsequently chief human resources officer of MAN SE in May 2009.

Lars Wrebo, aged 50, is our non-executive Director. Mr Wrebo is a member of the executive board of MAN Truck & Bus AG and responsible for production and logistics. Mr Wrebo is also chairman of the supervisory board of MAN Truck & Bus Austria AG, MAN Bus Sp.z.o.o. Poland, MAN Türkiye A.S. and Neoplan Bus GmbH -Plauen. Furthermore Mr Wrebo is a member of the supervisory board of Rheinmetall MAN Military Vehicles GmbH. He graduated in mechanical engineering and production systems from KTH Royal Institute of Technology in Sweden in 1986. Mr Wrebo joined Saab-Scania as a trainee, progressing to hold various managerial positions in Saab engine production. He was made technical manager for Scania in 1992 before being appointed as managing director of Scania Production in France. In 2001 he was made responsible within group management nominated as SVP group member with responsibility for chassis and cab production. Mr Wrebo joined the MAN Group in 2006 as a member of the executive board of MAN Truck & Bus AG.

Independent Non-executive Directors

Shao Qihui (**邵奇惠**), aged 77, is our independent non-executive Director. Mr Shao is a senior professor stage engineer who has extensive experience in engineering. Mr Shao has designed and invented lever vehicle steering with variable transmission ratio and processing machine tools and was among the first professionals awarded with "Outstanding Contributor" by the State. Mr Shao currently is the honorary chairman of the China Auto Talents Society (中國汽車人才研究會) and the honorary chairman of the Society of Automotive Engineers of China (中國汽車工程學會) and the honorary chairman of the Federation of Machinery Industry of China (中國機械工業聯合會). He was the governor of Heilongjiang Province from 1989 to 1994 and the head of the State Bureau of Mechanical Industry (國家機械工業局) from 1998 to 1999.

Lin Zhijun (**林志軍**), aged 57, is our independent non-executive Director. Dr Lin graduated from Xiamen University in 1982 with a master degree in economics and later received a Ph.D. degree in Economics (Accounting) from Xiamen University (廈門大學) in 1985 and received a master degree (MSc in Accounting) from University of Saskatchewan in 1991. He is a member of the American Institute of Certified Public Accountants (AICPA), the Chinese Institute of Certified Public Accountants (CICPA) and the Certified Management Accountants of Australia (CMA). He is currently a professor and the head of the Department of Accountancy and Law in the Hong Kong Baptist University. Dr Lin was previously an auditing staff at an international accounting firm (Touche Ross International, now known as "Deloitte Touche Tohmatsu") in Toronto. He has been teaching in economics faculty at Xiamen University in China; The University Lethbridge in Canada; The University of Hong Kong, and Hong Kong Baptist University since 1983. He is a member of various educational accounting associations including the American Accounting Association, the International Association for Accounting Education and Research and the Hong Kong Association for Academic Accounting. Dr Lin is also an author of a series of professional articles and books. Dr Lin currently is also an independent non-executive director of China Everbright Limited (stock code: 0165) and Springland International Limited (stock code: 1700), both companies'securities are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Ouyang Minggao (**歐陽明高**), aged 53, is our independent non-executive Director. Professor Ouyang graduated from the Technical University of Denmark with a doctorate degree in engineering in 1993. He is one of the nationally recognized experts in the area of strategic development of automobile technology and energy. He is currently a Standing Member of the Chinese People's Consultative Conference (全國政協常委), deputy director of academic committee in Tsinghua University and director of the National Laboratory of Automobile Safety and Energy Saving (汽車安全與節能國家重點實驗室). In addition, he is a vice president of the Society of Automobile Engineering of China (中國汽車工程協會) and director of the engine division. Professor Ouyang has extensive experience in the research and development in automobile transmission system and has worked over 40 patents. Professor Ouyang has been granted various awards for his inventions, including "State Science and Technology Awards - Second Prize" (國家技術發明二等獎) and Prize for Scientific and Technological Achievements from The Ho Leung Ho Lee Foundation (何梁何利科學技術創新獎).

Hu Zhenghuan (**胡正寰**), aged 77, is our independent non-executive Director. Professor Hu graduated from University of Science and Technology Beijing (北京科技大學) (formerly known as Beijing Institute of Metallurgy (北京鋼鐵學院)) in 1956. Professor Hu is a professor in University of Science and Technology Beijing and a postgraduate candidate teacher and the head of the Research Centre of Parts Rolling (國家高效零件軋製研究推廣中心). He was the vice-dean of the mechanical engineering department in University of Science and Technology Beijing and the head of Mechanical Engineering Research Centre. Professor Hu has engaged in the research of parts rolling technology in China since 1958. His team launches parts rolling technology in 24 provinces in the PRC and this technology received the remarkable economic benefits and received three national awards and more than ten provincial awards. Professor Hu has been one of the core innovators of parts rolling technology in PRC. He has been granted various awards, including "State Outstanding Contributor"(國家級有突出貢獻科技專家), "State Outstanding Technical Officer"(全國優秀科技工作者),"National Labor Day Medal"(全國五一勞動獎章) and "Technology Achievement Award of Chinese Mechanical Engineering Society"(中國機械工程學會科技成就獎). Professor Hu was elected the member of the Chinese Academy of Engineering (中國工程院) in 1997.

Chen Zheng (**陳正**), aged 66, is our independent non-executive Director. Mr Chen graduated from the Beijing University of Technology (北京工業大學) in 1970 with a bachelor degree in mechanical engineering. Mr Chen has over 30 years of experience in the mechanical design and automotive engineering field. He has been the deputy head of the technology division of China Auto Parts and Accessories Corporation (中國汽車零部件工業公司), the department head of the international cooperation department of China National Automotive Industrial Corporation (中國汽車工業總公司), the vice general manager of China National Automotive Industry Import and Export Corporation (中國汽車工業進出口公司) and the vice chairman of the board of directors of China Automotive Finance Company Limited (中汽財務有限責任公司).

Li Xianyun (**李羨雲**), aged 80, is our independent non-executive Director. Mr Li graduated from the Jilin University of Technology (吉林工業大學) in 1956 with a bachelor degree in automotive engineering. Mr Li has been an engineer of Beijing Automotive and Tractor Research Laboratory (北京汽車拖拉機研究所) and Changchun Automotive Research Institute (長春汽車研究所), the chief engineer of China Auto Parts and Accessories Corporation (中國汽車零部件工業公司) and the senior engineer of China Automobile Industry Federation (中國汽車工業聯合會). He has substantial experience in the research and development of automobile technology and corporate strategic management. Mr Li has been appointed as one of the members of the expert committee of China Association of Automobile Manufacturers (中國汽車工業協會) since 2004.

Company Secretaries

Tong Jingen (**童金根**) is our company secretary and also our executive Director. Please refer to the paragraph headed" "Executive Directors" above for his biographic details.

Kwok Ka Yiu (**郭家耀**), aged 47, is our company secretary and financial controller. Mr Kwok has nearly seven years of audit experience in one of the prestigious international audit firms, KPMG and over ten years of financial and accounting experiences with companies listed on the Stock Exchange. Mr Kwok holds an MBA degree from the University of Hong Kong and is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICE

The Board and senior management of the Company maintain a high standard of corporate governance, formulate good corporate governance practice to improve accountability and transparency in operations, and strengthen the internal control system from time to time so as to cope with the expectations of the Company's shareholders.

The Company has adopted the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Rules Governing of the Listing of Securities on the Stock Exchange (the "Listing Rules") as its own code of corporate governance and, during the Period, has been in compliance with the CG Code.

DIRECTORS' SECURITIES TRANSACTIONS

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

BOARD OF DIRECTORS

Separation of Responsibilities

The Board is responsible for formulating group policies and business directions, and monitoring internal controls and performances. The executive committee of the Company (the "Executive Committee") is responsible for implementing the decisions made by the Board. The president of the Company (the "President") is responsible for its daily operation. The Executive Committee is formed by all executive Directors. As at 31 December 2011, there were 7 executive Directors including Mr Ma Chunji, Mr Cai Dong, Mr Wei Zhihai, Mr Wang Haotao, Mr Tong Jingen, Mr Wang Shanpo and Mr Pan Qing. In addition, the Board has set up a strategic and investment committee (the "Strategic and Investment Committee "), a remuneration committee (the "Remuneration Committee") and an audit committee (the "Audit Committee ") to deal with different businesses and matters. Details of different committees will be discussed below.

The Company did not establish any nomination committee. According to Article 81 of the Articles of Association of the Company, the Board is entitled, from time to time and at any time, to appoint any person to be a Director for filling any vacant directorship or for increasing the number of Directors. In assessing the nominations for new Directors, the Board will consider their qualifications and biographical information, experience and potential contributions that may be brought to the Company.

Composition of the Board

As at 31 December 2011, the Board had a total number of 16 Directors comprising 7 executive Directors including Mr Ma Chunji, Mr Cai Dong, Mr Wei Zhihai, Mr Wang Haotao, Mr Tong Jingen, Mr Wang Shanpo and Mr Pan Qing, 3 non-executive Directors including Dr Georg Pachta-Reyhofen, Mr Jörg Schwitalla and Mr Lars Wrebo and 6 independent non-executive Directors including Dr Shao Qihui, Dr Lin Zhijun, Dr Ouyang Minggao, Dr Hu Zhenghuan, Mr Chen Zheng and Mr Li Xianyun. Mr Ma Chunji is the chairman of the Board and Mr Cai Dong is the President. Biographies of the Directors are set out in the section "Directors and Senior Management".

The Company has appointed a sufficient number of independent non-executive Directors in accordance with Rules 3.10(1) of the Listing Rules. Pursuant to Rule 3.10(2) of the Listing Rules, at least one of the independent non-executive Directors have relevant professional qualifications or relevant accounting or financial management experience. According to Rule 3.13 of the Listing Rules, the Company has already received annual confirmation letters of independence from all independent non-executive Directors. The Board considers that all independent non-executive Directors are independent as defined in the Listing Rules. In order to enhance the independence of the Board, over one-third of the Board members are independent non-executive Directors to ensure an effective decision making process for independent judgments and the provision of independent advice to shareholders by the Board. The Company will continue to ensure that the independent non-executive Directors have appropriate qualification, knowledge, experience and independence and that they have influence over the decision making process of the Company.

Board Meetings

The Company generally convenes 4 regular full Board meetings per year or more meetings when necessary. During the Period, 4 regular full Board meetings were convened to review, consider and approve the following major agenda items:

(1) the 2010 annual report of the Company and its related announcements and documents, the declaration of the 2010 final dividend and the call for the 2011 annual general meeting of the Company;

(2) the 2011 interim report of the Company and its related announcements and documents;

(3) the annual caps for renewal of existing continuing connected transactions and new continuing connected transactions;

(4) the amendments of the articles of association of the Company;

(5) the operation and financial reports of the Group; and

(6) the operation, financial and capital expenditure budgets of the Group

During the Period, details of the Directors' attendance in the following meetings are set out below:

	Regular Full Board Meeting	Remuneration Committee Meeting	Audit Committee Meeting
Executive Directors			
Mr Ma Chunji	4/4		
Mr Cai Dong	4/4		
Mr Wei Zhihai	4/4	1/1	
Mr Wang Haotao	4/4		
Mr Tong Jingen	4/4	1/1	3/3
Mr Wang Shanpo	4/4		
Mr Pan Qing	4/4		
Non-executive Directors			
Dr Georg Pachta-Reyhofen	4/4		
Mr Jörg Schwitalla	4/4		
Mr Lars Wrebo	3/4		
Independent non-executive Directors			
Dr Shao Qihui	4/4		
Dr Lin Zhijun	4/4	1/1	3/3
Dr Ouyang Minggao	4/4		3/3
Dr Hu Zhenghuan	4/4		
Mr Chen Zheng	4/4	1/1	3/3
Mr Li Xianyun	4/4	1/1	

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 studying and recommendation of significant investment financing initiatives and significant capital operations and asset operation projects. The Strategy and Investment Committee currently comprises 7 members, namely, Mr Ma Chunji, Mr Cai Dong, Dr Shao Qihui, Dr Ouyang Minggao, Dr Hu Zhenghuan, Mr Wang Haotao and Mr Wang Shanpo. Dr Shao Qihui, Dr Ouyang Minggao and Dr Hu Zhenghuan are independent non-executive Directors. Mr Ma Chunji is the chairman of the Strategy and Investment Committee.

REMUNERATION COMMITTEE

The Remuneration Committee is mainly responsible for the appraisal of the senior management performance and making recommendation on their remuneration including the formulation of performance assessment standards, procedures, major proposals and mechanisms of the assessment systems and rewards and penalties. The Remuneration Committee will also supervise the remuneration and other benefits offered by the Company to Directors. The Remuneration Committee currently comprises 5 members, namely, Mr Chen Zheng, Dr Lin Zhijun, Mr Li Xianyun, Mr Wei Zhihai and Mr Tong Jingen. Mr Chen Zheng, Dr Lin Zhijun and Mr Li Xianyun are independent non-executive Directors. Mr Chen Zheng is the chairman of the Remuneration Committee.

During the Period, the Remuneration Committee had convened one meeting and discussed the remuneration of the independent non-executive Directors.

AUDIT COMMITTEE

The Audit Committee is mainly responsible for reviewing and monitoring the financial control, internal control and risk management systems, including reassessment of the financial and accounting policies, review of interim reports, annual reports and accounts, 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, formulation of policies on the provision of non-audit services by the external auditor, the handling of any issues related to the resignation of auditor or the removal of such auditor and the communication with the external auditor on auditing matters.

As at 31 December 2011, the Audit Committee comprised 4 members, namely, Dr Lin Zhijun, Dr Ouyang Minggao, Mr Chen Zheng and Mr Tong Jingen. Dr Lin Zhijun, Dr Ouyang Minggao and Mr Chen Zheng are independent non-executive Directors. Dr Lin Zhijun is the chairman of the Audit Committee. Mr Tong resigned as a member of the Audit Committee with effect from 30 March 2012.

With Dr Lin's past working experience as an auditor and his academic background in finance and accounting, the Company considers that Dr Lin is a qualified person with the proper professional knowledge in accounting and finance as required by Rule 3.10(2) of the Listing Rules.

During the Period, the Audit Committee had convened three meetings and had discussed, reviewed and approved the following items respectively:

(1) the 2011 interim review plan and the 2011 annual audit plan of the Group;

(2) the auditor's reports to the Audit Committee in respect of the 2010 annual audit and the 2011 interim review of the Group;

(3) the 2010 annual report and the 2011 interim report and their related results announcements;

(4) the assessment of financial reporting system and internal control procedures of the Group;

(5) the re-appointment of auditor of the Group;

(6) the internal controls reports of the Group; and

(7) the internal control system of the Group.

REMUNERATION AND BENEFITS FOR DIRECTORS AND SENIOR MANAGEMENT

The remuneration package for Directors and senior management include a basic salary, year-end bonus and retirement fund. Apart from basic salaries, executive Directors and employees are entitled to year-end bonus, depending on the market conditions, performance of the enterprise and individual persons during the year.

ACCOUNTABILITY AND AUDITING

The Directors are responsible for preparing the financial statements for the financial year ended 31 December 2011 to reflect a true and fair view of the Group's financial conditions and the results and cash flows during the year. In preparing the financial statements for the year ended 31 December 2011, the generally accepted accounting principles in Hong Kong, Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards are adopted, with consistent use of appropriate accounting policies, for making reasonable and prudent judgments and estimates.

INTERNAL CONTROL

The Board is responsible for the maintenance of a stable, effective internal control system for the Group. The internal control framework of the Group includes (i) the formulation of a transparent management structure with restricted authority and clear responsibilities; and (ii) the reporting of financial information at fixed time period intervals. Particular attention will be paid to the review matching of the budget and target amounts. Executive Directors and senior management are granted with different levels of authorities. The annual budget of the Group will be approved by the Board. Relevant executive Directors and senior management will receive different operation and financial reports to assist in monitoring the Group's business operations and formulating prudent and timely plans. The Board and its committees will also receive other regular and special reports to ensure timely provision of all appropriate data to the Directors.

NON-COMPETING UNDERTAKING

In order to protect the Group's interests, CNHTC entered into a non-competition undertaking (the "Non-competition Undertaking") with the Group in November 2007. In addition, the Board has received an annual confirmation from CNHTC for its compliance with the Non-competition Undertaking for the year ended 31 December 2011. After conducting the review, the Directors, including all independent non-executive Directors, are of the view that the Non-competition Undertaking have been complied with by all parties.

REMUNERATION OF AUDITORS

For the year ended 31 December 2011, the Group had the amounts of remuneration paid or payable to the auditors - PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian CPAs Limited Company for the 2011 interim review and the annual audit services at RMB 13,516,000.

COMMUNICATIONS WITH SHAREHOLDERS

The Company considers that active communications with investors are important and provides reports with transparency and clarity in disclosures. Any significant events of the Company fall to be disclosed will be published in a timely, accurate and complete manner through the Company's website and HKExnews, website of Hong Kong Exchanges and Clearing Limited, so as to safeguard shareholders' rights of information and participation. The notice of the annual general meeting together with relevant documents will be sent out to the shareholders at least 20 business days prior to the date on which the annual general meeting will be held. The notice contains details on the procedures for voting by poll as well as other relevant information related to the proposed resolutions.

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

The Board and senior management are well aware of their important tasks of acting on behalf of the interests of all shareholders and raising the shareholders' returns. The Board considers that annual general meeting is an important opportunity for direct communication with the shareholders. The Board encourages all shareholders to participate in the 2012 annual general meeting where the members of the Board will be present and communicate with the shareholders.

REPORT OF THE DIRECTORS

The Directors are pleased to present their report and the audited financial statements of the Group for the year ended 31 December 2011.

PRINCIPAL BUSINESS

The Company is principally engaged in investment holding. The Group primarily specialise in the research, development and manufacturing of heavy duty trucks, medium heavy duty trucks and light duty trucks and related key parts and components, including engines, cabins, axles, steel frames and gearboxes. Details of principal activities of the Company's subsidiaries are set out in Note 35 to the consolidated financial statements. There has been no significant change in the principal business of the Group during the Period.

OPERATING RESULTS AND RESERVES

The results of the Group for the year ended 31 December 2011 are set out in the consolidated statement of comprehensive income.

The details of the reserves of the Group during the year under review are set out in the consolidated statement of changes in equity on page 62 and Note 25(c) to the consolidated financial statements.

Dividends

The Directors recommend the payment of a final dividend of HKD 0.10 per share of the Company for the year ended 31 December 2011 ("2011 Final Dividend") with a sum of approximately HKD 276,099,000, which is subject to shareholders' approval at the forthcoming 2012 annual general meeting of the Company.

The Company has been determined as a Chinese-resident enterprise. Pursuant to the "Enterprise Income Tax Law of the People's Republic of China"《中華人民共和國企業所得税法》which was implemented in 2008 and the "Detailed Rules for the Implementation of the Enterprise Income Tax Law of the People's Republic of China"《中華人民共和國企業所得税法實施條例》, a Chinese-controlled offshore incorporated enterprise shall withhold and pay enterprise income tax for its non-PRC resident enterprise shareholders. As the withholding and payment obligation lies with the Company, the Company will withhold and pay enterprise income tax for its non-PRC resident enterprise shareholders to whom the Company pays the 2011 Final Dividend.

In respect of all shareholders whose names are not registered as natural persons (including HKSCC Nominees Limited, corporate nominees or trustees such as securities companies and banks, and other entities or organisations, which are all considered as non-PRC resident enterprise shareholders), the Company will distribute the 2011 Final Dividend after deducting an enterprise income tax of 10% or other appropriate rates. The Company will not withhold and pay the income tax in respect of the 2011 Final Dividend payable to PRC resident enterprise shareholders or exempted entities. The Company will not withhold and pay the income tax in respect of the 2011 Final Dividend payable to any natural person shareholders.

PROPERTY, PLANT AND EQUIPMENT

Movements in the property, plant and equipment of the Group and the Company during the year under review are set out in Note 17 to the consolidated financial statements.

SHARE CAPITAL

Movements in the share capital of the Company during the year under review are set out in the consolidated statement of changes in equity on page 62 and Note 25 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's distributable reserves as at 31 December 2011 were approximately RMB502,669,000.

CHARITABLE DONATION

The Group's total charitable donation for the year under review amounted to RMB3,661,000 (2010: RMB180,640).

BORROWINGS

Details of the Group's borrowings as at 31 December 2011 are set out in Note 26 to the consolidated financial statements respectively.

FIVE YEARS FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Group in the past five financial years is set out on page 3.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

SHARE OPTION SCHEME

The Company did not have any share option scheme as at 31 December 2011.

DIRECTORS

During the Period, the Directors were as follows:

Executive Directors:
Ma Chunji *(Chairman)*
Cai Dong *(President)*
Wei Zhihai *(Vice President)*
Wang Haotao *(Vice President)*
Tong Jingen *(Chief Economist)*
Wang Shanpo *(Chief Engineer)*
Pan Qing *(Vice President)*
(resigned on 31 December 2011)

Non-executive Directors:
Georg Pachta-Reyhofen
Jörg Schwitalla
Lars Wrebo

Independent non-executive Directors:
Shao Qihui
Lin Zhijun
Ouyang Minggao
Hu Zhenghuan
Chen Zheng
Li Xianyun

Gao Dinggui was appointed as executive Director with effective from 1 February 2012.

Pursuant to articles 83 and 84 of the articles of association of the Company, Ma Chunji, Gao Dinggui, Ouyang Minggao, Hu Zhenghuan, Chen Zheng and Li Xianyun will be retired at the forthcoming annual general meeting and, being eligible, will be available for re-election as Directors.

DIRECTORS' SERVICE CONTRACTS

Except for Pan Qing, each of the executive Directors has entered into a service contract with the Company for a term of three years commencing from 1 November 2010. Pan Qing had entered into a service contract with the Company from 6 January 2010 to 31 December 2012 and resigned as Director with effective from 31 December 2011. Each of the contracts can be terminated by either party giving not less than three months' prior written notice.

Each of the non-executive Directors has entered into a service contract with the Company for a term of three years from 19 March 2010 and each of the contracts can be terminated by either party giving not less than three months' prior written notice.

Each of the independent non-executive Directors has entered into a service contract with the Company for a term of three years from 27 July 2010 and each of the contracts can be terminated by either party by giving not less than three months' prior written notice.

None of the Directors has or is proposed to have any service contract with the Company or its subsidiary that is not terminable by the employer within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN CONTRACTS

During the Period, Ma Chunji is the chairman of CNHTC and Wang Haotao is the vice general manager and director of CNHTC while Georg Pachta-Reyhofen and Jörg Schwitalla are the directors of MAN SE and Lars Wrebo is the director of MAN Truck & Bus AG which is a wholly-owned subsidiary of MAN SE. Save as significant transactions between the Group and CNHTC (including its associates) and between the Group and MAN SE (including its associates) as disclosed in below connected transactions in the report of the Directors and in the related party transactions in Note 36 to the consolidated financial statements, no contract of significance to the business of the Group subsisted during or at the end of the year under review in which a Director was materially interested, either directly or indirectly.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Company are set out on page 22 to page 26.

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

As at 31 December 2011, so far is known to the Directors, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions therein that they shall be deemed to have pursuant to such provisions of the SFO), or any interests or short positions which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or any interests or short positions which have to be notified to the Company and the Stock Exchange pursuant to Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules.

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

As at 31 December 2011, so far as it is known to the Directors, the person (other than a Director or chief executive of the Company) who had, or were deemed or taken to have interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register of the Company required to be kept under section 336 of the SFO or who were directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group was as follows:

A) The Company

Name of shareholder	Capacity	Number of shares in which the shareholder is deemed to have interests	Percentage of shareholding
Sinotruk (BVI) Limited (Note 1)	Beneficial owner	1,408,106,603	51%
MAN Finance and Holding S.à.r.l. (Note 2)	Beneficial owner	690,248,336	25%

Notes:

1) Sinotruk (BVI) Limited is a company incorporated in the British Virgin Islands whose entire issued share capital is held by CNHTC. CNHTC is deemed to have an interest in all the Shares held by Sinotruk (BVI) Limited under the SFO.

2) MAN Finance and Holding S.à.r.l. is a company incorporated in Luxembourg whose entire issued share capital is held by MAN SE, a company incorporated under the laws of Germany and listed on the Frankfurt Stock Exchange. MAN SE is deemed to have an interest in all the Shares held by MAN Finance and Holding S.à.r.l. under the SFO.

B) Members of the Group

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

Save as disclosed above, as at 31 December 2011, so far as it is known to the Directors, there was no other person (other than a Director or chief executive of the Company) who had, or were deemed or taken to have interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register of the Company required to be kept under section 336 of the SFO or who were directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

MANAGEMENT CONTRACTS

No management and administration contracts in respect of all or part of the businesses of the Company or the Group were entered into or subsisted during the year.

MAJOR CUSTOMERS AND SUPPLIERS

The followings are the percentages of purchases and sales attributable to the major customers and suppliers of the Group for the Period:

Purchases

– the largest supplier	2.1%
– the five largest suppliers	7.1%

Sales

– the largest customer	5.5%
– the five largest customers	10.3%

CNHTC owns 100% equity interests in CNHTC Qingdao Heavy Industry Co., Ltd. and CNHTC Datong Gear Co., Ltd., being two of the five largest customers of the Group. Save as disclosed, none of the Directors, or any of their associates or any shareholders who, to the knowledge of the Directors, hold over 5% of the issued share capital of the Company, had any beneficial interest in the major customers or suppliers of the Group noted above.

CONNECTED TRANSACTIONS

Set out below are the details of the connected transactions and the continuing connected transactions of the Company as required to be reported under the Listing Rules (including the significant related party transactions as set out in note 36 to the consolidated financial statements during the Period.)

A. Connected Transactions Subject to the Reporting and Announcement Requirements but Exempted from the Independent Shareholders' Approval Requirement.

1) Factory Premises Agreement

Date of agreement	:	26 August 2011
Parties	:	CNHTC Ji'nan Special Truck Co., Ltd. ("Ji'nan Special Truck")
		Sinotruk Ji'nan Power Co., Ltd. ("Ji'nan Power")
Objective	:	Ji'nan Power has agreed to sell a factory premises to Ji'nan Special Truck
Consideration	:	RMB 50,917,420.67
Actual consideration for the year ended 31 December 2011	:	RMB 50,917,420.67

Details of the transactions contemplated under the Factory Premiers Agreement were disclosed in the Company's announcement dated 26 August 2011.

2) Land Use Right Transfer Agreement

Date of agreement	:	26 August 2011
Parties	:	CNHTC
		Sinotruk Ji'ning Commercial Truck Co., Ltd. ("Ji'ning Commercial Truck")
Objective	:	CNHTC has agreed to transfer the land use rights of a parcel of land to Ji'ning Commercial Truck.
Consideration	:	RMB 60,517,380
Actual consideration for the year ended 31 December 2011	:	RMB 60,517,380 (Note)

Note: As the transfer of the land use right is not yet completed, the consideration is not yet paid. The transfer of the land use right is estimated to be completed in the first half of 2012.

Details of the transactions contemplated under the Land Use Right Transfer Agreement were disclosed in the Company's announcement dated 26 August 2011.

B. Continuing Connected Transactions Subject to the Reporting, Annual Review and Announcement Requirements but Exempted from the Independent Shareholders' Approval Requirement

1) Renewed General Services Purchase Agreement

Date of agreement	:	21 April 2009
Parties	:	• CNHTC (for itself and on behalf of its associates) • the Company (for itself and on behalf of its subsidiaries)
Term	:	2 years from 1 January 2010 to 31 December 2011
Objective	:	CNHTC Group has agreed to provide services such as property management, transportation, staff training, medical services and products testing and improvement services, etc. to members of the Group
Consideration	:	The consideration was determined on the basis of: (a) prices proposed by the PRC government; or (b) if there were no prices proposed by the PRC government, the market price or cost with a reasonable margin
Annual cap for the year ended 31 December 2011	:	RMB150,000,000
Actual consideration for the year ended 31 December 2011	:	RMB117,098,000

Details of the transactions contemplated under the Renewed General Services Purchase Agreement were disclosed in the Company's announcement dated 21 April 2009.

2) Renewed Technology Support and Services Agreement

Date of agreement	:	21 April 2009
Parties	:	• CNHTC (for itself and on behalf of its associates) • the Company (for itself and on behalf of its subsidiaries)
Term	:	2 years from 1 January 2010 to 31 December 2011
Objective	:	The Group has agreed to provide CNHTC Group with the services such as technology research and development, technology consultancy, support services, and design and supervising services
Consideration	:	The consideration was determined on the basis of cost plus a 10% margin
Annual cap for the year ended 31 December 2011	:	RMB18,000,000
Actual consideration for the year ended 31 December 2011	:	RMB12,582,000

Details of the transactions contemplated under the Renewed Technology Support and Services Agreement were disclosed in the Company's announcement dated 21 April 2009.

3) Sinotruk Leasing Framework Agreement

Date of agreement	:	21 April 2009
Parties	:	• CNHTC (for itself and on behalf of its associates) • the Company (for itself and on behalf of its subsidiaries)
Term	:	3 years from 1 January 2009 to 31 December 2011
Objective	:	The Group has agreed to provide leasing services to CNHTC Group including lease of land, office buildings and factory premises
Consideration	:	The consideration was determined on the basis of : (a) the prevailing market prices; or (b) if the parties cannot ascertain the prevailing market prices, costs plus a reasonable margin
Annual cap for the year ended 31 December 2011	:	RMB37,000,000
Actual consideration for the year ended 31 December 2011	:	RMB11,178,000

Details of the transactions contemplated under the Sinotruk Leasing Framework Agreement were disclosed in the Company's announcement dated 21 April 2009.

4) CNHTC Leasing Framework Agreement

Date of agreement	:	21 April 2009
Parties	:	• CNHTC (for itself and on behalf of its associates) • the Company (for itself and on behalf of its subsidiaries)
Term	:	3 years from 1 January 2009 to 31 December 2011
Objective	:	CNHTC Group has agreed to provide leasing services to the Group including lease of land, office buildings and factory premises
Consideration	:	The consideration was determined on the basis of : (a) the prevailing market prices; or (b) if the parties cannot ascertain the prevailing market prices, costs plus a reasonable margin
Annual cap for the year ended 31 December 2011	:	RMB32,000,000
Actual consideration for the year ended 31 December 2011	:	RMB17,818,000

Details of the transactions contemplated under the CNHTC Leasing Framework Agreement were disclosed in the Company's announcement dated 21 April 2009.

5) Financial Services Framework Agreement

Date of agreement	:	21 April 2009
Parties	:	• CNHTC (for itself and on behalf of its associates) • Sinotruk Finance Co., Ltd., a non-wholly owned subsidiary of the Company
Term	:	From 21 April 2009 to 31 December 2011
Objective	:	Sinotruk Finance Co., Ltd. has agreed to provide a range of financial services to members of CNHTC Group including settlement services, deposits taking services, bank bills discounting services and arrangement of entrustment loans
Consideration	:	The consideration of the following services were determined on the following basis, with reference to the prevailing local market conditions : (a) settlement services: free of charge; (b) deposits services: the interest rates for such deposits are determined in accordance with the standard rates promulgated by PBOC from time to time; (c) bank bills discounting services: the interest rates for discounting services are determined in accordance with the standard rates promulgated by the PBOC from time to time; and (d) arrangement of entrustment loans: the service fee is set at a rate with regard to the policy implemented by relevant PRC government authorities and the individual circumstances (including term of the loan).
Annual cap for the year ended 31 December 2011	:	Maximum day-end balance for deposits taking and bank bills discounting services: RMB700,000,000 Aggregate of interest expenses for deposits taking services; interest income from bank bills discounting services and fee income from arrangement of entrustment loans: RMB100,000,000
Actual consideration for the year ended 31 December 2011	:	Maximum day-end balance: RMB499,921,000 Aggregate of income and expenses: RMB1,874,000

Details of the transactions contemplated under the Financial Services Framework Agreement were disclosed in the Company's announcement dated 21 April 2009.

6) 2012 Products Sales Agreement

Date of agreement	:	27 August 2010
Parties	:	• CNHTC (for itself and on behalf of its associates) • the Company (for itself and on behalf of its subsidiaries)
Term	:	2 years from 1 January 2011 to 31 December 2012
Objective	:	The Group has agreed to supply products including trucks, chassis and semi-tractor trucks to CNHTC Group
Consideration	:	The consideration was determined on the basis of : (a) the prices proposed by the PRC government; or (b) if there are no prices proposed by the PRC government, the market price or cost with a reasonable margin of 5% to 10%
Annual cap for the year ended 31 December 2011	:	RMB746,000,000
Actual consideration for the year ended 31 December 2011	:	RMB330,134,000

Details of the transactions contemplated under 2012 Products Purchase Agreement were disclosed in the Company's announcement dated 27 August 2010.

7) 2012 Construction and Project Management Services Agreement

Date of agreement	:	27 August 2010
Parties	:	• CNHTC Ji'nan Construction Co., Ltd. • the Company (for itself and on behalf of its subsidiaries)
Term	:	2 years from 1 January 2011 to 31 December 2012
Objective	:	CNHTC Ji'nan Construction Co., Ltd. has agreed to provide construction and project management services to the members of the Group
Consideration	:	The consideration was determined on the basis of : (a) the relevant PRC state-fixed prices; (b) if transactions under the 2012 Construction and Project Management Service Agreement not subject to PRC state-fixed prices, the market prices; or (c) if the parties cannot ascertain the prevailing market prices, costs plus a reasonable margin of 5% to 10%
Annual cap for the year ended 31 December 2011	:	RMB297,000,000
Actual consideration for the year ended 31 December 2011	:	RMB129,161,000

Details of the transactions contemplated under 2012 Construction and Project Management Services Agreement were disclosed in the Company's announcement dated 27 August 2010.

8) 2012 Sinotruk Chengdu Wangpai Parts Purchase Agreement

Date of agreement	:	25 March 2011
Parties	:	• Chengdu Xinshenfeng Industry Co., Ltd. ("Chengdu Xinshenfeng") and Chengdu Xindayang Vehciles Parts Co., Ltd. ("Chengdu Xindayang") • Sinotruk Chengdu Wangpai Commercial Vehicles Co., Ltd. ("Sinotruk Chengdu Wangpai")
Term	:	2 years from 1 January 2011 to 31 December 2012
Objective	:	Sinotruk Chengdu Wangpai have agreed to purchase parts and components from Chengdu Xinshenfeng and Chengdu Xindayang
Consideration	:	The consideration was determined on the basis of : (a) the market prices; or (b) cost with a reasonable margin of 5% to 10%
Annual cap for the year ended 31 December 2011	:	RMB163,000,000
Actual consideration for the year ended 31 December 2011	:	RMB63,357,000

Details of the transactions contemplated under 2012 Sinotruk Chengdu Wangpai Parts Purchase Agreement were disclosed in the Company's announcement dated 25 March 2011.

9) 2012 Sinotruk Fujian Haixi Parts Purchase Agreement

Date of agreement	:	25 March 2011
Parties	:	• Fujian Fudi Vehicles Manufacturing Co., Ltd. ("Fujian Fudi") • Sinotruk Fujian Haixi Vehicles Co., Ltd. ("Sinotruk Fujian Haixi")
Term	:	2 years from 1 January 2011 to 31 December 2012
Objective	:	Sinotruk Fujian Haixi has agreed to purchase raw materials, parts and components and semi-finished products from Fujian Fudi
Consideration	:	The consideration was determined on the basis of : (a) the market prices; or (b) cost with a reasonable margin of 5% to 10%
Annual cap for the year ended 31 December 2011	:	RMB186,000,000
Actual consideration for the year ended 31 December 2011	:	RMB5,792,000

Details of the transactions contemplated under 2012 Sinotruk Fujian Haixi Parts Purchase Agreement were disclosed in the Company's announcement dated 25 March 2011.

10) 2012 Sinotruk Fujian Haixi Products Supply Agreement

Date of agreement	:	25 March 2011
Parties	:	• Fujian Fuhuan Specialty Vehicles Manufacutring Co., Ltd. ("Fujian Fuhuan") and Ganzhou Jianghuan Vehicles Manufacturing Co., Ltd. ("Ganzhou Jianghuan") • Sinotruk Fujian Haixi
Term	:	2 years from 1 January 2011 to 31 December 2012
Objective	:	Sinotruk Fujian Haixi has agreed to supply products including trucks, chassis and semi-tractor trucks to Fujian Fuhuan and Ganzhou Jianghuan
Consideration	:	The consideration was determined on the basis of : (a) the market prices; or (b) cost with a reasonable margin of 5% to 10%
Annual cap for the year ended 31 December 2011	:	RMB120,000,000
Actual consideration for the year ended 31 December 2011	:	RMB14,209,000

Details of the transactions contemplated under 2012 Sinotruk Fujian Haixi Products Supply Agreement were disclosed in the Company's announcement dated 25 March 2011.

C. Continuing Connected Transactions Subject to the Reporting, Annual Review, Announcement and Independent Shareholders' Approval Requirements

1) Technology License Agreement

Date of agreement	:	15 July 2009
Parties	:	• MAN Truck & Bus AG (a wholly-owned subsidiary of MAN SE as licensor) • the Company; • Sinotruk Ji'nan Commercial Truck Co., Ltd. (a wholly-owned subsidiary of the Company as licensee); and • Ji'nan Power (licensee)
Term	:	7 years from 7 October 2009 to 6 October 2016
Objective	:	The licensor has agreed to grant to the licensees: (i) an exclusive and non-transferable right in the PRC to use the licensed technology and know-how relating to the complete TGA truck, D08, D20 and D26 engines, each type available at different engine power output ranges and compliant with Euro III, IV and V emission standards and the related parts and components (ii) the right to use the licensed technology and know-how in connection with the distribution, after-sale maintenance and services for the products and trucks manufactured by this technology
Consideration	:	EURO85,000,000
Actual consideration upto 31 December 2011	:	EURO85,000,000

Details of the transactions contemplated under the Technology License Agreement were disclosed in the Company's announcement dated 15 July 2009 and the Company's circular dated 27 July 2009.

2) 2012 Products Purchase Agreement

Date of agreement	:	27 August 2010
Parties	:	• CNHTC (for itself and on behalf of its associates) • the Company (for itself and on behalf of its subsidiaries)
Term	:	2 years from 1 January 2011 to 31 December 2012
Objective	:	CNHTC Group has agreed to sell products including refitted trucks to the Group
Consideration	:	The consideration was determined on the basis of : (a) the prices proposed by the PRC government; or (b) if there are no prices proposed by the PRC government, the market price or cost with a reasonable margin of 5% to 10%
Annual cap for the year ended 31 December 2011	:	RMB1,898,000,000
Actual consideration for the year ended 31 December 2011	:	RMB1,197,332,000

Details of the transactions contemplated under 2012 Products Purchase Agreement were disclosed in the Company's announcement dated 27 August 2010 and the Company's circular dated 15 September 2010.

3) 2012 Parts Purchase Agreement

Date of agreement	:	27 August 2010
Parties	:	• CNHTC (for itself and on behalf of its associates) • the Company (for itself and on behalf of its subsidiaries)
Term	:	2 years from 1 January 2011 to 31 December 2012
Objective	:	CNHTC Group has agreed to supply raw materials, parts and components and semi-finished products to the Group
Consideration	:	The consideration was determined on the basis of : (a) the prices proposed by the PRC government; or (b) if there are no prices proposed by the PRC government, the market price or cost with a reasonable margin of 5% to 10%
Annual cap for the year ended 31 December 2011	:	RMB1,666,000,000
Actual consideration for the year ended 31 December 2011	:	RMB748,052,000

Details of the transactions contemplated under 2012 Parts Purchase Agreement were disclosed in the Company's announcement dated 27 August 2010 and the Company's circular dated 15 September 2010.

4) 2012 Parts Sales Agreement

Date of agreement	:	27 August 2010
Parties	:	• CNHTC (for itself and on behalf of its associates) • the Company (for itself and on behalf of its subsidiaries)
Term	:	2 years from 1 January 2011 to 31 December 2012
Objective	:	The Group has agreed to supply raw materials, parts and components and semi-finished products to CNHTC Group
Consideration	:	The consideration was determined on the basis of : (a) the prices proposed by the PRC government; or (b) if there are no prices proposed by the PRC government, the market price or cost with a reasonable margin of 5% to 10%
Annual cap for the year ended 31 December 2011	:	RMB1,103,000,000
Actual consideration for the year ended 31 December 2011	:	RMB591,613,000

Details of the transactions contemplated under 2012 Parts Sales Agreement were disclosed in the Company's announcement dated 27 August 2010 and the Company's circular dated 15 September 2010.

All the above continuing connected transactions did not exceed the relevant annual cap amounts.

The Directors (including the independent non-executive Directors) have reviewed the continuing connected transactions of the Company and confirmed that they were:

i. entered into in the ordinary and normal course of business of the Group;

ii. on normal commercial terms; and

iii. entered into in accordance with the relevant agreements regulating these transactions and on terms that are reasonable and fair and are in the interests of the shareholders of the Company as a whole.

Pursuant to Rule 14A.38 of the Listing Rules, the Board has appointed the auditor of the Company to carry out certain procedures on the above continuing connected transactions on the sample basis in accordance with the Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by Hong Kong Institute of Certified Public Accountants.

The auditor has truthfully reported the results of examination to the Board.

PricewaterhouseCoopers, the auditor of the Company, has provided a letter to the Board in respect of the continuing connected transactions disclosed above for the year ended 31 December 2011 and confirmed:

i. the continuing connected transactions have been approved by the Board;

ii. in relation to those transactions involving provisions of goods and services of the Group, the pricing of the transactions, on a sample basis, were in accordance with the pricing policy of the Group;

iii. the transactions, on a sample basis, were entered into in accordance with the relevant agreements governing these continuing connected transactions; and

iv. the values of all the above continuing connected transactions did not exceed the relevant annual caps.

SUFFICIENCY OF PUBLIC FLOAT

Based on information publicly available to the Company, and within the knowledge of the Directors, as at the bulk printing date of this report, the Company has maintained sufficient public float in accordance with the Listing Rules.

AUDITOR

PricewaterhouseCoopers will retire as auditor of the Company at the forthcoming annual general meeting of the Company and a resolution for its re-appointment will be proposed at the said meeting.

By Order of the Board
Ma Chunji
Chairman

Beijing, PRC, 27 March 2012

INDEPENDENT AUDITOR'S REPORT

pwc

羅兵咸永道

To the shareholders of Sinotruk (Hong Kong) Limited
(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Sinotruk (Hong Kong) Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 56 to 158, which comprise the consolidated and company balance sheets as at 31 December 2011, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flows statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 27 March 2012

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011
(All amounts in RMB thousands unless otherwise stated)

	Note	2011	2010
Turnover	5	36,603,546	39,656,160
Cost of sales	7	(30,897,814)	(33,311,730)
Gross profit		5,705,732	6,344,430
Distribution costs	7	(2,209,616)	(2,366,026)
Administrative expenses	7	(1,818,713)	(1,660,789)
Other gains/(losses) – net	8	365,902	(24,127)
Operating profit		2,043,305	2,293,488
Finance income		202,677	211,977
Finance costs		(780,015)	(451,217)
Finance costs – net	10	(577,338)	(239,240)
Profit before income tax		1,465,967	2,054,248
Income tax expense	11	(297,645)	(324,733)
Profit for the year		1,168,322	1,729,515
Other comprehensive income:			
Gains on revaluation of own-occupied properties upon transfer to investment properties, net of tax		62,192	—
Losses on currency translation		(45,409)	(19,549)
Total comprehensive income for the year		1,185,105	1,709,966

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

(All amounts in RMB thousands unless otherwise stated)

	Note	2011	2010
Profit attributable to:			
– equity holders of the Company		1,002,177	1,480,745
– non-controlling interests		166,145	248,770
		1,168,322	1,729,515
Total comprehensive income attributable to:			
– equity holders of the Company		1,018,960	1,461,196
– non-controlling interests		166,145	248,770
		1,185,105	1,709,966
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in RMB per share)			
– basic and diluted	14	0.36	0.54

The notes on pages 64 to 158 are an integral part of these consolidated financial statements.

Details of dividends payable to equity shareholders of the Company are set out in Note 15 to these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

As at 31 December 2011
(All amounts in RMB thousands unless otherwise stated)

	Note	31 December 2011	31 December 2010
ASSETS			
Non-current assets			
Land use rights	16	1,394,774	1,398,436
Property, plant and equipment	17	11,603,387	9,359,943
Investment properties	18	266,501	6,492
Intangible assets	19	675,967	761,093
Goodwill		3,868	3,868
Deferred income tax assets	27	820,171	842,264
Investment in an associate		6,225	6,196
Other receivables	21	130,331	–
		14,901,224	12,378,292
Current assets			
Inventories	20	10,192,736	13,381,835
Trade receivables, other receivables and other current assets	21	15,543,011	14,311,029
Financial assets at fair value through profit or loss	22	5,221	1,089
Amounts due from related parties	36(b)	19,502	30,837
Restricted cash	23	1,754,753	2,245,064
Cash and cash equivalents	24	9,576,878	11,561,472
		37,092,101	41,531,326
Total assets		51,993,325	53,909,618
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	25	261,489	261,489
Reserves		18,488,150	17,865,889
		18,749,639	18,127,378
Non-controlling interests		1,818,961	1,632,693
Total equity		20,568,600	19,760,071

CONSOLIDATED BALANCE SHEET

As at 31 December 2011

(All amounts in RMB thousands unless otherwise stated)

	Note	31 December 2011	31 December 2010
LIABILITIES			
Non-current liabilities			
Borrowings	26	2,106,800	2,686,240
Deferred income tax liabilities	27	42,688	35,188
Termination and post-employment benefits	29	30,810	39,840
Deferred income	31	605,052	504,297
Long-term payable		7,297	—
Amounts due to related parties	36(b)	245,741	380,115
		3,038,388	3,645,680
Current liabilities			
Trade payables, other payables and other current liabilities	28	13,701,462	17,645,026
Current income tax liabilities		76,750	487,038
Borrowings	26	13,498,810	11,520,934
Amounts due to related parties	36(b)	631,041	308,714
Provisions for other liabilities	30	478,274	542,155
		28,386,337	30,503,867
Total liabilities		31,424,725	34,149,547
Total equity and liabilities		51,993,325	53,909,618
Net current assets		8,705,764	11,027,459
Total assets less current liabilities		23,606,988	23,405,751

The notes on pages 64 to 158 are an integral part of these consolidated financial statements.

Ma Chunji
Director

Tong Jingen
Director

COMPANY BALANCE SHEET

As at 31 December 2011

(All amounts in RMB thousands unless otherwise stated)

	Note	31 December 2011	31 December 2010
ASSETS			
Non-current assets			
Land use rights	16	**16,384**	16,403
Property, plant and equipment	17	**643**	682
Investments in subsidiaries	35 (a)	**15,686,122**	15,199,575
Amounts due from subsidiaries	35 (b)	**—**	2,680,000
		15,703,149	17,896,660
Current assets			
Amounts due from subsidiaries	35 (b)	**2,861,334**	16,050
Dividends receivable		**1,101,800**	1,369,057
Other receivables	21	**90,037**	159,628
Restricted cash		**68,842**	299,643
Cash and cash equivalents	24	**117,828**	572,854
		4,239,841	2,417,232
Total assets		**19,942,990**	20,313,892
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	25	**261,489**	261,489
Reserves	25	**16,958,204**	17,086,980
Total equity		**17,219,693**	17,348,469

COMPANY BALANCE SHEET

As at 31 December 2011

(All amounts in RMB thousands unless otherwise stated)

	Note	31 December 2011	31 December 2010
LIABILITIES			
Non-current liabilities			
Borrowings	26	–	2,686,240
		–	2,686,240
Current liabilities			
Amounts due to subsidiaries	35 (c)	350	73,665
Trade and other payables		29,361	65,115
Borrowings	26	2,693,586	140,403
		2,723,297	279,183
Total liabilities		2,723,297	2,965,423
Total equity and liabilities		19,942,990	20,313,892
Net current assets		1,516,544	2,138,049
Total assets less current liabilities		17,219,693	20,034,709

The notes on pages 64 to 158 are an integral part of these consolidated financial statements.

Ma Chunji	**Tong Jingen**
Director	*Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011

(All amounts in RMB thousands unless otherwise stated)

	Attributable to equity holders of the Company											Non-controlling interests	Total equity
	Share capital	Share premium	Capital redemption reserve	Other capital reserve	Property revaluation reserve	Statutory reserve	Discretionary reserve	Merger reserve	Translation reserve	Retained earnings	Total		
Balance as at 1 January 2010	261,489	16,444,600	10,935	(3,691,986)	1,053	457,420	104,294	1,225,794	6,099	2,073,319	16,893,017	1,283,832	18,176,849
Total comprehensive income for the year	–	–	–	–	–	–	–	–	(19,549)	1,480,745	1,461,196	248,770	1,709,966
Transactions with owners in their capacity as owners													
Dividends of the Company relating to year 2009	–	–	–	–	–	–	–	–	–	(145,623)	(145,623)	–	(145,623)
Dividends of subsidiaries to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	(33,017)	(33,017)
Capital injection from non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	51,000	51,000
Effect of business combination of a subsidiary under common control	–	–	–	–	–	–	–	(81,212)	–	–	(81,212)	–	(81,212)
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	82,108	82,108
Total transactions with owners	–	–	–	–	–	–	–	(81,212)	–	(145,623)	(226,835)	100,091	(126,744)
Appropriation to reserves	–	–	–	–	–	156,535	–	–	–	(156,535)	–	–	–
Balance as at 31 December 2010	261,489	16,444,600	10,935	(3,691,986)	1,053	613,955	104,294	1,144,582	(13,450)	3,251,906	18,127,378	1,632,693	19,760,071
Balance as at 1 January 2011	261,489	16,444,600	10,935	(3,691,986)	1,053	613,955	104,294	1,144,582	(13,450)	3,251,906	18,127,378	1,632,693	19,760,071
Total comprehensive income for the year	–	–	–	–	62,192	–	–	–	(45,409)	1,002,177	1,018,960	166,145	1,185,105
Transactions with owners in their capacity as owners													
Dividends of the Company relating to year 2010	–	–	–	–	–	–	–	–	–	(415,981)	(415,981)	–	(415,981)
Dividends of subsidiaries to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	(50,737)	(50,737)
Capital injection from non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	69,000	69,000
Capital contribution from non-controlling shareholders	–	–	–	23,825	–	–	–	–	–	–	23,825	21,488	45,313
Acquisition of non-controlling interests	–	–	–	(4,543)	–	–	–	–	–	–	(4,543)	(19,628)	(24,171)
Total transactions with owners	–	–	–	19,282	–	–	–	–	–	(415,981)	(396,699)	20,123	(376,576)
Appropriation to reserves	–	–	–	–	–	125,931	–	–	–	(125,931)	–	–	–
Balance as at 31 December 2011	261,489	16,444,600	10,935	(3,672,704)	63,245	739,886	104,294	1,144,582	(58,859)	3,712,171	18,749,639	1,818,961	20,568,600

The notes on pages 64 to 158 form an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOWS STATEMENT

For the year ended 31 December 2011

(All amounts in RMB thousands unless otherwise stated)

	Note	2011	2010
Cash flows from operating activities			
Cash generated from/(used in) operations	32(a)	217,251	(5,474,013)
Interest paid		(813,947)	(491,585)
Income tax paid		(829,612)	(413,979)
Net cash used in operating activities		(1,426,308)	(6,379,577)
Cash flows from investing activities			
Acquisitions of a subsidiary, net of cash used		–	(102,582)
Prepaid operating lease payments for land use rights		(65,487)	(389,713)
Purchase of property, plant and equipment		(1,651,254)	(1,042,963)
Proceeds from sale of property, plant and equipment	32(b)	5,805	26,024
Purchase of intangible assets		(64,519)	(127,783)
Purchase of financial assets at fair value through profit or loss		(54,013)	(893)
Proceeds from sale of financial assets at fair value through profit or loss		49,693	14,731
Purchase of non-controlling interests		(24,171)	–
Interest received		198,816	262,599
Decrease in fixed deposit		–	1,038,493
Net cash used in investing activities		(1,605,130)	(322,087)
Cash flows from financing activities			
Decrease in restricted cash		176,820	1,596,316
Proceeds from borrowings		12,228,968	17,560,806
Repayments of borrowings		(10,836,756)	(14,832,766)
Issue of RMB bond		–	2,685,114
Proceeds from non-controlling shareholders' capital injection		69,000	1,000
Dividends paid to the equity shareholders of the Company		(415,981)	(140,973)
Dividends paid to non-controlling shareholders		(126,434)	(28,846)
Net cash generated from financing activities		1,095,617	6,840,651
Net (decrease)/increase in cash and cash equivalents		(1,935,821)	138,987
Cash and cash equivalents at beginning of the year	24	11,561,472	11,538,194
Exchange losses on cash	32(a)	(48,773)	(115,709)
Cash and cash equivalents at end of the year	24	9,576,878	11,561,472

The notes on pages 64 to 158 are an integral part of these consolidated financial statements.

1. General information of the Group

Sinotruk (Hong Kong) Limited (the "Company") was incorporated in Hong Kong on 31 January 2007 as a limited liability company as a result of a group reorganisation (the "Reorganisation") of China National Heavy Duty Truck Group Company Limited ("CNHTC"). The 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 manufacturing and sales of commercial trucks including heavy duty trucks, medium heavy duty trucks, light trucks and buses, and also produces and sales key parts and components such as engines and axles, and the provision of finance services. The address of the Company's registered office is Units 2102-2103, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (the "HKFRS") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and with the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment property, and financial assets (including derivative instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

2. Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

Changes in accounting policy and disclosures

(1) New and amended standards adopted by the Group

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2011 that would be expected to have a material impact on the Group:

- HKAS 24 (Revised), "Related Party Disclosures", is effective for annual period beginning on or after January 2011. It introduces an exemption from all of the disclosure requirements of HKAS 24 for transactions among government related entities and the government. Those disclosures are replaced with a requirement to disclose:
  - The name of the government and the nature of their relationship;
  - The nature and amount of any individually significant transactions; and
  - The extent of any collectively-significant transactions qualitatively or quantitatively.

It also clarifies and simplifies the definition of a related party. See Note 36 for disclosures of transactions among government related entities.

(2) New and amended standards, and interpretations mandatory for the first time for the financial year beginning 1 January 2011 but have not material impact to the Group

- HKAS 32 (Amendment), 'Classification of rights issues'.
- HK(IFRIC) – Int 19, 'Extinguishing financial liabilities with equity instruments'.
- Amendment to HKFRS 1, 'Limited exemption from comparative HKFRS 7 disclosures for first-time adopters'.
- Amendment to HK(IFRIC) – Int 14, 'Prepayments of a minimum funding requirement'.
- Third annual improvements project (2010) published in May 2010 by the HKICPA.

2. Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

Changes in accounting policy and disclosures (Continued)

(3) New and amended standards have been issued but are not effective for the financial year beginning 1 January 2011 and have not been early adopted

- HKFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2015 but is available for early adoption.
- HKFRS 10, 'Consolidated financial statements', builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard is applicable for annual periods beginning on or after 1 January 2013.
- HKFRS 12, 'Disclosures of interests in other entities', includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The standard is applicable for annual periods beginning on or after 1 January 2013.
- HKFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard is applicable for annual periods beginning on or after 1 January 2013.

There are no other HKFRSs or HK(IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the Group.

2. Summary of significant accounting policies (Continued)

(b) Subsidiaries

(i) Consolidation

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise from circumstances such as enhanced minority rights or contractual terms between shareholders, etc.

Except for the business combination under common control, subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(a) Business combinations

In terms of business combination under common control, the consolidated financial statements incorporate the financial statements of the combining entities as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognised in consideration for goodwill or excess of acquirers' interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

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

2. Summary of significant accounting policies (Continued)

(b) Subsidiaries (Continued)

(i) Consolidation (Continued)

(a) Business combinations (Continued)

The Group applies the acquisition method to account for business combinations other than those under common control. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interests in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interests over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(ii) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2. Summary of significant accounting policies (Continued)

(b) Subsidiaries (Continued)

(iii) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit/(loss) of an associate' in the income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associates are recognised in the income statement.

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive committee of the Company ("Executive Committee") (Note 5) that makes strategic decisions.

2. Summary of significant accounting policies (Continued)

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "Functional Currency"). The consolidated financial statements are presented in Renminbi ("RMB"), which is the Company's Functional Currency and the Group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the Functional Currency using the exchange rates prevailing at the dates of the transactions or valuation where items are Re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or costs'. All other foreign exchange gains and losses are presented in the income statement within 'other gains/(losses) – net'.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

2. Summary of significant accounting policies (Continued)

(d) Foreign currency translation (Continued)

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a Functional Currency different from the presentation currency are translated into the presentation currency as follows:

(a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet; and

(b) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions).

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in equity.

(e) Land use rights

The upfront prepayments made for such right are treated as prepayment for operating lease and recorded as land use rights, which are expensed in the consolidated statement of comprehensive income on a straight-line basis over the period of the rights or when there is impairment, the impairment is recognised in the consolidated statement of comprehensive income.

2. Summary of significant accounting policies (Continued)

(f) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged in the consolidated statement of comprehensive income during the financial period in which they are incurred.

Depreciation of the following assets is calculated using the straight-line method to allocate their costs less accumulated impairment losses to their residual values over their estimated useful lives, as follows:

– Buildings	8-35 years
– Machinery	8-15 years
– Furniture, fittings and equipment	4-18 years
– Vehicles	8 years

Construction in progress represents buildings, plant and machinery under construction or pending installation and is stated at cost. Cost includes the costs of construction of buildings and costs of plant and machinery. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and ready for intended use. When the assets concerned are brought into use, the costs are transferred to relevant category within property, plant and equipment and depreciated in accordance with the policy as stated above.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with carrying amount, and are recognised within 'other gains/(losses) - net' in the consolidated statement of comprehensive income.

2. Summary of significant accounting policies (Continued)

(g) Investment property

Investment property, principally comprising leasehold land, residence and office buildings, is held for long-term rental yields or for capital appreciation or both, and is not occupied by the Group. Investment property is carried at fair value, representing open market value determined annually by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are reviewed annually by the external valuer, changes in fair values are recorded in the consolidated statement of comprehensive income as part of 'other gains/(losses)-net'.

Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

(h) Intangible assets

(i) Proprietary technology

Proprietary technology acquired from external parties is initially recorded at purchase cost and is amortised on a straight-line basis over its useful life of 7 to 8 years.

(ii) Computer software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 5 years.

(i) Impairment of investments in subsidiaries, associates and other non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment testing of the investments in subsidiaries or associates is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary or associate in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2. Summary of significant accounting policies (Continued)

(j) Financial assets

(i) Classification

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(1) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivative financial instruments are also categorised as financial assets held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(2) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date, which are classified as non-current assets.

(ii) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date - the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the consolidated statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the consolidated statement of comprehensive income within 'other gains/(losses) – net', in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the consolidated statement of comprehensive income as part of other income when the Group's right to receive payments is established.

2. Summary of significant accounting policies (Continued)

(j) Financial assets (Continued)

(iii) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(iv) Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated comprehensive income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of comprehensive income.

2. Summary of significant accounting policies (Continued)

(k) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

(l) Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

(m) Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks (including current deposits and time deposits with initial term over three months), other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. In the consolidated and entity balance sheet, bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(n) Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any Group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

2. Summary of significant accounting policies (Continued)

(o) Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(p) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred.

Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(q) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2. Summary of significant accounting policies (Continued)

(r) Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2. Summary of significant accounting policies (Continued)

(s) Employee benefits

(i) Pension obligations

For staff in Mainland China:

The Group has both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the Group pays contributions into a separate government fund. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan provided by the Group to certain qualified employees in Mainland China, which is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of services and compensation.

The liability recognised in the balance sheet in respect of defined benefit plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of Chinese government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10% of the value of plan assets or 10% of the present value of the defined benefit obligation are recognised in the consolidated statement of comprehensive income over the employees' expected average remaining working lives.

Past-service costs are recognised immediately in the consolidated statement of comprehensive income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

2. Summary of significant accounting policies (Continued)

(s) Employee benefits (Continued)

(i) Pension obligations (Continued)

For employees of the Group working in Mainland China, the Group operates defined contribution plans which are covered by various government-sponsored pension plans under which the employees are entitled to a monthly pension based on certain formulas. The relevant government agencies are responsible for the pension liability to these retired employees. The Group contributes on a monthly basis to these pension plans at rates ranging from 20% to 23%, dependent on the applicable local regulations, of the employees' basic salary. Under these plans, the Group has no obligation for post-retirement benefits beyond the contributions made. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

For employees in Hong Kong, the Group operates defined contribution mandatory provident fund retirement benefits schemes (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance. For those employees who are eligible to participate in the MPF Scheme, contributions are made based on a percentage of the employees' basic salaries and charged to the consolidated statement of comprehensive income as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

(ii) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal, or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

2. Summary of significant accounting policies (Continued)

(s) Employee benefits (Continued)

(iii) Other post-employment benefits

For employees who formally retired before 1 May 2002, the Group is committed to pay fixed benefit to these employees on a monthly basis. For employees who retired after 1 May 2002, the Group has no further payment obligations. The Group accounts for such post-employment benefit costs by using the accounting basis similar to a defined benefit plan as disclosed above.

The Group entities operating in Ji'nan City have provided medical benefits to their employees joining the entities before 1 March 2006. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using an accounting methodology similar to that for a defined benefit plan. Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions in excess of the greater of 10% of the value of plan assets or 10% of the present value of the defined benefit obligation, are recognised in the consolidated statement of comprehensive income over the expected average remaining working lives of the related employees. These obligations are valued annually by independent qualified actuaries.

On 1 March 2006, with the approval of governmental authorities, the Group entities operating in Ji'nan joined the social medical insurance plan. According to the relevant regulations, the defined contributions that should be borne by the Group entities are calculated based on 8% of the total salary of employees, subject to certain ceiling, and are paid to the Ji'nan labor and social welfare authorities. Under the social medical insurance plan, the Group has been relieved from obligation for post-employment healthcare benefits beyond the contributions made, except for the obligation in connection with the contributions to the social medical security plan for the employees of Sinotruk Ji'nan Truck Co., Ltd., whose employment is terminated before the normal retirement dates.

(iv) Housing funds

Full-time employees of the Group in Mainland China are entitled to participate in various government-supervised housing funds. The Group contributes on a monthly basis to these funds based on the rates ranging from 5% to 12% of the basic salaries of the employees. The Group's liability in respect of these funds is limited to the contributions payable in each period.

2. Summary of significant accounting policies (Continued)

(t) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

(u) Government assistance and grants

Government assistance is action by government designed to provide an economic benefit specific to the Group. The government assistance which cannot reasonably have a value placed upon them and transactions with government which cannot be distinguished from the normal trading transactions of the Group are not recognised.

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated statement of comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the consolidated statement of comprehensive income on a straight-line basis over the expected lives of the related assets.

(v) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sales of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

2. Summary of significant accounting policies (Continued)

(v) Revenue recognition (Continued)

(i) Sales of goods

Revenue from the sales of goods is recognised when a group entity has delivered products to the customer, the customer has accepted the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery normally does not occur until the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with sales contracts, or the Group has objective evidence that all criteria for acceptance have been satisfied.

(ii) Sales of services

Revenue from the sales of services is recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

(iii) Rental income

Rental income from investment property is recognised in the consolidated statement of comprehensive income on a straight-line basis over the term of the lease.

(iv) Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables is recognised using the original effective interest rate.

(v) Dividend income

Dividend income is recognised when the right to receive payment is established.

2. Summary of significant accounting policies (Continued)

(w) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

(i) As a lessee

Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

(ii) As a lessor

When assets are leased out under an operating lease, the asset is included in the balance sheet based on the nature of the asset.

Lease income is recognised over the term of the lease on a straight-line basis.

(x) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

(y) Research and development

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the following criteria are fulfilled:

(i) it is technically feasible to complete the intangible asset so that it will be available for use or sale;

(ii) management intends to complete the intangible asset and use or sell it;

(iii) there is an ability to use or sell the intangible asset;

(iv) it can be demonstrated how the intangible asset will generate probable future economic benefits;

(v) adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and

(vi) the expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life, not exceeding five years.

2. Summary of significant accounting policies (Continued)

(z) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(aa) Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of subsidiaries or associates to secure loans, overdrafts and other banking facilities.

Financial guarantees are initially recognised in the consolidated financial statements at fair value on the date the guarantee was given. Subsequent to initial recognition, the Group's liabilities under such guarantees are measured at the higher of the initial amount, less amortisation of fees recognised in accordance with HKAS 18, and the best estimate of the amount required to settle the guarantee. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by the judgement of management. The fee income earned is recognised on a straight-line basis over the life of the guarantee. Any increase in the liability relating to guarantees is reported in the consolidated statement of comprehensive income within other operating expenses.

Where guarantees in relation to loans or other payables of subsidiaries or associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment in the financial statements of the Company.

3. Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(i) Foreign exchange risk

The Group mainly operates in the PRC with most of the transactions denominated and settled in RMB. The major foreign exchange risk exposure arises from its exporting and importing activities as well as the financing activities in Hong Kong. Accordingly, the Group has certain derivative financial instruments, trade receivables, fixed deposit, restricted cash, cash and cash equivalents, borrowings and trade payables denominated in foreign currencies, mainly USD, EURO and HKD, which are exposed to foreign currency translation risk. Details of the Group's maximum exposures to the foreign exchange risks are disclosed in Note 21, 22, 23, 24, 26 and 28 respectively.

To manage the foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, entities in the Group use forward contracts to reduce the foreign exchange risk.

As at 31 December 2011, if RMB had strengthened/weakened by 5% against the USD with all other variables held constant, profit before income tax for the year would have been approximately RMB 36,012,000 (2010: RMB 2,624,000) lower/higher, mainly as a result of foreign exchange losses/gains on translation of USD-denominated trade and other receivables, cash and cash equivalents and trade payables.

As at 31 December 2011, if RMB had strengthened/weakened by 5% against the EURO with all other variables held constant, profit before income tax for the year would have been approximately RMB 9,761,000 (2010: RMB 64,202,000) lower/higher, mainly as a result of foreign exchange losses/gains on translation of EURO-denominated trade and other receivables, restricted cash, cash and cash equivalents and trade payables.

As at 31 December 2011, if RMB had strengthened/weakened by 5%, against the HKD respectively with all other variables held constant, profit before income tax for the year would have been approximately RMB 1,533,000 (2010: RMB 4,370,000) lower/higher, respectively, mainly as a result of foreign exchange losses/gains on translation of HKD-denominated trade and other receivables, cash and cash equivalents and trade payables.

3. Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(ii) Cash flow and fair value interest rate risk

The Group's operating income and operating cash flows are substantially independent of changes in market interest rates as the Group has no significant interest-bearing operating assets. The Group's exposure to changes in interest rates is mainly attributable to its bank deposits and borrowings. Certain borrowings bear floating rates and expose the Group to cash flow interest-rate risk. Bank deposits and borrowings issued at fixed rates expose the Group to fair value interest-rate risk. The maximum exposures to the interest rate risk have been disclosed in Note 23, 24 and 26.

The Group has not used any financial instruments to hedge its exposure to interest rate risks.

As at 31 December 2011, if the interest rates on bank borrowings had been 150 basis points higher/lower than the weighted average effective interest rate 5.07% (2010: 4.33%) per annum with all other variables held constant, profit before income tax for the year would have been RMB 87,077,000 (2010: RMB 72,281,000) lower/higher, mainly as a result of higher/lower interest expense on floating rate of bank borrowings.

(iii) Credit risk

The Group has no significant concentrations of credit risk. The carrying amounts of restricted cash (Note 23), cash and cash equivalents (Note 24), trade and other receivables (Note 21) and amounts due from related parties (Note 36(b)) represent the Group's maximum exposure to credit risk in relation to financial assets. The Group generally requires customers to pay a certain amount of deposits when orders are made and settle full purchase price to the Group before delivery. Majority of the sales transactions are settled by cash, cheque, bank draft or cashier order. The Group also accepts bank acceptance notes with maturity within 6 months. The granting or extension of any credit period must be approved by the general manager of the Group. There is no recent history of material default in relation to those customers. For bank and financial institutions, the Group has policies that deposits are normally put in reputable banks.

(All amounts in RMB thousands unless otherwise stated)

3. Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(iv) Liquidity risk

The liquidity risk of the Group is controlled by maintaining sufficient cash and cash equivalents, together with adequate banking facilities. The Group also manages liquidity through the issue of convertible note and bonds where appropriate.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Repayment period				
As at 31 December 2011	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 3 years**	**Between 3 and 4 years**	**Between 4 and 5 years**
Borrowings	13,498,810	1,200,000	800,000	—	106,800
Interests payments on borrowings (a)	626,699	70,856	6,815	2,403	612
Trade and other payables (b)	10,255,053	—	—	—	—
Amount due to related parties	631,041	83,346	82,366	80,029	—
	25,011,603	1,354,202	889,181	82,432	107,412

	Repayment period				
As at 31 December 2010	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years
Borrowings	11,520,934	2,686,240	—	—	—
Interests payments on borrowings (a)	355,733	93,158	—	—	—
Trade and other payables (b)	14,503,403	—	—	—	—
Amount due to related parties	308,714	100,154	94,426	93,316	92,219
	26,688,784	2,879,552	94,426	93,316	92,219

(All amounts in RMB thousands unless otherwise stated)

3. Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(iv) Liquidity risk (Continued)

(a) The interest on borrowings is calculated based on borrowings held as at 31 December 2011 and 2010 without taking into account of future issues. Floating-rate interest is estimated using current interest rate as at 31 December 2011 and 2010 respectively.

(b) Trade and other payables include trade and bills payables and other payables as stated in Note 28.

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the debt-to-equity ratio. This ratio is calculated as total borrowings divided by its equity. Total borrowings include current and non-current borrowings as shown in the consolidated balance sheet. The Group regards equity attributable to the Company's equity holders as its equity.

	As at 31 December 2011	As at 31 December 2010
Total borrowings	15,605,610	14,207,174
Equity attributable to equity holders of the Company	18,749,639	18,127,378
Debt-to-equity ratio	0.83	0.78

The increase in the debt-to-equity ratio is resulted from increase in borrowings due to the increase in operation scale of the Group.

(All amounts in RMB thousands unless otherwise stated)

3. Financial risk management (Continued)

3.3 Fair value estimation

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

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

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2011.

	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss	5,221	–	–	5,221
Total assets	5,221	–	–	5,221

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2010.

	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss	1,089	–	–	1,089
Total assets	1,089	–	–	1,089

(All amounts in RMB thousands unless otherwise stated)

3. Financial risk management (Continued)

3.4 Financial instruments by category

	As at 31 December 2011		
Assets	Loans and receivables	Assets at fair value through profit and loss	Total
Trade and other receivables excluding prepayments	14,229,925	—	14,229,925
Amounts due from related parties excluding prepayments	14,204	—	14,204
Financial assets at fair value through profit or loss	—	5,221	5,221
Restricted cash	1,754,753	—	1,754,753
Cash and cash equivalents	9,576,878	—	9,576,878
Total	25,575,760	5,221	25,580,981

	As at 31 December 2011
Liabilities	Other financial liabilities at amortised cost
Borrowings	15,605,610
Trade and other payables excluding non-financial liabilities	10,836,255
Amounts due to related parties excluding advances	865,075
Total	27,306,940

(All amounts in RMB thousands unless otherwise stated)

3. Financial risk management (Continued)

3.4 Financial instruments by category (Continued)

	As at 31 December 2010		
	Loans and receivables	Assets at fair value through profit and loss	Total
Assets			
Trade and other receivables excluding prepayments	12,303,147	—	12,303,147
Amounts due from related parties excluding prepayments	24,658	—	24,658
Financial assets at fair value through profit or loss	—	1,089	1,089
Restricted cash	2,245,064	—	2,245,064
Cash and cash equivalents	11,561,472	—	11,561,472
Total assets	26,134,341	1,089	26,135,430

	As at 31 December 2010
	Other financial liabilities at amortised cost
Liabilities	
Borrowings	14,207,174
Trade and other payables excluding non-financial liabilities	15,055,564
Amounts due to related parties excluding advances	675,916
Total liabilities	29,938,654

4. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Current tax and deferred tax

The Group is subject to income taxes in various jurisdictions and certain companies within the Group are subject to preferential tax rates (Note 11). Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the periods in which such determination are made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred tax assets and taxation in the periods in which such estimate is changed.

(b) Termination and other post-employment benefits obligation

The valuation of the present value of termination and other post-employment benefits obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Any changes in these assumptions will impact the carrying amount of pension obligations.

Key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in Note 29.

(c) Warranty claims provision

The Group generally offers warranties with period from 6 months to 18 months for its trucks and engines. Management estimates the related provision for future warranty claims based on historical warranty claim information, as well as recent trends that might suggest that past cost information may differ from future claims.

Factors that could impact the estimated claim information include the success of the Group's productivity and quality initiatives, as well as parts and labour costs.

4. Critical accounting estimates and judgements (Continued)

4.1 Critical accounting estimates and assumptions (Continued)

(d) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition as at the balance sheet date and the historical experience of manufacturing and selling products of similar nature.

(e) Impairment of receivables

A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The provisions for impaired receivables have been made based on management best estimates and judgements.

(f) Impairment and useful lives of property, plant and equipment

The Group follows the guidance of HKAS 36 to determine when property, plant and equipment is impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, internal and external source information, including but not limited to whether:

(i) during the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use;

(ii) significant changes with an adverse effect on the entity have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the entity operates or in the market to which an asset is dedicated;

(iii) evidence is available of obsolescence or physical damage of an asset; and

(iv) evidence is available from internal reporting which indicates that the economic performance of an asset is, or will be, worse than expected.

Management estimates useful lives of the property, plant and equipment by reference to the Group's assets management policy, the industry practice, and technical or commercial obsolescence arising from changes or improvements in the market. The depreciation expense will be significantly affected by the useful lives of the property, plant and equipment as estimated by management.

4. Critical accounting estimates and judgements (Continued)

4.1 Critical accounting estimates and assumptions (Continued)

(g) Impairment of the Group's assets

The Group follows the guidance of HKAS 36 to determine whether the Group's assets are impaired. As stated in HKAS 36, the net asset value of an entity that exceeds its market capitalisation is an impairment indicator which would require an estimate of the recoverable amount to be performed. As at 31 December 2011, the Group's market capitalisation amounted to RMB 9,714 million approximately, which is lower than the Group's net assets value which is RMB 20,569 million. Thus the Group needs to assess whether its assets are impaired. This assessment requires significant judgments and estimations. In making these judgments and estimations, the Group evaluates and considers both qualitative and quantitative factors that will affect the value-in-use of an asset or a cash-generating units ("CGU") such as the extent of difference between the net assets value and market capitalisation, composition of the Group's assets, results and timing of previous impairment tests.

The Group has performed the impairment test according to HKAS 36 and determines that no asset or CGU has impairment.

5. Segment information

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

The Executive Committee considers the business from both a geographic and business perspective. From a geographic perspective, the Executive Committee assesses the revenue from Mainland China and overseas. From a business perspective, the Executive Committee assesses the performance of trucks, engines and finance.

(i) Trucks – Manufacture and sale of trucks and related components;

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

(iii) Finance – Taking deposits from member companies, facilitating borrowings for member companies, discounting notes of member companies and providing entrusted loan and entrusted investment between member companies.

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 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 costs.

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 balance sheet. Segment assets consist primarily of land use rights, property, plant and equipment, intangible assets, inventories, receivables and operating cash. They exclude income tax assets.

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

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

Capital expenditure comprises mainly additions to land use rights (Note 16), property, plant and equipment (Note 17), and intangible assets (Note 19), including additions resulting from acquisitions through business combinations.

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

(All amounts in RMB thousands unless otherwise stated)

5. Segment information (Continued)

The segment results for the year ended 31 December 2011 are as follows:

	Trucks	Engines	Finance	Elimination	Total
External segment revenue	34,750,568	1,757,497	95,481	—	36,603,546
Inter-segment revenue	54,322	6,576,666	146,807	(6,777,795)	—
Segment revenue	34,804,890	8,334,163	242,288	(6,777,795)	36,603,546
Operating profit before unallocated income	1,253,860	683,717	201,085	(99,573)	2,039,089
Unallocated income					4,216
Operating profit					2,043,305
Finance costs – net					(577,338)
Profit before income tax					1,465,967
Income tax expense					(297,645)
Profit for the year					1,168,322

The segment results for the year ended 31 December 2010 are as follows:

	Trucks	Engines	Finance	Elimination	Total
External segment revenue	37,307,700	2,273,267	75,193	—	39,656,160
Inter-segment revenue	154,902	10,138,657	43,082	(10,336,641)	—
Segment revenue	37,462,602	12,411,924	118,275	(10,336,641)	39,656,160
Operating profit before unallocated expenses	2,033,092	1,076,736	98,129	(787,737)	2,420,220
Unallocated expenses					(126,732)
Operating profit					2,293,488
Finance costs – net					(239,240)
Profit before income tax					2,054,248
Income tax expense					(324,733)
Profit for the year					1,729,515

(All amounts in RMB thousands unless otherwise stated)

5. Segment information (Continued)

Other segment items included in the consolidated statement of comprehensive income for the year ended 31 December 2011 are as follows:

	Trucks	Engines	Finance	Unallocated	Total
Depreciation	385,403	399,581	861	47	785,892
Amortisation of intangible assets and land use rights	58,324	106,039	64	19	164,446

Other segment items included in the consolidated statement of comprehensive income for the year ended 31 December 2010 are as follows:

	Trucks	Engines	Finance	Unallocated	Total
Depreciation	407,324	315,460	776	48	723,608
Amortisation of intangible assets and land use rights	40,350	89,942	38	22	130,352

The segment assets and liabilities as at 31 December 2011 and capital expenditure for the year then ended are as follows:

	Trucks	Engines	Finance	Unallocated	Total
Segment assets	34,680,422	15,071,734	6,075,182	5,224,349	61,051,687
Elimination					(9,058,362)
Total assets					51,993,325
Segment liabilities	13,226,034	3,569,733	4,667,140	15,754,759	37,217,666
Elimination					(5,792,941)
Total liabilities					31,424,725
Segment capital expenditure	1,930,656	1,415,464	486	8	3,346,614

(All amounts in RMB thousands unless otherwise stated)

5. Segment information (Continued)

Segment assets and liabilities as at 31 December 2011 are reconciled to entity assets and liabilities as follows:

	Assets	Liabilities
Segment assets/liabilities after elimination	46,768,976	15,669,966
Unallocated:		
Deferred tax assets/liabilities	820,171	42,688
Current tax assets/liabilities	147,310	76,750
Current borrowings	—	13,498,810
Non-current borrowings	—	2,106,800
Assets/liabilities of the Company	4,256,868	29,711
Total	51,993,325	31,424,725

The segment assets and liabilities as at 31 December 2010 and capital expenditure for the year then ended are as follows:

	Trucks	Engines	Finance	Unallocated	Total
Segment assets	33,045,591	16,504,649	3,532,112	5,964,909	59,047,261
Elimination					(5,137,643)
Total assets					53,909,618
Segment liabilities	15,566,155	5,792,489	1,951,642	14,868,180	38,178,466
Elimination					(4,028,919)
Total liabilities					34,149,547
Segment capital expenditure	1,747,201	1,457,287	1,022	—	3,205,510

(All amounts in RMB thousands unless otherwise stated)

5. Segment information (Continued)

Segment assets and liabilities as at 31 December 2010 are reconciled to entity assets and liabilities as follows:

	Assets	Liabilities
Segment assets/liabilities after elimination	47,944,709	19,281,367
Unallocated:		
Deferred tax assets/liabilities	842,264	35,188
Current tax assets/liabilities	8,328	487,038
Current borrowings	—	11,520,934
Non-current borrowings	—	2,686,240
Assets/liabilities of the Company	5,114,317	138,780
Total	53,909,618	34,149,547

Turnover from external customers by geographical area is based on the geographical location of the customers.

Turnover is allocated based on the countries in which the customers are located.

	2011	2010
Turnover		
Mainland China	**32,167,042**	37,055,826
Overseas	**4,436,504**	2,600,334
	36,603,546	39,656,160

(All amounts in RMB thousands unless otherwise stated)

5. Segment information (Continued)

Total assets are allocated based on where the assets are located.

	2011	2010
Total assets		
Mainland China	44,598,583	48,169,960
Overseas	7,394,742	5,739,658
	51,993,325	53,909,618

Capital expenditure is allocated based on where the assets are located.

	2011	2010
Capital expenditure		
Mainland China	3,345,512	3,193,789
Overseas	1,102	11,721
	3,346,614	3,205,510

6. Business combinations

There is no business combination in this year. The information of business combinations occurred in the year ended 31 December 2010 was disclosed in note 6 of the Group's 2010 annual financial statements.

(All amounts in RMB thousands unless otherwise stated)

7. Expenses by nature

	2011	2010
Materials cost (Note 20)	27,423,047	30,107,853
Employee benefit expenses (Note 9)	1,982,805	1,727,836
Warranty expenses (Note 30)	862,085	1,122,707
Utilities	616,568	822,448
Amortisation of land use rights (Note 16)	31,622	22,274
Depreciation of property, plant and equipment (Note 17)	785,892	723,608
Amortisation of intangible assets (Note 19)	132,824	108,078
Transportation expenses	1,049,615	776,956
Advertising costs	113,226	84,240
Travel and office expenses	247,659	231,989
Transaction taxes	99,051	78,720
Write-down of inventories to net realisable value (Note 20)	207,837	93,279
Auditors' remuneration	13,516	14,937
(Reversal of)/provision for impairment of trade and other receivables (Note 21(b))	(88,951)	119,294
Other charges	1,449,347	1,304,326
Total	34,926,143	37,338,545
Representing:		
Cost of sales	30,897,814	33,311,730
Distribution costs	2,209,616	2,366,026
Administrative expenses	1,818,713	1,660,789
Total	34,926,143	37,338,545

(All amounts in RMB thousands unless otherwise stated)

8. Other gains/(losses) – net

	2011	2010
(Losses)/gains of financial assets at fair value through profit or loss	(188)	195
Disposal of scraps	204,576	129,823
Government grants related to income	97,354	75,944
Fair value (losses)/gains on investment properties (Note 18)	(3,729)	883
Excess of share of acquired assets over the purchase consideration	—	3,743
Gains/(losses) on disposals of property, plant and equipment	2,617	(1,778)
Foreign exchange gains/(losses) - net	56,120	(262,403)
Others	9,152	29,466
Total	365,902	(24,127)

9. Employee benefit expenses

	2011	2010
Salaries, wages and bonuses	1,507,234	1,417,943
Contributions to pension plans	204,049	128,705
Termination benefits (Note 29(a))	960	920
Post-employment benefits (Note 29(b))	270	270
Medical insurance plan (Note 29(c))	100	80
Housing benefits	94,850	55,427
Other welfare expenses	175,342	124,491
Total (Note 7)	1,982,805	1,727,836

(All amounts in RMB thousands unless otherwise stated)

10. Finance costs – net

	2011	2010
Interest expense:		
– Bank borrowings	747,344	444,820
– Discount of notes receivable	33,793	11,050
	781,137	455,870
Net foreign exchange gains on financing activities	(1,122)	(4,653)
Finance costs	780,015	451,217
Finance income:		
– Interest income from bank deposits	(202,677)	(211,977)
Finance costs - net	577,338	239,240

11. Taxation

(a) Income tax expense

The Company and Sinotruk (Hong Kong) International Investment Limited are subject to Hong Kong profits tax at the rate of 16.5% (2010: 16.5%) on their estimated assessable profit for the year. In addition, the Company is determined as a Chinese-resident enterprise and, accordingly, is subject to corporate income tax of People's Republic of China ("PRC"), which has been calculated based on the corporate income taxrate of 25% (2010: 25%).

Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

Sinotruk Ji'nan Power Co., Ltd. and Sinotruk Hangzhou Engine Co., Ltd. have been recognised as the High New Tech Enterprises in 2011. According to the tax incentives of the Corporate Income Tax Law of the People's Republic of China (the "CIT Law") for High New Tech Enterprises, these companies are subject to a reduced corporate income tax rate of 15% for three years.

Sinotruk Chongqing Fuel System Co., Ltd., Sinotruk Liuzhou Yunli Special Vehicles Co., Ltd., Sinotruk Chengdu Wangpai Commercial Vehicles Co., Ltd., Nanchong Sinotruk Wangpai Shuncheng Mechanics Co., Ltd. and Sichuan Sinotruk Wangpai Xincheng Hydraulic Parts Co., Ltd. are subject to a corporate income tax rate of 15% according to the Western Development tax incentives of the CIT Law.

The remaining subsidiaries are subject to the PRC corporate income tax, which has been calculated based on the corporate income tax rate of 25% (2010: 25%).

(All amounts in RMB thousands unless otherwise stated)

11. Taxation (Continued)

(a) Income tax expense (Continued)

The amount of income tax expense charged to the consolidated statement of comprehensive income represents:

	2011	2010
Current tax:		
– Hong Kong profits tax	1,473	–
– PRC corporate income tax	278,869	808,503
Total current tax	280,342	808,503
Deferred tax (Note 27(b))	17,303	(483,770)
Income tax expense	297,645	324,733

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	2011	2010
Profit before tax	1,465,967	2,054,248
Tax calculated at tax rates applicable to profits of the respective entities	364,992	477,290
Tax effects of :		
Preferential tax of certain subsidiaries	(28,021)	(144,545)
Income not subject to tax	(1,394)	(232)
Expenses not deductible for tax purposes	39,221	72,231
Tax losses for which no deferred tax assets were recognised	5,481	3,727
Additional allowance for research and development expenditures	(44,960)	(32,780)
Re-measurement of deferred tax resulted from changes in tax rates of certain subsidiaries	(37,674)	(50,958)
Income tax expense	297,645	324,733

The Group has unrecognised tax losses of approximately RMB 15,847,000 (2010: RMB 19,782,000), which can be carried forward against future taxable income and will expire within 5 years.

(All amounts in RMB thousands unless otherwise stated)

11. Taxation (Continued)

(b) Business tax ("BT") and related taxes

Certain of the companies now comprising the Group are subject to BT at rates ranging from 3% and 5% of the service fee income received and receivable. In addition, the Group is subject to city construction tax ("CCT") and educational surcharge ("ES") based on 7% and 4% of BT payable, respectively.

(c) Value-added tax ("VAT") and related taxes

Certain of the companies now comprising the Group are subject to output VAT generally calculated at 17% of the product selling prices. An input credit is available whereby input VAT previously paid on purchases of raw materials or semi-finished products can be used to offset the output VAT to determine the net VAT payable. The subsidiaries are also subject to CCT and ES based on 7% and 4% of net VAT payable, respectively.

12. Directors' and senior management's emoluments

(a) Remuneration of directors

(i) The remuneration of each director of the Company (the "Director") for the year ended 31 December 2011 is set out below:

Name of Director	Fee, salary and bonuses	Other benefits	Employer's contribution to pension scheme	Total
Mr. Ma Chunji	717	20	15	752
Mr. Cai Dong	688	29	19	736
Mr. Wang Haotao	595	29	19	643
Mr. Wei Zhihai	595	20	12	627
Mr. Tong Jingen	582	29	19	630
Mr. Wang Shanpo	582	29	19	630
Mr. Pan Qing	551	29	19	599
Dr. Georg Pachta-Reyhofen	120	–	–	120
Mr. Jörg Schwitalla	120	–	–	120
Mr. Lars Wrebo	120	–	–	120
Dr. Shao Qihui	120	–	–	120
Dr. Lin Zhijun	120	–	–	120
Dr. Ouyang Minggao	120	–	–	120
Dr. Hu Zhenghuan	120	–	–	120
Mr. Chen Zheng	120	–	–	120
Mr. Li Xianyun	120	–	–	120

(All amounts in RMB thousands unless otherwise stated)

12. Directors' and senior management's emoluments (Continued)

(a) Remuneration of directors (Continued)

(ii) The remuneration of each Director for the year ended 31 December 2010 is set out below:

Name of Director	Fee, salary and bonuses	Other benefits	Employer's contribution to pension scheme	Total
Mr. Ma Chunji	702	15	15	732
Mr. Cai Dong	674	26	19	719
Mr. Wang Haotao	569	26	19	614
Mr. Wei Zhihai	569	13	12	594
Mr. Tong Jingen	564	26	19	609
Mr. Wang Shanpo	564	26	19	609
Mr. Pan Qing	551	26	19	596
Dr. Georg Pachta-Reyhofen	94	—	—	94
Mr. Jörg Schwitalla	94	—	—	94
Mr. Lars Wrebo	94	—	—	94
Dr. Shao Qihui	120	—	—	120
Dr. Lin Zhijun	120	—	—	120
Dr. Ouyang Minggao	120	—	—	120
Dr. Hu Zhenghuan	120	—	—	120
Mr. Chen Zheng	120	—	—	120
Mr. Li Xianyun	120	—	—	120
Mr. Wang Guangxi (aa)	564	26	19	609

(aa) Resigned on 26 December 2010.

During the year 2011 and 2010, no Directors or senior management of the Company waived any emoluments and no emoluments were paid by the Group to any of the Directors or senior management as an inducement to join or upon joining the Group or as compensation for loss of office.

(All amounts in RMB thousands unless otherwise stated)

12. Directors' and senior management's emoluments (Continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group during the year 2011 include four (2010: four) Directors whose emoluments have been included in Note (a) above. The emoluments payable to the remaining individual during the year are as follows:

	2011	2010
Basic salaries, housing allowances and other allowances	1,058	1,104

The emoluments fell within the following bands:

	2011	2010
Emolument bands (in HK dollars)		
HKD 1,000,000 – HKD 2,000,000	1	1

13. Profit attributable to equity holders of the Company

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of RMB 161,497,000 (2010: RMB 373,478,000).

This is reconciled to the profit for the year of the Company as follows:

	2011	2010
Amount of consolidated profit attributable to equity holders dealt with in the Company's financial statements	161,497	373,478
Final dividends from subsidiaries attributable to the profits of the previous financial years, approved during the year	125,708	89,635
Company's profit and comprehensive income for the year (Note 25(b))	287,205	463,113

14. Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the Company and held as treasury shares.

	2011	2010
Profit attributable to equity holders of the Company	**1,002,177**	1,480,745
Weighted average number of ordinary shares in issue (thousands)	**2,760,993**	2,760,993
Basic earnings per share (RMB per share)	**0.36**	0.54

Diluted earnings per share equals to basic earnings per share for the years ended 31 December 2011 and 2010 as the Company has no dilutive potential shares existed during the years.

15. Dividends

(a) At a meeting held on 27 March 2012, the board of directors ("Board") proposed a final dividend in respect of the year ended 31 December 2011 of approximately HKD 276,099,000, (2010: HKD 496,979,000) (approximately RMB 223,345,000, 2010: RMB 415,981,000), representing HKD 0.10 (2010: HKD 0.18) per ordinary share. Such dividend is to be approved by the shareholders at the upcoming annual general meeting of the Company. These consolidated financial statements do not reflect this dividend payable.

(b) Pursuant to the CIT Law, the Company is determined as a Chinese-resident enterprise and required to withhold and pay corporate income tax at the specific tax rates according to the CIT Law for its non-PRC resident enterprise shareholders to whom the Company pays dividend. Accordingly, the Company had withheld corporate income tax amounting to RMB 14,101,000 in respect of the final dividend for the year 2010 (withholding corporate income tax for the final dividend for the year 2009: RMB 14,049,000) for its non-PRC resident enterprise shareholders and paid all withholding corporate income tax in June 2011.

(All amounts in RMB thousands unless otherwise stated)

16. Land use rights - Group and Company

Land in Mainland China is state-owned or collectively-owned and no individual land ownership right exists. Land use rights in Mainland China represent the Group's interests in land which are held on leases between 35 to 50 years.

Land use rights in Hong Kong represent the Group's interests in three parcels of land which are held on leases of 38 to 873 years.

The locations are as follows:

	Group		Company	
	2011	2010	**2011**	2010
In Hong Kong				
– Leases over 50 years	**16,384**	16,403	**16,384**	16,403
– Leases between 10 to 50 years	**18,311**	198,679	**—**	—
Outside Hong Kong				
– Leases between 10 to 50 years	**1,360,079**	1,183,354	**—**	—
	1,394,774	1,398,436	**16,384**	16,403

The movements in prepayments for land use rights are as follows:

	Group		Company	
	2011	2010	**2011**	2010
Opening net book amount	**1,398,436**	889,972	**16,403**	16,422
Acquisition of a subsidiary	**—**	141,025	**—**	—
Transfer from property, plant and equipment (Note 17)	**131,043**	113,244	**—**	—
Fair value gains upon transfer to investment properties	**70,710**	—	**—**	—
Transfer to investment properties (Notes 18)	**(239,280)**	—	**—**	—
Other additions	**65,487**	276,469	**—**	—
Amortisation charge (Note 7)	**(31,622)**	(22,274)	**(19)**	(19)
Closing net book amount	**1,394,774**	1,398,436	**16,384**	16,403
Cost	**1,501,381**	1,471,365	**16,467**	16,467
Accumulated amortisation	**(106,607)**	(72,929)	**(83)**	(64)
Net book amount	**1,394,774**	1,398,436	**16,384**	16,403

(All amounts in RMB thousands unless otherwise stated)

17. Property, plant and equipment - Group and Company

	Buildings	Machinery	Furniture, fittings and equipment	Vehicles	Construction in progress	Total
The Group						
At 1 January 2010						
Cost	2,996,791	5,218,738	206,299	186,010	1,511,483	10,119,321
Accumulated depreciation	(311,086)	(1,666,935)	(82,132)	(60,039)	–	(2,120,192)
Net book amount	2,685,705	3,551,803	124,167	125,971	1,511,483	7,999,129
Year ended 31 December 2010						
Opening net book amount	2,685,705	3,551,803	124,167	125,971	1,511,483	7,999,129
Acquisition of a subsidiary	161,850	178,851	842	3,537	86,823	431,903
Other additions	9,612	228,395	22,922	18,574	1,568,712	1,848,215
Transfers	653,632	528,183	33,759	3,952	(1,219,526)	–
Transfer to land use rights (Note 16)	–	–	–	–	(113,244)	(113,244)
Disposals	(7,831)	(72,248)	(1,231)	(1,142)	–	(82,452)
Depreciation charge (Note 7)	(117,587)	(563,147)	(26,534)	(16,340)	–	(723,608)
Closing net book amount	3,385,381	3,851,837	153,925	134,552	1,834,248	9,359,943
At 31 December 2010						
Cost	3,840,520	6,103,043	262,671	209,446	1,834,248	12,249,928
Accumulated depreciation	(455,139)	(2,251,206)	(108,746)	(74,894)	–	(2,889,985)
Net book amount	3,385,381	3,851,837	153,925	134,552	1,834,248	9,359,943

(All amounts in RMB thousands unless otherwise stated)

17. Property, plant and equipment - Group and Company (Continued)

	Buildings	Machinery	Furniture, fittings and equipment	Vehicles	Construction in progress	Total
The Group						
Year ended 31 December 2011						
Opening net book amount	3,385,381	3,851,837	153,925	134,552	1,834,248	9,359,943
Other additions	3,061	152,449	16,149	14,877	3,042,504	3,229,040
Transfers	584,994	386,270	18,032	7,707	(997,003)	–
Transfer to land use rights (Note 16)	–	–	–	–	(131,043)	(131,043)
Fair value gains upon transfer to investment properties	3,771	–	–	–	–	3,771
Transfer to investment properties (Note 18)	(24,458)	–	–	–	–	(24,458)
Disposals	(41,823)	(3,714)	(1,671)	(766)	–	(47,974)
Depreciation charge (Note 7)	(132,794)	(603,878)	(29,470)	(19,750)	–	(785,892)
Closing net book amount	3,778,132	3,782,964	156,965	136,620	3,748,706	11,603,387
At 31 December 2011						
Cost	4,357,478	6,624,981	291,821	227,294	3,748,706	15,250,280
Accumulated depreciation	(579,346)	(2,842,017)	(134,856)	(90,674)	–	(3,646,893)
Net book amount	3,778,132	3,782,964	156,965	136,620	3,748,706	11,603,387

(All amounts in RMB thousands unless otherwise stated)

17. Property, plant and equipment - Group and Company (Continued)

	Buildings	Furniture, fittings and equipment	Total
The Company			
At 1 January 2010			
Cost	813	31	844
Accumulated depreciation	(98)	(16)	(114)
Net book amount	715	15	730
Year ended 31 December 2010			
Opening net book amount	715	15	730
Depreciation charge	(41)	(7)	(48)
Closing net book amount	674	8	682
At 31 December 2010			
Cost	813	31	844
Accumulated depreciation	(139)	(23)	(162)
Net book amount	674	8	682
Year ended 31 December 2011			
Opening net book amount	674	8	682
Additions	—	8	8
Depreciation charge	(17)	(30)	(47)
Closing net book amount	657	(14)	643
At 31 December 2011			
Cost	813	39	852
Accumulated depreciation	(156)	(53)	(209)
Net book amount	657	(14)	643

(All amounts in RMB thousands unless otherwise stated)

17. Property, plant and equipment - Group and Company (Continued)

(a) Depreciation of property, plant and equipment has been charged to the consolidated statement of comprehensive income as follows:

	Group		Company	
	2011	2010	**2011**	2010
Cost of sales	**594,978**	642,676	**–**	–
Distribution costs	**999**	1,777	**–**	–
Administrative expenses	**189,915**	79,155	**47**	48
	785,892	723,608	**47**	48

(b) The borrowing costs capitalised into the costs of property, plant and equipment are as follows:

	Group		Company	
	2011	2010	**2011**	2010
Borrowing costs capitalised	**57,455**	35,236	**–**	–
Average capitalisation rate	**5.70%**	4.28%	**–**	–

(c) As at 31 December 2011, the Group was in the process of applying the certificates of ownership for the buildings, with net book amount of approximately RMB 69,712,000 (2010: RMB 67,385,000). As at the date of these consolidated financial statements were approved, the process is still undergoing. The Directors are of the opinion that the process will be completed before 31 December 2012.

(All amounts in RMB thousands unless otherwise stated)

18. Investment properties - Group

	2011	2010
At 1 January	6,492	5,609
Transfer from property, plant and equipment (Note 17)	24,458	—
Transfer from land use right (Note 16)	239,280	—
Fair value (losses)/gains (Note 8)	(3,729)	883
At 31 December	266,501	6,492

The investment properties are located in Hong Kong and held on leases between 10 to 50 years and revalued as at 31 December 2011 on an open market value. The valuations were carried by an independent professional surveyor, Marsh (Hong Kong) Limited.

The following amounts have been recognised in the consolidated statement of comprehensive income:

	2011	2010
Rental income	1,233	197

The future aggregate minimum rentals receivables under non-cancellable operating leases are as follows:

	2011	2010
Within 1 year	3,196	170

(All amounts in RMB thousands unless otherwise stated)

19. Intangible assets - Group

Intangible assets mainly represent the costs of acquiring proprietary technology and computer software. The movement is as follows:

	Proprietary technology	Computer software	Total
At 1 January 2010			
Cost	355,031	27,588	382,619
Accumulated amortisation	(15,451)	(5,895)	(21,346)
Net book amount	339,580	21,693	361,273
Year ended 31 December 2010			
Opening net book amount	339,580	21,693	361,273
Other additions	494,615	13,283	507,898
Amortisation charge (Note 7)	(106,348)	(1,730)	(108,078)
Closing net book amount	727,847	33,246	761,093
At 31 December 2010			
Cost	849,646	40,637	890,283
Accumulated amortisation	(121,799)	(7,391)	(129,190)
Net book amount	727,847	33,246	761,093
Year ended 31 December 2011			
Opening net book amount	**727,847**	**33,246**	**761,093**
Other additions	**39,582**	**12,505**	**52,087**
Disposals	**—**	**(4,389)**	**(4,389)**
Amortisation charge (Note 7)	**(127,952)**	**(4,872)**	**(132,824)**
Closing net book amount	**639,477**	**36,490**	**675,967**
At 31 December 2011			
Cost	**889,228**	**48,772**	**938,000**
Accumulated amortisation	**(249,751)**	**(12,282)**	**(262,033)**
Net book amount	**639,477**	**36,490**	**675,967**

(All amounts in RMB thousands unless otherwise stated)

19. Intangible assets - Group (Continued)

(a) Amortisation of the Group's intangible assets has been charged to the consolidated statement of comprehensive income as follows:

	2011	2010
Cost of sales	–	2,350
Administrative expenses	132,824	105,728
Total (Note 7)	132,824	108,078

(b) Research expenditures and development expenditures that do not meet criteria for capitalisation are recognised as an expense as incurred. The total amount of expenses charged into the consolidated statement of comprehensive income is approximately RMB 445,903,000 (2010: RMB 401,719,000). No research and development costs have been capitalised recorded as intangible assets during the year ended 31 December 2011 and 2010.

20. Inventories - Group

	2011	2010
Raw materials	2,074,055	2,231,603
Work in progress	693,201	792,972
Finished goods - parts and components	719,734	1,376,508
Finished goods - trucks	6,977,391	9,129,980
	10,464,381	13,531,063
Less: write-down of inventories to net realisable value	(271,645)	(149,228)
	10,192,736	13,381,835

(All amounts in RMB thousands unless otherwise stated)

20. Inventories - Group (Continued)

The costs of inventories that have been charged to the consolidated statement of comprehensive income are analysed as follows:

	2011	2010
Materials cost (Note 7)	27,423,047	30,107,853
Write-down of inventories to net realisable value (Note 7)	207,837	93,279
	27,630,884	30,201,132
Representing:		
Cost of sales	27,615,196	30,192,658
Administrative expenses	15,397	7,374
Distribution costs	291	1,100
	27,630,884	30,201,132

(All amounts in RMB thousands unless otherwise stated)

21. Trade receivables, other receivables and other current assets – Group and Company

	Group		Company	
	2011	2010	**2011**	2010
Non-Current				
Other receivables	**131,647**	–	**–**	–
Less: Provision for impairment of other receivables	**(1,316)**	–	**–**	–
Other receivables - net	**130,331**	–	**–**	–
Current				
Accounts receivable	**4,604,431**	2,995,686	**–**	–
Less: Provision for impairment of accounts receivable	**(120,614)**	(111,399)	**–**	–
Accounts receivable - net	**4,483,817**	2,884,287	**–**	–
Notes receivable	**8,573,653**	8,028,397	**–**	–
Trade receivables - net	**13,057,470**	10,912,684	**–**	–
Other receivables	**1,019,484**	1,477,895	**59**	56
Less: Provision for impairment of other receivables	**(11,900)**	(118,111)	**–**	–
Other receivables - net	**1,007,584**	1,359,784	**59**	56
Interest receivables	**34,540**	30,679	**452**	3,895
Trade and other receivables before prepaid items	**14,099,594**	12,303,147	**511**	3,951
Prepayments	**876,398**	1,300,203	**89,526**	155,677
Prepaid taxes other than income tax	**419,709**	699,351	**–**	–
Prepaid income taxes	**147,310**	8,328	**–**	–
Trade receivables, other receivables and other current assets - net	**15,543,011**	15,543,011	**90,037**	159,628

(a) As at 31 December 2011 and 2010, the carrying amounts of the Group's trade and other receivables before prepaid items approximated their fair values.

(All amounts in RMB thousands unless otherwise stated)

21. Trade receivables, other receivables and other current assets – Group and Company (Continued)

(b) The movements in the provision for impairment of trade and other receivables are as follows:

	Group	
	2011	2010
Opening amount	**229,510**	108,243
(Reversal of) /provision for impairment of receivables (Note 7)	**(88,951)**	119,294
Receivables written off during the year as uncollectible	**(6,729)**	(2,052)
Acquisition of a subsidiary	**—**	4,025
Closing amount	**133,830**	229,510

The Group's reversal of impairment of receivables of approximately RMB 88,951,000 (2010: provision for impairment of approximately RMB 119,294,000) is included in administrative expenses (Note 7) in the consolidated statement of comprehensive income.

(c) The ageing analysis of trade receivables – net at respective balance sheet dates are as follows:

	Group	
	2011	2010
Less than 3 months	**7,815,859**	8,829,047
3 months to 6 months	**4,709,078**	1,736,320
6 months to 12 months	**258,114**	131,597
1 year to 2 years	**228,532**	166,361
2 years to 3 years	**43,053**	49,359
Over 3 years	**2,834**	—
	13,057,470	10,912,684

The credit policy of the Group generally requires customers to pay a certain amount of deposits when orders are made and settle full purchase price prior to delivery either in cash or bank notes with a tenure of usually 3 to 6 months, which represents the credit terms granted to the customers who pay by bank notes. Credit terms in the range within 6 months are granted to those customers with good payment history.

As at 31 December 2011, accounts receivable of the Group of approximately RMB 798,765,000 (2010: RMB 565,818,000) were secured by certain letters of credit issued by overseas third parties. No provision is provided against these receivables as at 31 December 2011 and 31 December 2010.

(d) There is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers.

(All amounts in RMB thousands unless otherwise stated)

21. Trade receivables, other receivables and other current assets – Group and Company (Continued)

(e) The notes receivable are analysed as follows:

	Group	
	2011	2010
Bank acceptance notes issued by related parties	**8,480**	68,100
Bank acceptance notes issued by third parties	**8,543,772**	7,878,419
Commercial acceptance notes issued by related parties	**900**	2,600
Commercial acceptance notes issued by third parties	**20,501**	79,278
	8,573,653	8,028,397

Included in the notes receivable listed above, those issued by related parties are as follows:

	2011	2010
Bank acceptance notes		
CNHTC Datong Gear Co., Ltd.	**3,920**	3,000
CNHTC Qingdao Heavy Industry Co., Ltd.	**3,610**	—
CNHTC Taian Wuyue Special Truck Co., Ltd.	**550**	65,100
CNHTC Ji'nan Investment Co., Ltd.	**400**	—
	8,480	68,100
Commercial acceptance notes		
CNHTC Ji'nan Special Truck Co., Ltd.	**900**	—
CNHTC Taian Wuyue Special Truck Co., Ltd.	**—**	2,600
	900	2,600

Included in the notes receivable listed above, those endorsed are as follows:

	2011	2010
Commercial acceptance notes endorsed – issued by related parties	**900**	800

(All amounts in RMB thousands unless otherwise stated)

21. Trade receivables, other receivables and other current assets – Group and Company (Continued)

(f) The credit quality of the accounts receivable, notes receivable, other receivables and interest receivables is as follows:

(i) Accounts receivable, notes receivable, other receivables and interest receivables that were neither past due nor impaired

The credit quality of above-mentioned financial assets that are neither past due nor impaired can be assessed by types of the financial assets and by reference to historical information about counterparty default rates. The Group categorises its accounts receivable, notes receivable, other receivables and interest receivables into the following:

a) Group 1 – Bank acceptance notes for which the repayment are guaranteed by large state-owned bank and interest receivables;

b) Group 2 – Commercial acceptance notes for which the repayment are guaranteed by corresponding issuer; and

c) Group 3 – Accounts receivable and other receivables due from customers or other counter parties with no defaults in the past.

	2011	2010
Group 1	8,586,792	7,977,198
Group 2	21,401	81,878
Group 3	4,859,041	3,718,923
	13,467,234	11,777,999

(ii) As at 31 December 2011, no accounts receivable, notes receivable, other receivables and interest receivables were past due but not impaired (2010: Nil).

(iii) Impaired receivables

As at 31 December 2011, receivables that were impaired are analysed below:

	2011	2010
Accounts and other receivables	896,521	754,658
Less: Provision for impairment	(133,830)	(229,510)
	762,691	525,148

The impaired receivables mainly relate to individual customers which are with doubtful repayment ability. It was assessed that a portion of the receivables is expected to be recovered.

(All amounts in RMB thousands unless otherwise stated)

21. Trade receivables, other receivables and other current assets – Group and Company (Continued)

(g) The carrying amounts of the Group's trade and other receivables before prepaid items are denominated in the following currencies:

	2011	2010
RMB	13,129,926	12,142,531
USD	835,695	79,810
EURO	263,652	6,048
HKD	652	74,758
	14,229,925	12,303,147

(h) The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above.

(i) As at 31 December 2011, other receivables (including current and non-current portion) mainly represented loans to third parties of the finance segment of the Group which bear interest at mutually agreed rates. As at 31 December 2010, other receivables mainly represented loans to third parties of the finance segment of the Group which bear interest at mutually agreed rates and deposits in a bank which is involved in a financial note forgery case.

22. Financial assets at fair value through profit or loss – Group and Company

	Group		Company	
	2011	2010	2011	2010
Listed securities				
- equity securities	5,221	1,089	–	–

Changes in fair values of financial assets at fair value through profit or loss are recorded in 'other gains/(losses) – net' in the consolidated statement of comprehensive income.

The fair values of all equity securities are based on their current bid prices in an active market.

(All amounts in RMB thousands unless otherwise stated)

23. Restricted cash – Group and Company

	Group		Company	
	2011	2010	**2011**	2010
Restricted cash denominated in EURO	**62,648**	299,643	**62,648**	299,643
Restricted cash denominated in RMB	**1,692,105**	1,945,421	**6,194**	—
	1,754,753	2,245,064	**68,842**	299,643

The breakdown of restricted cash in nature as at 31 December 2011 and 31 December 2010 is as follows:

	Group		Company	
	2011	2010	**2011**	2010
Deposits for issuing bank acceptance notes	**731,170**	1,060,624	**—**	—
Deposits for issuing letters of credit	**286,791**	308,327	**68,842**	132,319
Security for bank borrowings	**20,504**	197,324	**—**	167,324
Security for confirming business	**2,492**	24,901	**—**	—
Mandatory reserve deposits (a)	**713,796**	250,130	**—**	—
Other restricted cash (b)	**—**	403,758	**—**	—
	1,754,753	2,245,064	**68,842**	299,643

(a) The Group is required to place mandatory deposits with the People's Bank of China ("PBOC") for taking deposits, facilitating borrowings, discounting notes and providing entrusted loan and entrusted investment. The deposits are calculated based on the amount of deposits placed with Sinotruk Finance Co., Ltd..

(b) As at 31 Decemebr 2010, other restricted cash mainly represented the cash deposit received for purchase of trucks from a person who is involved in the financial note forgery case. Restrictions of these cash have already been relieved during 2011.

(All amounts in RMB thousands unless otherwise stated)

24. Cash and cash equivalents – Group and Company

	Group		Company	
	2011	2010	2011	2010
Cash on hand	506	319	3	3
Time deposits with initial term over three months (a)	1,901,005	5,050,664	—	430,260
Current bank deposits (b)	7,675,367	6,510,489	117,825	142,591
Cash and cash equivalents	9,576,878	11,561,472	117,828	572,854
Denominated in:				
– RMB	9,395,786	10,404,738	116,013	133,578
– USD	129,302	52,955	21	23
– HKD	30,859	66,372	224	419
– GBP	10,770	2,375	—	—
– EURO	10,146	1,032,847	1,568	438,832
– others	15	2,185	2	2
	9,576,878	11,561,472	117,828	572,854

(a) The weighted average effective interest rate on time deposits, with maturities over 3 months, was 3.20% per annum (2010: 2.19%). As these time deposits can be drawn on demand and available within short time frame without penalty, the Directors are of the view that such time deposits are qualified as demand deposit and classified as cash and cash equivalents.

(b) The weighted average effective interest rate on current bank deposits, with maturities ranging from one to three months, was 1.17% per annum (2010: 0.92%).

Most of the Group's cash and cash equivalents denominated in RMB are deposited with banks in Mainland China. The conversion of these RMB denominated balances into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

(All amounts in RMB thousands unless otherwise stated)

24. Cash and cash equivalents – Group and Company (Continued)

(c) Credit quality of cash at bank

The Group categorises its cash at bank into the following:

i) Group 1 – Major international banks; and

ii) Group 2 – Large China reputable banks.

The management considered the credit risks in respect of cash and bank deposit with financial institution are relatively minimum as each counter party either bears a high credit rating or is large state-owned or listed PRC bank with good reputation.

	Group		Company	
	2011	2010	**2011**	2010
Group 1	**137,649**	91,896	**–**	–
Group 2	**9,438,723**	11,469,257	**117,825**	572,851
	9,576,372	11,561,153	**117,825**	572,851

25. Equity

(a) Share capital

Authorised and issued share capital

The total authorised number of ordinary shares is 100,000 million shares with par value of HKD 0.10 per share.

Ordinary share, issued and fully paid

	2011		2010	
	Numbers of share	**Amount**	Numbers of share	Amount
At 1 January and at 31 December	**2,760,993,339**	**261,489**	2,760,993,339	261,489

(All amounts in RMB thousands unless otherwise stated)

25. Equity (Continued)

(b) The Company's equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company	Share capital	Share premium	Capital redemption reserve	Retained earnings	Total
At 1 January 2010	261,489	16,444,600	10,935	313,955	17,030,979
Total comprehensive income for the year (Note 13)	—	—	—	463,113	463,113
Dividends relating to year 2009	—	—	—	(145,623)	(145,623)
At 31 December 2010	261,489	16,444,600	10,935	631,445	17,348,469
At 1 January 2011	**261,489**	**16,444,600**	**10,935**	**631,445**	**17,348,469**
Total comprehensive income for the year (Note 13)	**—**	**—**	**—**	**287,205**	**287,205**
Dividends relating to year 2010	**—**	**—**	**—**	**(415,981)**	**(415,981)**
At 31 December 2011	**261,489**	**16,444,600**	**10,935**	**502,669**	**17,219,693**

25. Equity (Continued)

(c) Reserves of the Group

(i) The Group's other capital reserve is the reserve arising from asset donations and transactions with CNHTC as a result of the Reorganisation.

(ii) The Group's statutory reserve is the aggregate of statutory reserve of all PRC subsidiaries. In accordance with PRC regulations and the Articles of the Association of the subsidiaries registered in PRC ("PRC subsidiaries"), before distributing the profit of each year, the PRC subsidiaries are required to set aside 10% of their statutory net profit for the year after offsetting any prior year's losses as determined under the PRC accounting regulations to the statutory reserve. When the balance of such reserve reached 50% of the share capital, any further appropriation is optional. The statutory reserve can be utilised to offset prior year's losses or to issue bonus shares. However, such statutory reserve must be maintained at a minimum of 25% of the entity's share capital after such issuance.

(iii) The merger reserve of the Group represents the difference between the nominal value of the shares or the capital of the subsidiaries that had been acquired and the nominal value of the Company's shares issued in exchange therefore pursuant to the Reorganisation or cash consideration paid for acquisition of subsidiary subsequent to the Reorganisation.

(All amounts in RMB thousands unless otherwise stated)

26. Borrowings – Group and Company

	Group		Company	
	2011	2010	2011	2010
Non-current				
Long-term bank borrowings				
- unsecured	2,106,800	–	–	–
- RMB bond, unsecured (c)	–	2,686,240	–	2,686,240
	2,106,800	2,686,240	–	2,686,240
Current				
Long-term bank borrowings, current portion				
- unsecured	26,700	1,946,850	–	–
- RMB bond, unsecured (c)	2,693,586	–	2,693,586	–
	2,720,286	1,946,850	2,693,586	–
Short-term bank borrowings				
- guaranteed (a)	–	40,000	–	–
- secured (b)	20,000	140,403	–	140,403
- unsecured	10,758,524	9,393,681	–	–
	10,778,524	9,574,084	–	140,403
	13,498,810	11,520,934	2,693,586	140,403
Total borrowings	15,605,610	14,207,174	2,693,586	2,826,643

(a) As at 31 December 2010, bank borrowing of RMB 40,000,000 was guaranteed by a non-controlling shareholder of a subsidiary. The borrowing had been fully paid during the year 2011.

(b) As at 31 December 2011, bank borrowings of approximately RMB 20,000,000 (2010: RMB 140,403,450) were secured by certain bank deposits (Note 23).

(c) On 29 October 2010, the Company issued RMB 2,700,000,000 bonds, due in October 2012. The bonds are unsecured and carried an interest rate of 3.71% per annum, with the interest being payable semi-annually.

(All amounts in RMB thousands unless otherwise stated)

26. Borrowings – Group and Company (Continued)

(d) The Group's and the Company's borrowings were repayable as follows:

	Group		Company	
	2011	2010	**2011**	2010
Within 1 year	**13,498,810**	11,520,934	**2,693,586**	140,403
Between 1 and 2 years	**1,200,000**	2,686,240	**—**	2,686,240
Between 2 and 5 years	**906,800**	—	**—**	—
	15,605,610	14,207,174	**2,693,586**	2,826,643

(e) The carrying amounts of the Group's and the Company's borrowings are denominated in the following currencies:

	Group		Company	
	2011	2010	**2011**	2010
RMB	**15,605,610**	14,066,771	**2,693,586**	2,686,240
HKD	**—**	140,403	**—**	140,403
	15,605,610	14,207,174	**2,693,586**	2,826,643

(f) The weighted average effective interest rates at the respective balance sheet dates were set out as follows:

	Group		Company	
	2011	2010	**2011**	2010
RMB	**5.07%**	4.33%	**3.71%**	3.71%
HKD	**—**	1.44%	**—**	1.44%

Interest rates of the bank borrowings denominated in RMB are reset periodically according to the primary rate announced by PBOC.

(All amounts in RMB thousands unless otherwise stated)

26. Borrowings – Group and Company (Continued)

(g) The exposure of the Group's and the Company's borrowings to interest-rate changes and contractual repricing dates are as follows:

	Group		Company	
	2011	2010	**2011**	2010
Within 6 months	**5,745,224**	8,734,084	**–**	140,403
Between 6 and 12 months	**5,060,000**	2,786,850	**–**	–
Between 1 and 5 years	**2,106,800**	–	**–**	–
	12,912,024	11,520,934	**–**	140,403

(h) The carrying amounts of current borrowings approximate their fair values. The carrying amounts and fair value of non-current borrowings are set out as follows:

	2011	2010
Carrying amount	**2,106,800**	2,686,240
Fair value	**2,059,911**	2,686,240

The fair values of non-current borrowings are estimated based on discounted cash flow approach using the prevailing market rates of interest available to the Group for financial instruments with substantially the same terms and characteristics at the respective balance sheet dates.

(i) The Group has the following undrawn borrowing facilities:

	2011	2010
Floating rate – expiring within one year	**3,249,301**	2,566,106

(All amounts in RMB thousands unless otherwise stated)

27. Deferred income tax – Group

(a) The amounts are as follows:

	2011	2010
Deferred tax assets:		
- Deferred tax asset to be recovered after more than 12 months	389,597	243,906
- Deferred tax asset to be recovered within 12 months	430,574	598,358
	820,171	842,264
Deferred tax liabilities:		
- Deferred tax liabilities to be recovered after more than 12 months	(28,023)	–
- Deferred tax liabilities to be recovered within 12 months	(14,665)	(35,188)
	(42,688)	(35,188)
Deferred tax assets - net	777,483	807,076

(b) The gross movements on the deferred income tax account are as follows:

	2011	2010
At 1 January	807,076	343,418
(Charged)/credit to consolidated statement of comprehensive income (Note 11(a))	(17,303)	483,770
Directly charged to equity	(12,290)	–
Acquisition of a subsidiary	–	(20,112)
At 31 December	777,483	807,076

(All amounts in RMB thousands unless otherwise stated)

27. Deferred income tax – Group (Continued)

(c) The movements in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

Deferred tax assets	Impair -ment of assets	Pensions and other post-retirement benefits	Unrealised profit	Accrued expenses and provisions	Tax revalua -tion	Deferred income	Tax Losses	Others	Total
As at 1 January 2010	52,229	7,868	90,878	73,608	110,495	10,273	5,524	3,423	354,298
Credit to consolidated statement of comprehensive income	26,101	1,182	193,941	138,781	8,274	95,784	9,692	9,894	483,649
Acquisition of a subsidiary	–	–	901	3,946	–	–	–	(530)	4,317
As at 31 December 2010	78,330	9,050	285,720	216,335	118,769	106,057	15,216	12,787	842,264
Credit /(charge) to consolidated statement of comprehensive income	19,355	(2,310)	(88,901)	(1,249)	(5,874)	(4,003)	62,290	(1,401)	(22,093)
As at 31 December 2011	97,685	6,740	196,819	215,086	112,895	102,054	77,506	11,386	820,171

Deferred tax liabilities	Accelerated tax depreciation	Fair value gains	Tax revaluation	Total
As at 1 January 2010	(255)	(10,625)	–	(10,880)
(Charge)/credit to consolidated statement of comprehensive income	(1,379)	3,069	(1,569)	121
Acquisition of a subsidiary	–	(24,429)	–	(24,429)
As at 31 December 2010	(1,634)	(31,985)	(1,569)	(35,188)
(Charge)/credit to consolidated statement of comprehensive income	(34)	3,255	1,569	4,790
Directly charged to equity	–	(12,290)	–	(12,290)
As at 31 December 2011	(1,668)	(41,020)	–	(42,688)

(All amounts in RMB thousands unless otherwise stated)

28. Trade payables, other payables and other current liabilities - Group

	2011	2010
Trade and bills payables	9,180,233	12,681,568
Advances from customers	2,452,927	2,312,501
Accrued expenses	573,905	552,161
Staff welfare and salaries payable	215,214	196,043
Taxes liabilities other than income tax	204,363	80,918
Other payables	1,074,820	1,821,835
	13,701,462	17,645,026

As at 31 December 2011 and 2010, the ageing analysis of the trade and bills payables was as follows:

	2011	2010
Less than 3 months	4,830,401	9,675,756
3 months to 6 months	4,240,625	2,407,597
6 months to 12 months	92,723	524,312
1 year to 2 years	6,955	51,667
2 years to 3 years	1,618	17,767
Over 3 years	7,911	4,469
	9,180,233	12,681,568

The carrying amounts of the Group's trade and other payables are denominated in the following currencies:

	2011	2010
RMB	9,994,107	14,291,812
USD	241,512	92,854
EURO	18,576	32,402
HKD	858	86,335
	10,255,053	14,503,403

(All amounts in RMB thousands unless otherwise stated)

29. Termination and post-employment benefits - Group

	2011	2010
Termination benefits (a)	22,330	30,210
Post-employment benefits (b)	6,390	6,950
Post-employment medical insurance plan (c)	2,090	2,680
	30,810	39,840

(a) The termination benefits recognised in the consolidated statement of comprehensive income are as follows:

	2011	2010
Termination benefits, included in staff costs (Note 9)	960	920

(b) The amounts of post-employment benefits recognised in the consolidated balance sheet are determined as follows:

	2011	2010
Present value of benefit plans	8,070	8,200
Unrecognised actuarial losses	(1,680)	(1,250)
Liability in the consolidated balance sheet	6,390	6,950

The movement of post-employment benefits recognised in the consolidated balance sheet is as follows:

	2011	2010
Beginning of the year	6,950	7,680
Total expenses (interest cost) (Note 9)	270	270
Benefits paid	(830)	(1,000)
End of the year	6,390	6,950

(All amounts in RMB thousands unless otherwise stated)

29. Termination and post-employment benefits - Group (Continued)

(c) The amounts of medical insurance plan recognised in the consolidated balance sheet are determined as follows:

	2011	2010
Present value of benefit plan	2,490	3,240
Unrecognised actuarial losses	(400)	(560)
Liability in the consolidated balance sheet	2,090	2,680

The movement of medical insurance plan recognised in the consolidated balance sheet is as follows:

	2011	2010
Beginning of the year	2,680	3,400
Total expenses (interest expense) (Note 9)	100	80
Benefits paid	(690)	(800)
End of the year	2,090	2,680

(d) The above obligations were actuarially determined by an independent actuarial firm using the projected unit credit method.

The material actuarial assumptions used in valuing these obligations are as follows:

(i) Discount rates adopted and salary increase rate adopted:

	2011	2010
Post-employment benefits and medical insurance plan discount rate	3.50%	3.50%
Average salary increase rate	10% to 12%	10% to 12%

(ii) Mortality: Average life expectancy of residents in the PRC plus two years.

(All amounts in RMB thousands unless otherwise stated)

30. Provisions for other liabilities - Group

	Legal claims	Products warranties	Total
As at 1 January 2010	3,030	217,784	220,814
Additional provision (Note 7)	—	1,122,707	1,122,707
Untilised during the year	—	(801,366)	(801,366)
As at 31 December 2010	3,030	539,125	542,155
Additional provision (Note 7)	**—**	**862,085**	**862,085**
Untilised during the year	**(3,030)**	**(922,936)**	**(925,966)**
As at 31 December 2011	**—**	**478,274**	**478,274**

31. Deferred income - Group

	2011	2010
Deferred income	**605,052**	504,297

As at 31 December 2011 and 31 December 2010, deferred income represented assets-related government subsidies.

(All amounts in RMB thousands unless otherwise stated)

32. Notes to the consolidated statement of cash flows

(a) Cash generated from/(used in) operations

	2011	2010
Profit before income tax	1,465,967	2,054,248
Adjustments for:		
– (Reversal of)/provision for impairment of trade and other receivables (Note 7 and Note 21(b))	(88,951)	119,294
– Depreciation (Note 17)	785,892	723,608
– Amortisation (Note 16 and Note 19)	164,446	130,352
– Write-down of inventories to net realisable value (Note 7 and Note 20)	207,837	93,279
– (Gains)/losses on disposals of property, plant and equipment (Note 8 and Note (b))	(2,617)	1,778
– Fair value losses/(gains) on financial assets at fair value through profit or loss (Note 8)	188	(195)
– Fair value losses/(gains) on investment properties (Note 18)	3,729	(883)
– Interest income (Note 10)	(202,677)	(211,977)
– Interest expense (Note 10)	781,137	455,870
– Foreign exchange gains on financing activities (Note 10)	(1,122)	(4,653)
– Foreign exchange losses on cash	48,773	115,709
	3,162,602	3,476,430
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation):		
– Inventories	2,981,262	(7,435,865)
– Trade and other receivables and amounts due from related parties	(2,896,914)	(7,785,667)
– Restricted cash	313,491	649,846
– Financial assets at fair value through profit or loss	–	(13,642)
– Trade and other payables, amounts due to related parties and other liabilities	(3,270,279)	5,325,464
– Provisions for other liabilities and charges	(63,881)	321,341
– Termination and post-employment benefits	(9,030)	(11,920)
Cash generated from/(used in) operations	217,251	(5,474,013)

(All amounts in RMB thousands unless otherwise stated)

32. Notes to the consolidated statement of cash flows (Continued)

(b) In the consolidated statement of cash flows, proceeds from disposals of property, plant and equipment comprise:

	2011	2010
Net book amount (Note 17)	47,974	82,452
Gains/(losses) on disposals of property, plant and equipment (Note 8 and Note (a))	2,617	(1,778)
Net-off with payables	(44,786)	(54,650)
Proceeds from disposals of property, plant and equipment	5,805	26,024

(c) Major non-cash transactions

For the year ended 31 December 2011, the Group endorsed bank acceptance notes to the suppliers for purchase of property, plant and equipment amounting to approximately RMB 1,777,701,000 (2010: approximately RMB 639,362,000).

33. Contingencies and guarantees

The Group has certain contingent liabilities in respect of legal claims arising in the ordinary course of business. The Directors are of the opinion that no material liabilities will arise from the contingent liabilities other than those provided in Note 30.

(All amounts in RMB thousands unless otherwise stated)

34. Commitments

(a) Capital commitments

Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	2011	2010
Property, plant and equipment	**1,451,066**	1,144,852

(b) Operating lease commitments – As a lessee

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2011	2010
No later than 1 year	**35,307**	31,138
Later than 1 year and no later than 2 years	**15,969**	20,720
Later than 2 years and no later than 5 years	**12,767**	34,659
Later than 5 years	**312**	21,855
	64,355	108,372

(c) Lease payments receivable – As a lessor

The future aggregate minimum lease payments receivable under non-cancellable operating leases are as follows:

	2011	2010
No later than 1 year	**8,911**	9,603
Later than 1 year and no later than 2 years	**2,235**	6,124
Later than 2 years and no later than 5 years	**5,753**	9,399
Later than 5 years	**3,164**	5,868
	20,063	30,994

35. Investments in subsidiaries and amount due from/to subsidiaries

(a) Investments in subsidiaries

	2011	2010
Investments, at cost:		
Listed investments	1,926,283	1,926,283
Unlisted investments	13,759,839	13,273,292
	15,686,122	15,199,575
Market value of listed investments	3,293,043	7,399,315

As at 31 December 2011, the Company had direct or indirect interest in the following subsidiaries:

Company Name	Country/place and date of incorporation and place of operations (i)	Type of legal entity	Issued/paid in capital (in million)	Interest held	Principal activities
Listed -					
Sinotruk Ji'nan Truck Co., Ltd. （中國重汽集團濟南卡車股份有限公司）	PRC/ 28 September 1998	Joint stock company with limited liability	RMB 419.43	63.78% (Directly held)	Manufacture and sales of trucks and spare parts
Unlisted -					
Sinotruk Ji'nan Power Co., Ltd. （中國重汽集團濟南動力有限公司）	PRC/ 27 April 2006	Limited liability company	RMB 6,624.45	100% (Directly held)	Manufacture and reproduction of engines
Sinotruk Ji'nan Commercial Truck Co., Ltd. （中國重汽集團濟南商用車有限公司）	PRC/ 17 January 2001	Limited liability company	RMB 1,798	100% (Directly held)	Manufacture and sales of trucks and spare parts
Sinotruk Import & Export Co., Ltd. （中國重汽集團進出口有限公司）	PRC/ 9 November 2001	Limited liability company	RMB 555	100% (Directly held)	Import and export of trucks and spare parts
Sinotruk Ji'nan Ganghua Import & Export Co., Ltd. （中國重汽集團濟南港華進出口有限公司）	PRC/ 23 December 2005	Limited liability company	RMB 206	100% (Directly held)	Import and export of heavy duty trucks

35. Investments in subsidiaries and amount due from/to subsidiaries (Continued)

(a) Investments in subsidiaries (Continued)

Company Name	Country/place and date of incorporation and place of operations (i)	Type of legal entity	Issued/paid in capital (in million)	Interest held	Principal activities
Sinotruk Factory Design Institute Co., Ltd.（中國重汽集團設計研究院有限公司）	PRC/ 6 July 1993	Limited liability company	RMB 10.5	100% (Directly held)	Construction design and technical consulting service
Sinotruk (Hong Kong) International Investment Limited（中國重汽（香港）國際資本有限公司）	Hong Kong PRC/ 6 August 2004	Limited liability company	HKD 3,266.92	100% (Directly held)	Consultations and strategic planning in respect of automobile market, import and export trading, asset operations and investment holdings
Sinotruk Finance Co., Ltd.（中國重汽財務有限公司）	PRC/ 4 October 1987 `	Limited liability company	RMB 1,033.56	78.92% (Directly held)	Taking deposits, facilitating borrowings, discounting notes and providing entrusted loan and entrusted investment
Sinotruk Chongqing Fuel System Co., Ltd.（中國重汽集團重慶燃油噴射系統有限公司）	PRC/ 1 June 1973	Limited liability company	RMB 338.49	100% (Indirectly held)	Manufacture and sales of oil pump and nozzle
Sinotruk Hangzhou Engines Co., Ltd.（中國重汽集團杭州發動機有限公司）	PRC/ 30 April 2006	Limited liability company	RMB 1,700	100% (Indirectly held)	Manufacture and reproduction of engines
Hangzhou Automobile Engines Foundry Co., Ltd.（杭州汽發鑄造有限公司）	PRC/ 8 December 2000	Limited liability company	RMB 60	100% (Indirectly held)	Manufacture of castings
Sinotruk Ji'nan Fuqiang Power Co., Ltd.（中國重汽集團濟南復強動力有限公司）	PRC/ 14 January 1995	Limited liability company	USD 51.38	100% (Indirectly held)	Manufacture and reproduction of engines
Sinotruk Ji'nan Axle & Transmission Co., Ltd.（中國重汽集團濟南橋箱有限公司）	PRC/ 26 December 2005	Limited liability company	RMB 646.74	81.53% (Indirectly held)	Manufacture and sales of trucks and axle and transmission parts

35. Investments in subsidiaries and amount due from/to subsidiaries (Continued)

(a) Investments in subsidiaries (Continued)

Company Name	Country/place and date of incorporation and place of operations (i)	Type of legal entity	Issued/paid in capital (in million)	Interest held	Principal activities
Sinotruk Liuzhou Yunli Special Vehicles Co., Ltd. (中國重汽集團柳州運力專用汽車有限公司)	PRC/ 11 April 1989	Limited liability company	RMB 103	60% (Indirectly held)	Refit and sales of heavy duty trucks
Ji'nan Ganghao Development Co., Ltd. (濟南港豪發展有限公司)	PRC/ 11 April 2008	Limited liability company	HKD 580.35	100% (Indirectly held)	Manufacture and sales of trucks and spare parts
Hangzhou Ganghang Power System Co., Ltd. (杭州港杭動力系統有限公司)	PRC/ 17 September 2008	Limited liability company	HKD 60	100% (Indirectly held)	Manufacture and reproduction of engines
Hangzhou Ganghao Power System Co., Ltd. (杭州港豪動力系統有限公司)	PRC/ 18 September 2008	Limited liability company	HKD 140	100% (Indirectly held)	Manufacture and reproduction of engines
Sinotruk Ji'nan Gangxin Automobile Parts & Components Co., Ltd. (中國重汽集團濟南港信汽車部件有限公司)	PRC/ 14 January 2009	Limited liability company	RMB 100	81.53% (Indirectly held)	Research, manufacture and sales of spare parts
Sinotruk Hubei Huawei Special Vehicles Co., Ltd. (中國重汽集團湖北華威專用汽車有限公司)	PRC/ 4 June 2002	Limited liability company	RMB 62.77	60% (Indirectly held)	Refit and sales of heavy duty trucks
Sinotruk Mianyang Special Vehicles Co., Ltd. (中國重汽集團綿陽專用汽車有限公司)	PRC/ 26 June 2009	Limited liability company	RMB 50	60% (Indirectly held)	Manufacture and reproduction of spare parts; sales of trucks
Sinotruk Ji'nan HOWO Bus Co., Ltd. (中國重汽集團濟南豪沃客車有限公司)	PRC/ 23 February 2010	Limited liability company	RMB 180	100% (Indirectly held)	Manufacture and sales of bus, bus chassis and bus auto parts
Sinotruk Ji'ning Commercial Truck Co., Ltd. (中國重汽集團濟寧商用車有限公司)	PRC/ 10 January 2005	Limited liability company	RMB 300	100% (Indirectly held)	Manufacture and sales of trucks and spare parts

35. Investments in subsidiaries and amount due from/to subsidiaries (Continued)

(a) Investments in subsidiaries (Continued)

Company Name	Country/place and date of incorporation and place of operations (i)	Type of legal entity	Issued/paid in capital (in million)	Interest held	Principal activities
Sinotruk Ji'nan Ganghao Bonded Logistics Co., Ltd. (中國重汽集團濟南港豪保税物流有限公司)	PRC/ 29 March 2010	Limited liability company	USD 16	100% (Indirectly held)	Provision of storage services, bonded logistics services, local freight forwarding, related information consulting and logistics engineering; research, development, processing and manufacture of spare parts; import and export
Sinotruk Chengdu Wangpai Commercial Vehicles Co., Ltd. (中國重汽集團成都王牌商用車有限公司)	PRC/ 31 May 2007	Limited liability company	RMB 800	80% (Indirectly held)	Research, development, manufacture and sales of commercial vehicles
Nanchong Sinotruk Wangpai Shuncheng Mechanics Co., Ltd. (南充重汽王牌順城機械有限公司)	PRC/ 21 September 2001	Limited liability company	RMB 510	80% (Indirectly held)	Manufacture and sales of spare parts, steels hard ware and engineering plastics
Sichuan Sinotruk Wangpai Xingcheng Hydraulic Parts Co., Ltd. (四川重汽王牌興城液壓件有限公司)	PRC/ 6 September 2005	Limited liability company	RMB 500	80% (Indirectly held)	Manufacture and sales of spare parts, general machinery components, coal machinery, hard ware chemicals, electromechanical equipment and metals
Chengdu Sinotruk Wangpai Automobiles Testing Co., Ltd. (成都王牌汽車檢測有限公司)	PRC/ 22 August 2006	Limited liability company	RMB 0.5	80% (Indirectly held)	Sales of spare parts and vehicle inspection
Sinotruk Fujian Haixi Vehicles Co., Ltd. (中國重汽集團福建海西汽車有限公司)	PRC/ 24 November 2010	Limited liability company	RMB 200	80% (Indirectly held)	Manufacture and sales of trucks and spare parts and related information consulting

35. Investments in subsidiaries and amount due from/to subsidiaries (Continued)

(a) Investments in subsidiaries (Continued)

Company Name	Country/place and date of incorporation and place of operations (i)	Type of legal entity	Issued/paid in capital (in million)	Interest held	Principal activities
Sinotruk Hangzhou Engines Sales Co., Ltd（中國重汽集團杭州發動機銷售有限公司）(ii)	PRC/ 14 December 2011	Limited liability company	RMB 50	100% (Indirectly held)	Wholesale of engines and spare parts
Sinotruk Xinjiang Commercial Truck Co., Ltd.（中國重汽集團新疆商用車有限公司）(iii)	PRC/ 29 July 2011	Limited liability company	RMB 40	100% (Indirectly held)	Research, development, manufacture and sales of spare parts (excluding engineers) and trucks; after-sales service of trucks; import and export
Sinotruk Ji'nan Rubber & Plastic Components Co., Ltd.（中國重汽集團濟南橡塑件有限公司）(iv)	PRC/ 15 December 2011	Limited liability company	RMB 240	100% (Indirectly held)	Research, development, manufacture, sales and consulting of spare parts, engineering machinery and rubber products; maintenance and lease of machinery equipment

(i) The place of operations of each subsidiary is same as its country/place of incorporation.

(ii) Sinotruk Hangzhou Engines Sales Co., Ltd. was incorporated on 14 December 2011. The paid-in capital of Sinotruk Hangzhou Engines Sales Co., Ltd. is RMB 50,000,000. Sinotruk Ji'nan Power Co., Ltd. holds 100% equity interests of Sinotruk Hangzhou Engines Sales Co., Ltd..

(iii) Sinotruk Xinjiang Commercial Truck Co., Ltd. was incorporated on 29 July 2011. The paid-in capital of Sinotruk Xinjiang Commercial Truck Co., Ltd. is RMB 40,000,000. Sinotruk Ji'nan Commercial Truck Co., Ltd. holds 100% equity interests of Sinotruk Xinjiang Commercial Truck Co., Ltd..

(iv) Sinotruk Ji'nan Rubber & Plastic Products Co., Ltd. was incorporated on 15 December 2011. The paid-in capital of Sinotruk Ji'nan Rubber & Plastic Products Co., Ltd. is RMB 240,000,000. Sinotruk Ji'nan Commercial Truck Co., Ltd. holds 100% equity interests of Sinotruk Ji'nan Rubber & Plastic Products Co., Ltd..

(All amounts in RMB thousands unless otherwise stated)

35. Investments in subsidiaries and amount due from/to subsidiaries (Continued)

(b) Amounts due from subsidiaries

	2011	2010
Non-current		
Loan to a subsidiary	–	2,680,000
Current		
Loan to a subsidiary, current portion	2,680,000	–
Interest receivable	16,050	16,050
Deposits	165,284	–
	2,861,334	16,050

As at 31 December 2011, the loan to a subsidiary, Sinotruk Ji'nan Power Co., Ltd. is unsecured, with effective interest rate of 3.8%, denominated in RMB and repayable on 25 October 2012.

As at 31 December 2011, the Company had deposited at the amount of RMB165,284,000 as current deposits at Sinotruk Finance Co., Ltd. which has been established with the approval from relevant PRC government authorities to function as an authorised non-bank financial institution specifically to facilitate the internal financing transactions, to provide financial services for members of the Group and CNHTC and its subsidiaries (other than the Group, "CNHTC Group") and to provide financial services to the Group or CNHTC Group's customers regarding their purchases from the Group or CNHTC Group.

(c) Amounts due to subsidiaries

	2011	2010
Loan from a subsidiary	–	73,586
Other payables	350	79
	350	73,665

As at 31 December 2010, loan from a subsidiary, Sinotruk (Hong Kong) International Investment Limited, is unsecured, interest free, denominated in HKD and has been repaid on 20 January 2011.

36. Related party transactions

Sinotruk (BVI) Limited ("Sinotruk BVI"), a company incorporated in British Virgin Islands, is the parent company of the Group. The ultimate parent company of the Group is CNHTC, a company incorporated in the PRC.

Related parties are those parties that have the ability to control the other party or exercise significant influence in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. The Group is subject to the control of the PRC government.

In accordance with HKAS 24 "Related Party Disclosures", Other State-owned Enterprises and their subsidiaries, directly or indirectly controlled by the PRC government are regarded as related parties of the Group ("Other State-owned Enterprises"). On that basis, related parties include CNHTC Group, Other State-owned Enterprises, other entities and corporations in which the Group is able to control or exercise significant influence and key management personnel of the Company and CNHTC as well as their close family members.

In addition to the related party information shown elsewhere in the consolidated financial statements, the following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties (excluding Other State-owned Enterprises) during the years ended 31 December 2011 and 2010 and balances arising from related party transactions as at 31 December 2011 and 2010.

In addition to Other State-owned Enterprises, the directors were of the view that the following entities and person are related parties of the Group.

Name of related party	Nature of relationship
CNHTC（中國重型汽車集團有限公司）	The ultimate parent company
Sinotruk BVI（中國重汽（維爾京群島）有限公司）	The immediate holding company
CNHTC Qingdao Heavy Industry Co., Ltd.（中國重汽集團青島重工有限公司）	Subsidiary of CNHTC
CNHTC Ji'nan Bus Co., Ltd.（中國重汽集團濟南客車有限公司）	Subsidiary of CNHTC
CNHTC Taian Wuyue Special Truck Co., Ltd.（中國重汽集團泰安五嶽專用汽車有限公司）	Subsidiary of CNHTC
CNHTC Lease Firm（中國重型汽車集團租賃商社）	Subsidiary of CNHTC
CNHTC Wuzhishan Luohai Real Estates Co., Ltd.（中國重汽集團五指山濼海房地產有限公司）	Subsidiary of CNHTC
CNHTC Ji'nan Investment Co., Ltd.（中國重汽集團濟南投資有限公司）	Subsidiary of CNHTC
CNHTC Real Estates Company（中國重汽集團房地產開發公司）	Subsidiary of CNHTC
Shandong Xin Hai Guarantee Co., Ltd.（山東鑫海擔保有限公司）	Subsidiary of CNHTC

36. Related party transactions (Continued)

Name of related party	Nature of relationship
CNHTC Ji'nan Realty Management Co., Ltd. (中國重汽集團濟南物業有限公司)	Subsidiary of CNHTC
CNHTC Ji'nan Construction Co., Ltd. (中國重汽集團濟南建設有限公司)	Subsidiary of CNHTC
Hangzhou Engine Factory (杭州發動機廠)	Subsidiary of CNHTC
Ji'nan Automobile Test Center (濟南汽車檢測中心)	Subsidiary of CNHTC
CNHTC Ji'nan Special Truck Co., Ltd. (中國重汽集團濟南專用車有限公司)	Subsidiary of CNHTC
CNHTC Datong Gear Co., Ltd. (中國重汽集團大同齒輪有限公司)	Subsidiary of CNHTC
Ji'nan Tianqiao District Xin Hai Small-Sum Loan Co., Ltd. (濟南市天橋區鑫海小額貸款有限公司)	Subsidiary of CNHTC
CNHTC Xingtai Special Truck Co., Ltd. (中國重汽集團邢台特種車製造有限公司)	Subsidiary of CNHTC
MAN Truck & Bus AG	The directors of MAN Truck & Bus AG are the directors of the Company.
Sinotruk Baotou Xinhongchang Special Vehicle Co., Ltd. (中國重汽集團包頭新宏昌專用車有限公司)	Associate of a subsidiary of the Company

(All amounts in RMB thousands unless otherwise stated)

36. Related party transactions (Continued)

(a) Significant related party transactions

	2011	2010
Sales of trucks		
CNHTC Qingdao Heavy Industry Co., Ltd.	176,193	182,469
CNHTC Ji'nan Special Truck Co., Ltd.	77,276	90,719
CNHTC Ji'nan Investment Co., Ltd.	27,156	30,064
CNHTC Lease Firm	26,114	25,947
CNHTC Taian Wuyue Special Truck Co., Ltd.	15,942	133,510
CNHTC	6,171	7,837
CNHTC Datong Gear Co., Ltd.	1,282	—
	330,134	470,546
Sales of spare parts		
CNHTC Ji'nan Investment Co., Ltd.	569,166	500,361
CNHTC Ji'nan Bus Co., Ltd.	10,946	10,886
CNHTC Taian Wuyue Special Truck Co., Ltd.	5,771	10,526
CNHTC Ji'nan Construction Co., Ltd.	3,644	3,480
CNHTC Datong Gear Co., Ltd.	2,024	10,010
CNHTC	41	3
CNHTC Ji'nan Realty Management Co., Ltd.	21	—
CNHTC Qingdao Heavy Industry Co., Ltd.	—	153
Ji'nan Automobile Test Center	—	88
Hangzhou Engine Factory	—	85
	591,613	535,592
Purchases of trucks		
CNHTC Qingdao Heavy Industry Co., Ltd.	409,999	521,019
CNHTC Ji'nan Investment Co., Ltd.	400,642	236,928
CNHTC Taian Wuyue Special Truck Co., Ltd.	208,432	244,903
CNHTC Ji'nan Special Truck Co., Ltd.	178,259	161,767
Sinotruk Baotou Xinhongchang Special Vehicle Co., Ltd.	135,489	39,990
MAN Truck & Bus AG	949	—
Hangzhou Engine Factory	—	146
	1,333,770	1,204,753

(All amounts in RMB thousands unless otherwise stated)

36. Related party transactions (Continued)

(a) Significant related party transactions (Continued)

	2011	2010
Purchases of spare parts		
CNHTC Datong Gear Co., Ltd.	545,556	794,092
CNHTC Ji'nan Bus Co., Ltd.	140,879	161,777
CNHTC Ji'nan Investment Co., Ltd.	44,020	77,487
CNHTC Ji'nan Construction Co., Ltd.	16,855	4,256
MAN Truck & Bus AG	12,022	1,192
CNHTC Qingdao Heavy Industry Co., Ltd.	405	—
CNHTC Ji'nan Realty Management Co., Ltd.	162	444
CNHTC Taian Wuyue Special Truck Co., Ltd.	108	—
Ji'nan Automobile Test Center	47	63
CNHTC Ji'nan Special Truck Co., Ltd.	20	13
Hangzhou Engine Factory	—	10,004
	760,074	1,049,328
Sales of services		
CNHTC Ji'nan Bus Co., Ltd.	2,522	1,375
CNHTC Ji'nan Realty Management Co., Ltd.	1,393	792
CNHTC Ji'nan Construction Co., Ltd.	490	780
CNHTC Qingdao Heavy Industry Co., Ltd.	227	1,384
CNHTC Ji'nan Investment Co., Ltd.	79	714
CNHTC Datong Gear Co., Ltd.	6	—
CNHTC Ji'nan Special Truck Co., Ltd.	1	2,013
CNHTC Taian Wuyue Special Truck Co., Ltd.	—	39
	4,718	7,097

(All amounts in RMB thousands unless otherwise stated)

36. Related party transactions (Continued)

(a) Significant related party transactions (Continued)

	2011	2010
Purchases of services		
CNHTC	59,351	56,448
CNHTC Ji'nan Realty Management Co., Ltd.	32,830	19,697
CNHTC Ji'nan Investment Co., Ltd.	14,930	—
CNHTC Ji'nan Construction Co., Ltd.	6,286	10,081
Ji'nan Automobile Test Center	1,884	1,782
CNHTC Ji'nan Bus Co., Ltd.	1,558	2,847
CNHTC Datong Gear Co., Ltd.	259	—
Shandong Xin Hai Guarantee Co., Ltd.	—	289
CNHTC Qingdao Heavy Industry Co., Ltd.	—	102
Hangzhou Engine Factory	—	2
	117,098	91,248
Rental income		
CNHTC Qingdao Heavy Industry Co., Ltd.	7,200	7,200
CNHTC Ji'nan Bus Co., Ltd.	3,347	551
Ji'nan Automobile Test Center	631	631
CNHTC Ji'nan Special Truck Co., Ltd.	—	2,740
Ji'nan Tianqiao District Xin Hai Small-sum Loan Co., Ltd.	—	133
	117,098	11,255
Rental expenses		
CNHTC	16,521	14,659
Shandong Xin Hai Guarantee Co., Ltd.	1,297	1,297
Hangzhou Engine Factory	—	2,330
Sinotruk BVI	—	184
CNHTC Qingdao Heavy Industry Co., Ltd.	—	35
	17,818	18,505
Purchases of construction services		
CNHTC Ji'nan Construction Co., Ltd.	129,161	62,418

(All amounts in RMB thousands unless otherwise stated)

36. Related party transactions (Continued)

(a) Significant related party transactions (Continued)

	2011	2010
Provision for construction supervision and design services		
CNHTC	5,057	2,084
CNHTC Datong Gear Co., Ltd.	2,125	6,375
CNHTC Qingdao Heavy Industry Co., Ltd.	2,000	900
CNHTC Ji'nan Investment Co., Ltd.	1,600	50
CNHTC Taian Wuyue Special Truck Co., Ltd.	1,600	—
CNHTC Ji'nan Special Truck Co., Ltd.	200	100
	12,582	9,509
Aggregate of interest expenses for deposit taking services; interest income from bank bill discounting services and fee income from arrangement of entrustment loans		
CNHTC	600	269
CNHTC Real Estates Company	386	151
CNHTC Qingdao Heavy Industry Company	149	115
CNHTC Ji'nan Investment Co., Ltd.	133	61
Ji'nan Tianqiao District Xin Hai Small-sum Loan Co., Ltd.	96	1
CNHTC Ji'nan Realty Management Co., Ltd.	94	33
CNHTC Taian Wuyue Special Truck Co., Ltd.	87	79
CNHTC Ji'nan Bus Co., Ltd.	84	58
CNHTC Ji'nan Special Truck Co., Ltd.	66	47
Ji'nan Automobile Test Center	64	17
CNHTC Datong Gear Co., Ltd.	57	18
CNHTC Ji'nan Construction Co., Ltd.	29	18
Shandong Xin Hai Guarantee Co., Ltd.	26	21
CNHTC Wuzhishan Luohai Real Estates Company	2	—
Hangzhou Engine Factory	1	—
CNHTC Xingtai Special Truck Co., Ltd.	—	69
	1,874	957

(All amounts in RMB thousands unless otherwise stated)

36. Related party transactions (Continued)

(a) Significant related party transactions (Continued)

	2011	2010
Sales of fixed assets		
CNHTC Ji'nan Bus Co., Ltd.	656	–
CNHTC Taian Wuyue Special Truck Co., Ltd.	–	274
CNHTC Ji'nan Special Truck Co., Ltd.	–	250
CNHTC Ji'nan Investment Co., Ltd.	–	126
	656	650
Purchase of fixed assets		
CNHTC Taian Wuyue Special Truck Co., Ltd.	1,450	–
CNHTC Ji'nan Special Truck Co., Ltd.	357	–
CNHTC	29	–
CNHTC Ji'nan Bus Co., Ltd.	–	75
	1,836	75
Technology license agreement		
MAN Truck & Bus AG	–	495,300
Key management compensation		
Directors		
- Basic salaries, housing allowances, other allowances and benefits-in-kind	5,697	6,084
Senior management		
- Basic salaries, housing allowances, other allowances and benefits-in-kind	1,058	1,104
	6,755	7,188

(All amounts in RMB thousands unless otherwise stated)

36. Related party transactions (Continued)

(b) Balances with related parties

	2011	2010
Amounts due from related parties		
Trade receivables	14,204	24,658
Prepayments	5,298	6,179
	19,502	30,837
Amounts due to related parties		
Non-current		
long-term payables	245,741	380,115
Current		
long-term payables-current portion	85,706	—
Trade payables	2,996	2,042
Other payables	78,400	4,739
Customers advances	11,707	12,913
Deposits taking	452,232	289,020
	631,041	308,714

As at 31 December 2011 and 31 December 2010, except for the long-term payables and deposits taking, amounts due from/to related parties were all unsecured, interest free and due within one year. As at 31 December 2011 and 31 December 2010, long-term payables to related parties were unsecured, interest free and due within 5 years. As at 31 December 2011 and 31 December 2010, deposits taking from related parties were unsecured, bearing interest at rates mutually agreed and due within one year.

(All amounts in RMB thousands unless otherwise stated)

36. Related party transactions (Continued)

(b) Balances with related parties (Continued)

	2011	2010
Trade receivables due from		
CNHTC Ji'nan Construction Co., Ltd.	4,096	819
CNHTC Ji'nan Special Truck Co., Ltd.	4,004	—
CNHTC Ji'nan Investment Co., Ltd.	3,200	23,839
CNHTC Datong Gear Co., Ltd.	2,125	—
CNHTC Taian Wuyue Special Truck Co., Ltd.	779	—
	14,204	24,658
Prepayments		
CNHTC Ji'nan Construction Co., Ltd.	4,730	—
CNHTC Qingdao Heavy Industry Co., Ltd.	538	—
CNHTC Ji'nan Investment Co., Ltd.	30	—
MAN Truck & Bus AG	—	5,664
CNHTC Datong Gear Co., Ltd.	—	515
	5,298	6,179
Long-term payables under technology license agreement		
Non-current		
Man Truck & Bus AG	245,741	380,115
Current		
Man Truck & Bus AG	85,706	—
	331,447	380,115
Trade and other payables		
Trade payables due to		
Sinotruk Baotou Xinhongchang Special Vehicle Co., Ltd.	1,059	503
MAN Truck & Bus AG	918	—
CNHTC Datong Gear Co., Ltd.	890	—
CNHTC Taian Wuyue Special Truck Co., Ltd.	129	—
CNHTC Ji'nan Construction Co., Ltd.	—	1,367
CNHTC Qingdao Heavy Industry Co., Ltd.	—	90
CNHTC Ji'nan Special Truck Co., Ltd.		82
	2,996	2,042

(All amounts in RMB thousands unless otherwise stated)

36. Related party transactions (Continued)

(b) Balances with related parties (Continued)

	2011	2010
Other payables due to		
CNHTC Ji'nan Construction Co., Ltd.	75,811	—
CNHTC Ji'nan Special Truck Co., Ltd.	889	889
CNHTC Taian Wuyue Special Truck Co., Ltd.	700	700
CNHTC Qingdao Heavy Industry Co., Ltd.	524	523
CNHTC Ji'nan Realty Management Co., Ltd.	472	—
Ji'nan Automobile Test Center	4	—
CNHTC	—	2,627
	78,400	4,739
Customers advances		
CNHTC Qingdao Heavy Industry Co., Ltd.	8,549	4,308
CNHTC Lease Firm	3,158	3,309
CNHTC Ji'nan Special Truck Co., Ltd.	—	4,474
CNHTC Taian Wuyue Special Truck Co., Ltd.	—	822
	11,707	12,913

(All amounts in RMB thousands unless otherwise stated)

36. Related party transactions (Continued)

(b) Balances with related parties (Continued)

	2011	2010
Deposit taking		
CNHTC	336,223	79,698
CNHTC Ji'nan Investment Co., Ltd.	45,523	4,424
Ji'nan Tianqiao District Xin Hai Small-sum Loan Co., Ltd.	25,520	4,001
CNHTC Real Estates Company	19,873	54,926
CNHTC Qingdao Heavy Industry Co., Ltd.	9,150	8,168
CNHTC Taian Wuyue Special Truck Co., Ltd.	8,409	—
CNHTC Ji'nan Realty Management Co., Ltd.	1,913	7,543
Ji'nan Automobile Test Center	1,581	18,313
CNHTC Ji'nan Special Truck Co., Ltd.	1,222	38,418
CNHTC Ji'nan Bus Co., Ltd.	1,113	16,922
CNHTC Ji'nan Construction Co., Ltd.	572	397
Shandong Xin Hai Guarantee Co., Ltd.	567	55,860
CNHTC Datong Gear Co., Ltd.	562	5
CNHTC Wuzhishan Luohai Real Estates Co., Ltd.	3	—
Hangzhou Engine Factory	1	276
CNHTC Xingtai Special Truck Co., Ltd.	—	69
	452,232	289,020

The ageing of above trade receivables due from and trade payables due to related parties are all less than 1 year except certain long-term payables under technology license agreement.

As at 31 December 2011, trade receivables due from related parties were not past due or impaired.

36. Related party transactions (Continued)

(c) Balances and transactions with Other Stated-owned Enterprises

As at 31 December 2011 and 31 December 2010, majority of the Group's bank balances and borrowings are with state-owned banks. The Group also has transactions with Other State-owned Enterprises including but not limited to sales of products, purchases of raw material and services. The directors of the Company are of the opinion that these transactions are conducted in the ordinary business of the Group.

37. Approval of accounts

These consolidated financial statements have been approved for issue by the Board on 27 March 2012.

CNHTC

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