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 2013


CNHTC
Every Step Counts for Success

CONTENTS

Highlights

	2013	2012	Increase/(Decrease)	
				%
Operating results (RMB million)				
Turnover	30,410	27,888	2,522	9.0
Operating profit	988	838	150	17.9
Profit attributable to equity holders of the Company	271	123	148	120.3
Profitability (%)				
Gross profit margin	16.7	14.9	1.8	12.1
Operating profit margin	3.2	3.0	0.2	6.7
Net profit margin	1.4	0.6	0.8	133.3
Liquidity				
Current ratio (time)	1.2	1.6	(0.4)	(25.0)
Inventory turnover (days)	110.7	136.5	(25.8)	(18.9)
Trade receivable turnover (days)	154.7	163.3	(8.6)	(5.3)
Trade payable turnover (days)	106.6	120.1	(13.5)	(11.2)
Sales volume (units)				
Heavy duty trucks				
— Domestic	71,789	63,841	7,948	12.4
— Export (including affiliated export)	24,581	26,505	(1,924)	(7.3)
Total	96,370	90,346	6,024	6.7
Light duty trucks	41,436	32,244	9,192	28.5
Buses	1,381	944	437	46.3
Per share data				
Earnings per share - basic (RMB)	0.10	0.04	0.06	150.0
Dividend per share (HKD)	0.04	0.015	0.025	166.7
Share information (as at 31 December)				
Number of issued shares (million)	2,761	2,761	—	—
Market capitalisation (RMB million)	9,443	13,253	(3,810)	(28.7)

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

"Articles of Association"	the articles of association of the Company, as amended, supplemented or otherwise modified from time to time
"Audit Committee"	the audit committee of the Company
"Board"	the board of Directors
"CAAM"	China Association of Automobile Manufacturers
"China" or "PRC"	the People's Republic of China, and for the purpose in this annual report, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"CNHTC" or "Parent Company"	中國重型汽車集團有限公司(China National Heavy Duty Truck Group Company Limited), a state-owned enterprise organized under the laws of the PRC with limited liability, being the ultimate holding company of the Company and the controlling shareholder (as defined in the Listing Rules) of the Company
"CNHTC Group"	CNHTC and its subsidiaries other than the Group
"Companies Ordinance"	the predecessor Companies Ordinance (Chapter 32 of the Laws of Hong Kong), which was in operation before the implementation of the New Companies Ordinance
"Company"or "Sinotruk"	Sinotruk (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability, and the securities of which are listed on the Main Board of the Stock Exchange
"Director(s)"	the director(s) of the Company
"ED(s)"	the executive Director(s)
"Executive Committee"	the executive committee of the Company
"Group"	the Company and its subsidiaries
"HKD"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"INED(s)"	the independent non-executive Director(s)
"ISIBC"	the incentive scheme independent board committee of the Company
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"MAN Group"	MAN SE and its subsidiaries

"MAN SE"	MAN SE, a company incorporated under the laws of Germany, the shares of which are listed on the Frankfurt Stock Exchange in Germany (ISIN DE 0005937007, WKN 593700) and the beneficiary owner of 25% of the entire issued share capital of the Company plus one Share
"NED(s)"	the non-executive Director(s)
"New Companies Ordinance"	Companies Ordinance (Chapter 622 of the laws of Hong Kong) which took effect from 3 March 2014
"Period"	the year ended 31 December 2013
"PBOC"	The Peoples' Bank of China
"Remuneration Committee"	the remuneration committee of the Company
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Shanghai Stock Exchange"	Shanghai Stock Exchange in the PRC
"Share(s)"	ordinary share(s) in the Company's capital with a nominal value of HKD 0.10 each
"Shareholder(s)"	holder(s) of the Share(s) from time to time
"Shenzhen Stock Exchange"	Shenzhen Stock Exchange in the PRC
"Sinotruk Finance"	Sinotruk Finance Co., Ltd., a non-wholly owned subsidiary of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Strategy and Investment Committee"	the strategy and investment committee of the Company

BOARD OF DIRECTORS

Executive Directors:

Ma Chunji *(Chairman)*
Cai Dong *(President)*
Wei Zhihai
Wang Haotao
Tong Jingen
Wang Shanpo
Kong Xiangquan
Franz Neundlinger

Non-executive Directors:

Georg Pachta-Reyhofen
Anders Olof Nielsen
Jörg Astalosch

Independent Non-executive Directors:

Lin Zhijun
Ouyang Minggao
Chen Zheng
Lu Bingheng
Yang Weicheng
Huang Shaoan

EXECUTIVE COMMITTEE

Ma Chunji *(Chairman)*
Cai Dong
Wei Zhihai
Wang Haotao
Tong Jingen
Wang Shanpo
Kong Xiangquan
Franz Neundlinger

STRATEGY AND INVESTMENT COMMITTEE

Ma Chunji *(Chairman)*
Cai Dong
Ouyang Minggao
Lu Bingheng
Huang Shaoan
Wang Haotao
Wang Shanpo
Franz Neundlinger

REMUNERATION COMMITTEE

Chen Zheng *(Chairman)*
Lin Zhijun
Yang Weicheng
Wei Zhihai
Tong Jingen

AUDIT COMMITTEE

Lin Zhijun *(Chairman)*
Ouyang Minggao
Chen Zheng

INCENTIVE SCHEME INDEPENDENT BOARD COMMITTEE

Lin Zhijun
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

SECURITIES CODES

Equity: 3808.hk
Debt: 85900.hk

INVESTOR RELATIONS

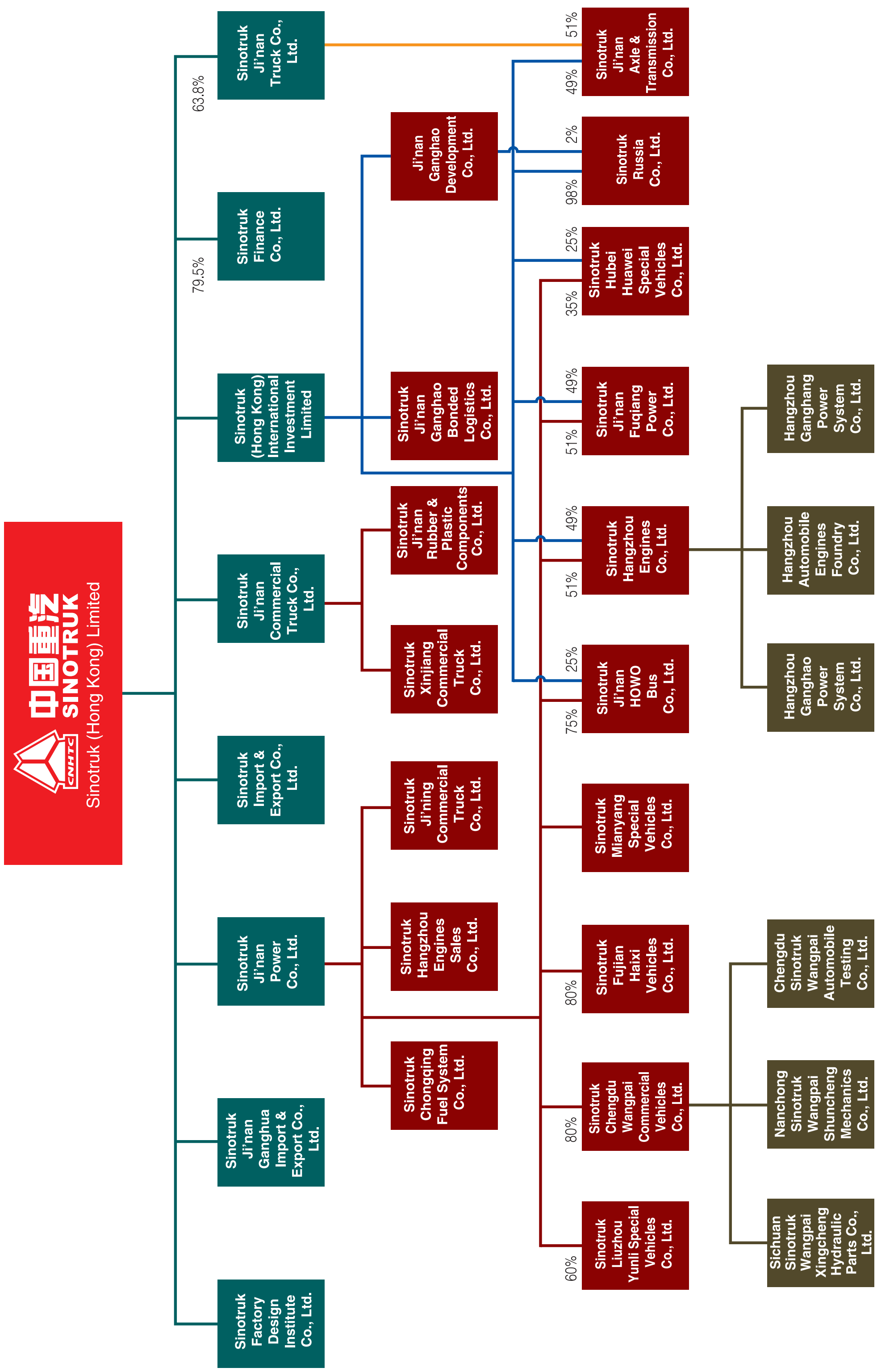
Securities Department

PRC: Tel (86) 531 8866 3808
Fax (86) 531 8558 2545
Hong Kong: Tel (852) 3102 3808
Fax (852) 3102 3812
Email: securities@sinotrukhk.com

PUBLIC RELATIONS CONSULTANT

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

Organisation Structure
As at 31 December 2013



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

Business

The Group is one of the leading heavy duty truck manufacturers in the PRC which specialises in the research, development and manufacture of heavy duty trucks, light duty trucks and buses and related key parts and components. Heavy duty trucks are the key products of the Group. 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 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 a most complete production chain. We also provide independent 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.

Operations

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

(i) Heavy Duty Trucks Segment

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

(ii) Light Duty Trucks and Buses Segment

The Group's light duty truck products mainly include HOWO, Huanghe, Fuluo, and Wangpai "7 series" products, which production bases are located at Ji'nan, Chengdu and Fujian, PRC. The Group's HOWO buses products which are produced at Ji'nan, PRC cover diesel bus, natural gas bus, trolley bus and school buses to meet different customer demands.

(iii) Engines Segment

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

(iv) Finance Segment

The finance segment of the Group provides financial services related to the members of the Group and the CNHTC Group.Financial services include deposits taking, borrowings, commercial notes and bank bills discounting and provision of guaranteed vehicle consumer credit. In addition, it cooperates with authorized financial institutions to provide consumer credit. It builds up a vehicle consumer credit network. At present, it has already set up 19 regional offices and extended its consumer credit business to over 20 provinces, covering most areas in the PRC.

SUBSTANTIAL SHAREHOLDERS

The substantial shareholders of the Company are CNHTC and MAN SE. CNHTC is a PRC state-owned heavy duty truck manufacturing enterprise and indirectly holds 51% of the entire issued capital of the Company. MAN SE indirectly holds 25% of the entire issued share capital of the Company plus one Share. The MAN Group is one of Europe's leading manufacturers of commercial vehicles, engines and mechanical engineering equipment with annual revenue of approximately Euro 15.7 billion and around 53,509 employees worldwide.

Chairman's Statement

CHAIRMAN

MA CHUNJI

Dear Shareholders,

On behalf of the Board, I am pleased to present the annual report of the Group for the year ended 31 December 2013.

Business Review

In 2013, the market demand of heavy duty trucks in China rebounded due to the investment growth in infrastructure, increasing cargo turnover and the in advance purchase of trucks before the anticipated implementation of China's National IV emission standards and demand for replacement. According to CAAM, the country's heavy duty truck sales increased by 21.7% year-over-year to 774,000 units.

During the Period, the Group's heavy duty truck sales increased by 6.7% year-over-year to 96,370 units and the Group's total revenue increased to RMB30,410 million, representing an increase of 9.0% year-over-year; profit before income tax increased by 85.0% to RMB592 million; profit attributable to shareholders increased by 120.3% to RMB271 million.

During the Period, the Group deepened the implementation of the program "Uplift of Quality and Efficiency Year" to target on the improvement of product quality. With the priority of enhancing quality and economic benefits, the Group successfully streamlined management, reduced operating costs, and optimized its product mix. Progress was steadily made in all business divisions of the Group, leading to a continued increase in the Group's overall competitiveness. Overall operations remained stable and sound.

During the Period, the Group's competitive advantages began to emerge with the help of further optimization of product mix. First of all, the Group's heavy duty trucks, medium and light duty trucks and buses, which had been improved comprehensively in terms of product quality and after-sale services, preliminarily formed a full series of commercial vehicle. Secondly, differentiating brand positioning of the Group's high-end, medium and economical types of products enables the Group to meet different demands of customers. Thirdly, the Group has reconfigured its sales channels and service network in both the domestic and oversea markets. As a result, the Group was able to forge new competitive edges and to enhance its core competency.

The Group's strategic cooperation with the MAN Group made decisive breakthroughs. The co-developed truck brand – SITRAK had been officially launched and was officially introduced into the market. The SITRAK series was praised and pursued by the consumers after its release, laying a sound foundation for the Group's expansion in the domestic high-end heavy duty truck market.

The Group proactively implemented its internationalization strategy to expand into overseas markets through further leveraging its brand image and awareness in oversea markets, and through strengthening the market exploration efforts. Besides, the Group has devoted resources towards enhancing its featured overseas sales and marketing networks and strengthening cooperation with international partners in order to boost export. During the Period, the Group remained China's largest heavy duty truck exporter with exports (including affiliate export) of 24,581 units.

Dividends

The Board has recommended a final dividend of HKD0.04 per Share for the financial year ended 31 December 2013.

Prospects and Strategies

Looking into 2014, the global economy is expected to experience a moderate recovery, but uncertainties not entirely removed. China's economy will still face various difficulties and challenges, as the foundation for a stable economic development is still not solid and the endogenous growth drivers remains insufficient. The Chinese government will implement prudent monetary policies and fiscal policies in order to release reform bonus, drive down the operational costs of the enterprises and ensure a steady growing economy. The complex economic environment brings uncertainties to the heavy duty truck industry. However, the acceleration of the new urbanization, the rapid development of intercity logistics and large scale infrastructure construction will result in new opportunities and larger market for heavy duty trucks industry.

Seeking to take advantages of the opportunities brought by the operational environment, the Group will take effective measures in an effort to continually enhance the core competitiveness, and to ensure a healthy and sustainable development; deepen the implementation of the "Uplift of Quality and Efficiency Year" program in order to lift operational efficiency and economic benefits; optimize and consolidate the product mix to facilitate the development of a full serial of truck platforms; accelerate the marketing efforts of its new products and enhance the technology as well as the service quality of the products; continue with its differentiating brand positioning and innovative sales strategy to increase market share and endeavor to strengthen the market influence of the Sinotruk brand through its international strategy; vigorously explore the international market and boost export in order to maintain the leading exporter status in China; and continually strengthen and broaden the cooperation and cooperation scope with the MAN Group.

Appreciation

On behalf of the Board, I would like to express our gratitude to you, our shareholders for your 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.

Ma Chunji
Chairman

27 March 2014

Management Discussion and Analysis

Market Overview

In 2013, the market demand of heavy duty trucks in China rebounded due to the investment growth in infrastructure, increasing cargo turnover and the purchase in advance of trucks before the anticipated implementation of China's National IV emission standards. Benefiting from the increasing demand of domestic consumption, the improvement of logistic environment and the activity of inter-city logistics networks, the increasing cargo turnover drives the demand of tractors and other models for road transportation. The demand on road transportation vehicles became the main driver of the recovery of heavy duty trucks industry.

Review of Operations

During the Period, as the Group's product mix and market positioning further optimized, the foundation of our future development – full series of commercial vehicles (heavy duty trucks, light duty trucks and buses) with heavy duty trucks focused has been forged.

Heavy Duty Trucks Segment

During the Period, the volume of heavy duty truck sold increased to 96,370 units, representing an increase of 6.7% year-over-year and the aggregate revenue of the heavy duty trucks segment increased to RMB26,211 million, representing an increase of 8.1% year-over-year.

Domestic Business

A clear series of the Group's high-end, medium and economical types of heavy duty truck products enables the Group to meet different demands of the customers. Leveraging their high quality and advanced technology, the Group was able to further reinforce its competitive strengths.

SITRAK, a high-end truck brand which is developed and innovated under the co-operation between the Group and the MAN Group, gradually gained the market recognition through its superior qualities, including its high degree of comfort, reliability, safety, fuel efficiency, etc. The SITRAK heavy duty trucks series was successfully introduced into the domestic high-end heavy duty truck market with the help of the Group's integrated marketing, service and component networks.

The Group's engineering and specialty trucks enjoy competitive advantages and have maintained their leading status in the markets. Due to the weak economy environment, the exploitation of coals and other resources declines and the sales of mining trucks in China dropped significantly. The Group's mining truck business was also negatively impacted. However, we still maintained the industry's leading edge in terms of the sales volume of heavy duty trucks. Known for the advanced technology in natural gas engines and reliable quality, sales volume of the Group's natural gas trucks was kept at the leading status in the market.

During the Period, the Group increasingly strengthened its heavy duty truck sales network and, particularly, in upgrading the quality of the marketing activities. As at 31 December 2013, the Group's heavy duty truck segment had a total of 989 heavy duty truck dealerships (including 267 4S centers and 184 Sinotruk branded dealerships), 1,820 service centers providing high quality after-sales services, and 162 refitting companies to help tailor the Group's truck for different customers. The sales and marketing network of all series of products of the Group were further strengthened.

International Business

In 2013, the global economy under the support of various fiscal and monetary policies kept its weak recovery. The economic growth of the developed economies tended to be upturning while the economic growth of the newly emerging economies recorded obviously downturn. The economic recovery in each country diverged. Impacted by the appreciation of RMB and the deterioration in trade and commerce environment, China's export came under substantial pressure.

During the Period, in facing of the complicated international market environment, the Group took measures to develop new emerging markets while constantly consolidate and develop the traditional markets, through further building of its international brand image, improving its marketing network and after-sale service quality as well as innovation in its overseas cooperation mode. The Group had exported Euro V heavy duty trucks to Hong Kong and Taiwan markets which marks the first bulk sales of domestic heavy duty trucks in developed economy regions.

As at 31 December 2013, the Group had established overseas sales centers in more than 40 countries and regions while it had over 160 primary distributors, over 400 service outlets as well as over 300 accessories and components outlets in more than 80 countries, which formed an international marketing service network with a wide coverage, reasonable distribution and interactive responses. During the Period, the Group recorded the export (including affiliated export) of heavy duty trucks at 24,581 units, a decrease of 7.3% year-over-year with revenue at RMB6,978 million, a decrease of 3.1% year-over-year. The Group still maintained its leading status in the market in respect of export of the heavy duty trucks.

Light Duty Trucks and Buses Segment

During the Period, the Group's light duty truck sales increased by 28.5% year-over-year to 41,436 units and 1,381 buses, representing a 46.3% increase compared to 2012. During the Period, the segment recorded aggregate revenue of RMB2,871 million, representing an increase of 29.8% year-over-year.

During the Period, the business of the light duty truck division developed smoothly with the "Golden-Triangle" of light duty truck products forged. The Group's light duty truck division in Ji'nan ("Ji'nan Light Duty Truck Division") strengthened the development of and promotion for new products, providing the clients with highly efficient and more economical logistics transportation trucks. It also launched innovative marketing activities and provided better after-sale services to promote HOWO light duty truck series which received a positive recognition from the market. Sinotruk Chengdu Wangpai Commercial Vehicles Co., Ltd. ("Sinotruk Wangpai") further upgraded its product quality and after-sale services which realized the growth in both domestic and export sales. Sinoruk Fujian Haixi Vehicles Co., Ltd. ("Fujian Haixi") developed its production facilities and sales network on schedule, which provide a good foundation for the launch of new "Fuluo" products.

During the Period, the business of the buses division ran smoothly and the sales of buses maintained a positive growth. It achieved a smooth development and sales of special school buses and new energy buses. The progress of the research and development, testing, bulk production and sales of the buses equipped with MAN Group's technology went well. The Group improves the quality of its bus products by focusing on the quality control, upgrading its production technology, streamlining operation flow of production lines and improving logistics system for procurement. In the meantime, the Group continued to foster the brand awareness of HOWO buses in the market through actively developing and optimizing its sales and marketing network. So far for the market exploration, the Group actively developed the existing regional bus markets and also set up some presence in the potential markets and developed target oversea markets. It also provides better after-sale services to boost the sales of buses.

As at 31 December 2013, the Group's light duty trucks and buses segment had a total of 631 dealerships (including 11 4S centers and 103 Sinotruk branded dealerships), 1,349 service centers providing high quality after-sale services and 22 refitting companies providing light duty truck refitting services. The Group also had a total of 37 dealerships for buses sales and 89 service centers for after-sale services.

Engines Segment

The Group dedicated into the research and development of engine technology by putting quality resources and implementation of stringent quality control so as to deliver advanced, reliable, fuel efficient quality engines to the customers. The Group's engines segment caters to the Group's own truck segments and to external third parties, including other manufacturers of heavy duty trucks, buses, and construction machinery. Meanwhile, it also targets to increase the sales to external customers and rises domestic market shares so as to diversify its sources of revenue.

During the Period, the sales volume of engines increased by 12.2% to 103,278 units. Revenue (including components used during production and external sales as well as services rendered) increased by 16.7% year-over-year to RMB7,368 million. External revenue accounted for 16.5% of the engines division's revenue, representing a decrease of 4.2 percentage points compared with 20.7% of last year.

The localization of the MAN Group's engine technology continued to progress smoothly and on schedule. The production, testing, examination and certification of engines used for heavy duty trucks and medium-heavy duty trucks were completed. Certain products are ready for bulk production. The Group continues to test, examine and obtain certification of the bus engines equipped with the MAN Group's technology, increasing the scope of the application of the MAN Group's technology.

Technological Upgrade and Production Capacity

During the Period, the capital expenditure of the Group amounted to RMB1,266 million. Major investments and construction projects included the construction of national heavy duty automobile engineering technology research center, the construction of light duty truck production facilities, the uplift of production techniques and quality control standards, and the enhancement of research, development and innovation capabilities.

The Group's Ji'nan light duty trucks project was successfully completed. Important investments and construction projects, including Sinotruk Wangpai's medium and heavy duty truck project, and Fujian Haixi's light duty truck project, continued to progress on schedule. These projects provide the foundation to uplift the production technology and enrich the product mix.

Research and Development

The Group remains committed to its strategy of building the technological edge – enhance its competitive strengths through investment and upgrades on technology. By leveraging its research and development capabilities and strengthening the cooperation with the MAN Group in the development of high quality and technology engines, parts and components as well as trucks, the Group further enhanced its competitive strengths. During the Period, the technology center has completed a total of 186 projects, ranging from the development of trucks, key parts and components, to experiments, testing and fine tuning.

As at 31 December 2013, the Group and its Parent Company together participated in the formulation of 65 industry standards for China's heavy duty trucks and had been granted with 2,614 patents, which maintained a leading position in the domestic heavy duty truck industry in terms of the number of patents owned.

During the Period, the Group was able to supply 4,616 product models to serve various customers' needs.

During the Period, CNHTC had obtained the certification of environmental management system (GB/T24001-2004/ ISO 14001:2004) and occupational health and safety management system (GB/T 28001-2011) in organising

its group member companies (including the Group) in the research and development of all types of vehicles and related activities. The certification marks the completion of a milestone by the Group in environmental management and occupational health and safety management and plays a progress role in promoting the Group's internal and external reputation.

Finance Segment

During the Period, the external revenue of the finance segment of the Group increased by RMB10 million from RMB254 million to RMB264 million. The increase was primarily due to the expansion of the consumer credit business and the growth in interest income from financing services.

During the Period, in order to satisfy the demand for taking a loan for truck purchases, Sinotruk Finance took full advantage of the support from government policy and continued to expand its scope of consumer credit business, with various forms of consumer credit and finance leases, to encourage sales while taking a prudent approach towards credit risk management. As at 31 December 2013, Sinotruk Finance has established 19 regional offices and extended its consumer credit business coverage to over 20 provinces; covering most parts of China. In 2013, the Group sold 6,147 trucks through providing consumer credit, representing an increase of 2.0% compared to 2012.

Significant Investments

Sinotruk Russia Co., Ltd. has a registered capital of RUB15,000,000, with RUB14,700,000 and RUB300,000 contributed by Sinotruk (Hong Kong) International Investment Co., Ltd. and Ji'nan Ganghao Development Co., Ltd. in cash, respectively. During the Period, Sinotruk Ji'nan Gangxin Automobile Parts & Components Co., Ltd. was merged with Sinotruk Ji'nan Axle & Transmission Co., Ltd. After the merger, Sinotruk Ji'nan Gangxin Automobile Parts & Components Co., Ltd. was subsequently deregistered.

Human Resources

As at 31 December 2013, the Group had a total of 23,193 employees. The Group constantly developed innovative methods in human resources management and optimized and speeded up the allocation of human resources so as to match the sustainable development of the Group. The Group highly values human resources, team building, cultivation and development of talent of employees and, optimization of human resources structure. Moreover, the Group continued to reform its performance assessment system and compensation system to provide incentives to employees. In addition, to the extent necessary to protect the Group's intellectual property rights and other vital competitive interest, qualified employees may enjoy certain retirement and non-compete compensation.

Prospects

In 2014, the global economy is expected to experience a moderate recovery but still clouded with uncertainties. Although China's economy will face various difficulties and challenges, a series of economic policies enacted by the Chinese government seeking to reform economy in an innovative and stable manner are expected to ensure a steady growth in economy. Urbanization plan and the implementation of China's National IV emission standards will result in new opportunities and enlarge the demand for heavy duty trucks market. Under complex and volatile domestic and overseas circumstances, the Group will continue to enhance its competence, to timely adjust its operational strategies, and to adopt various measures to ensure a sound and robust development by:

1. Focusing on brand positioning strategy for an upgrade of "Sinotruk" brand. The Group will assign the brand building activities as management tasks and combine the target of uplift of brand positioning with quality control programs so as to promote "Sinotruk" being the images of high grade quality and reliability.

2. Developing innovative sales and marketing strategy and breaking through current sales force. The Group will pay greater efforts in quality and effectiveness of sales and marketing network by integrating sales resources and realizing synergy effects among the different sales forces. It will also set up unique targets in each regional market and tailor-made marketing strategy. In addition, the Group will exert greater efforts on planning and coordinating abilities and enrich sales and marketing activities of different series and models products. Moreover, more training will be provided so as to improve product and services knowledge of salespersons and customer service staff. The Group also boosts sales and enhances market shares by way of provision for innovative financial support and expands its consumer credit business while maintaining stringent credit risk controls.

3. Adhering to the Group's internationalization strategy by exploring overseas markets and through the activities of uplifting of brand positioning including raising its brand equity, awareness and influence in its oversea markets. Besides, the Group will further improve overseas sales and marketing network, implement centralized procurement policy to strengthen the backup services for after-sale and spare part, and facilitate the launches for new products. In addition, the Group will reinforce and further leverage its strength in traditional predominated markets while take proactive stance in developing emerging markets. The Group will enhance the quality of sales staffs, increase exploration of overseas markets and strengthen overseas after-sale services, and optimize sales and marketing network in important countries and regional markets. The Group, therefore, will forge a more rational and diversified sales and marketing structure in the global market, gain greater competitive advantages in product sales and after-sales services so as to boost exports eventually.

4. Deepening comprehensive reform on the Group, keeping the strategy of "lean management", continuing cost efficiency and quality controls programs taking quality as the top priority and economic benefit as main tasks. The Group commits to improve and optimize the product quality control system to facilitate products launches, implement all confirmed product quality improvement programs so as to achieve planned quality improvement. The Group will also take measures to reduce costs and enhance profitability including optimizing the capital structure, lowering operational costs, increasing efficiency, and strengthening risk prevention ability so as to realize a sustainable and healthy development of the Group.

5. Continuing to strengthen the co-operation with the MAN Group to ensure the launch of new products. Based on the market trends, both the Group and the MAN Group will explore and seek co-operation in different areas.

Financial Review

Turnover, gross profit and gross profit margin

For the year ended 31 December 2013, the Group's turnover recorded RMB30,410 million, compared with that of year 2012 of RMB27,888 million, representing an increase of RMB2,522 million or 9.0%. The increase in the turnover is primarily attributable to the growth in truck sales volume.

Gross profit for the year ended 31 December 2013 was RMB5,091 million, representing an increase of RMB940 million or 22.6% compared to that of year 2012 of RMB4,151 million. Gross profit margin increased by 1.8 percentage points from 14.9% to 16.7% for year 2013. Gross profit and gross profit margin increased mainly due to the cost reduction measures taken by the Group to reduce the procurement costs and controllable expenses and the increase in sales volume.

Distribution costs

Distribution costs increased from RMB1,947 million for 2012 to RMB2,238 million for year 2013, increased by RMB291 million or 14.9%. The increase was mainly due to the growth in truck sales volume benefited from optimization marketing network and sales promotion activities.

Administrative expenses

Administrative expenses increased from RMB1,998 million for year 2012 to RMB2,075 million for year 2013, increased by RMB77 million or 3.9%. The increase was mainly due to the increase in research and development spending and the growth of salaries and benefits.

Other gains – net

There was a decrease in net other gains from RMB632 million for year 2012 to RMB210 million for year 2013, representing a decrease of RMB422 million or 66.8%. The decrease was mainly due to the reduction of the government grants and increase in foreign exchange losses.

Finance costs – net

Net finance costs decreased from RMB517 million for year 2012 to RMB395 million for year 2013, representing a decrease of RMB122 million or 23.6%. The decrease in net finance cost was due to the reduction of borrowings and optimization of average interest rates.

Income tax expense

The income tax expense for year 2013 was RMB153 million, representing an increase of RMB4 million or 2.7% from that of year 2012 of RMB149 million. The increase was due to the growth in profit before income tax. The effective tax rate for the Period was decreased by 20.7 percentage points from 46.5% to 25.8%. The significant decrease in effective tax rate was mainly due to the reduction in tax losses not recognised as deferred tax assets and the increase in profit of certain subsidiaries which are subject to preferential income tax rate.

Profit for the year and earnings per share

Profit for the year ended 31 December 2013 increased by 157.3% to RMB440 million from RMB171 million in year 2012. Profit attributable to equity holders of the Company increased by 120.3% from RMB123 million in year 2012 to RMB271 million in year 2013. The basic earnings per share attributable to the equity holders of the Company increased from RMB0.04 in year 2012 to RMB0.10 in year 2013.

Receivables

As at 31 December 2013, the trade receivables were increased from RMB11,713 million to RMB13,878 million, representing a 18.5% growth. The trade receivables turnover decreased from 163.3 days to 154.7 days during the Period and was still within the Group's credit policies which are three to six months to the customers. As at 31 December 2013, the trade receivables aged not more than six months were RMB12,867 million or 92.7% to net trade receivables while it was 93.9% for the net trade receivables as at 31 December 2012.

As at 31 December 2013, the net financing scenes receivables increased from RMB1,368 million to RMB1,611 million, representing a 17.8% increase. The finance segment of the Group has credit period of 1 to 3 years. These financing services receivables are secured by the vehicles together with guarantees provided by the dealers and relevant parties.

The Group reviews the repayment progress of large customers or customers with higher risk of default in repayment on monthly basis and assesses impairment loss by reference to their business, actual repayment information, etc.

Cash flow

During the year ended 31 December 2013, net cash inflow from operating activities was about RMB646 million. Compared with the net cash inflow in year 2012 at RMB793 million, the decrease in net cash inflow from operating activities was RMB147 million. It was mainly due to the increase in the reserves of raw materials and spare parts for peak season and the growth of bank acceptance notes receivables.

Net cash outflow from investing activities in the year 2013 was RMB337 million, a decrease of cash outflow of RMB191 million compared with cash outflow of RMB528 million in the year 2012. The decrease in cash outflow was resulted from the reduction of capital expenditure paid including no purchase of investment properties during the Period.

The cash outflow from financing activities in the year 2013 was RMB1,261 million, compared with the cash outflow in the year 2012 of RMB4,868 million, representing a decrease of cash outflow of RMB3,607 million. The reduction of cash outflow from financing activities was mainly due to smaller extent in reduction of scale of bank borrowings in order to maintain a reasonable scale of bank borrowings.

Liquidity and financial resources

As at 31 December 2013, the Group's cash and cash equivalents amounted to RMB4,004 million and bank acceptance notes was RMB8,676 million. Cash and cash equivalents decreased by RMB971 million and bank acceptance notes increased by RMB2,450 million as compared with those of the year 2012. The Group's total borrowings (including long-term and short-term borrowings and borrowings from the related parties) were about RMB9,809 million as at 31 December 2013. Its gearing ratio (total borrowings divided by total assets) was 21.5% (at 31 December 2012: 25.2%). As at 31 December 2013, 99.8% of borrowings were denominated in RMB (31 December 2012: 100.0% in RMB). Most of the borrowings are charged with reference to bank's preferential floating rates and were due within one year to two years. The current ratio (total current assets divided by total current liabilities) as at 31 December 2013 was 1.2 (31 December 2012: 1.6).

As at 31 December 2013, total available credit facilities of the Group amounted to RMB42,906 million, of which RMB6,295 million had been utilised. An aggregate amount of RMB709 million of restricted bank deposits was pledged to secure credit facilities. In addition, Sinotruk Finance has made mandatory deposits of RMB546 million to PBOC for its financial operations. The Group meets its daily liquidity needs by matching operating cash flow patterns with funds on hand and enhances its liquidity by way of application for longer credit periods from suppliers, utilization of banking facilities and 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 2013, most of the Group's assets and liabilities were denominated in RMB. Cash and bank balances to approximately RMB989 million, accounts receivables and other receivables of approximately RMB953 million, borrowings of approximately RMB24 million, accounts payable of approximately RMB378 million and amounts due to related parties of approximately RMB170 million, were denominated in currencies other than RMB.

Capital Structure

As at 31 December 2013, owner's equity was RMB20,812 million, representing an increase of RMB357 million or 1.7% when compared with RMB20,455 million at the end of year 2012. As at 31 December 2013, the Company's market capitalisation was RMB9,443 million (calculated by the issued share capital of the Company: 2,760,993,339 Shares, closing price: HKD4.35 per Share and at the exchange rate of 1: 0.78623 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, 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 RMB37 million. There was no provision for legal claims as at 31 December 2013.

Directors and Senior Management

Executive Directors

Ma Chunji (馬純濟), aged 60, 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 (中央黨校) in 1995 with a diploma in economic management. He is currently the vice-chairman of CAAM and vice-chairman of China Chamber of International Commerce. He was a member of the Tenth and 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. He was conferred a lifetime membership at the World Confederation of Productivity Science (世界生產力科學院) in 2006, 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 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)" in 2009. He is also the chairman of CNHTC. Prior to joining the Group, Mr. Ma had been vice mayor of Ji'nan Municipal Government, the district head of Huaiyin District, Ji'nan City (濟南市槐蔭區), the director of the Economic Committee of Ji'nan (濟南市經委), the deputy commissioner of Ji'nan Mechanics and Industrial Bureau (濟南市機械工業局), and the head of Ji'nan Auto Accessory Works (濟南汽車配件廠).

Cai Dong (蔡東), aged 50, is our executive Director and president of the Company. Mr. Cai is a senior engineer with a bachelor's degree in engineering from Jiangsu Polytechnic University (江蘇工學院), the PRC and an executive MBA degree from Nankai University (南開大學), the PRC. He joined Ji'nan Auto Manufacturing Factory in 1983 and led its 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 and Ji'nan City Preeminent Science and Technology Award in February 2013. Mr. Cai was previously a director of the technology center of CNHTC. Mr. Cai was a director, chief engineer and the general manager of CNHTC from 2001 to 2007.

Wei Zhihai (韋志海), aged 59, is our executive Director and vice president of the Company. Mr. Wei graduated from Tsinghua University (清華大學), the PRC with a diploma in legal studies in 2005. Mr. Wei is the chairman of the Company's subsidiaries including Sinotruk (Hong Kong) International Investment Limited, its PRC subsidiary, Ji'nan Ganghao Development Co., Ltd. and Sinotruk Chengdu Wangpai Commercial Vehicles Co., Ltd. as well as the chief legal advisor of CNHTC. Mr. Wei joined the Group in 2004. From 2004 to 2007, he was a director and the deputy general manager of CNHTC. 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 50, is our executive Director and vice president of the Company. Mr. Wang is an engineer and also with extensive experience in business development. Mr. Wang graduated from Shandong Agricultural Machinery College (山東農業機械學院), the PRC with a diploma in machinery engineering in 1987 and a master's degree in engineering from Jiangsu University (江蘇大學), the PRC in 2008. He joined CNHTC in 1987. Mr. Wang is currently the vice general manager and director of CNHTC. He was the chairman of Sinotruk Ji'nan Truck Co., Ltd. ("Sinotruk Ji'nan Truck Company") from 2004 to 2012. Sinotruk Ji'nan Truck Company is a non wholly-owned subsidiary of the Company, the shares of which are listed on the Shenzhen Stock Exchange. He was the director of business development and international cooperation department of CNHTC from 1994 to 1998.

Tong Jingen (童金根), aged 51, is our executive Director, company secretary and chief economist of the Company. Mr. Tong graduated with a master's degree in engineering from Tsinghua University (清華大學), the PRC in 1989. Mr. Tong is a senior economist with over 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 CNHTC 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 CNHTC from 1998 to 2001.

Wang Shanpo (王善坡), aged 49, is our executive Director and chief engineer of the Company. Mr. Wang graduated with a bachelor's degree in engineering from Jilin University of Technology (吉林工業大學), the PRC in 1984, with a master's degree in engineering from Shandong Industrial University (山東工業大學), the PRC in 1991 and with a Ph.D. degree in engineering from Jiangsu University (江蘇大學), the PRC in December 2011. Mr. Wang is an engineering and technical application researcher with over 20 years of experience in automotive research and development and engineering. He joined CNHTC in 1984 and was the chief engineer of CNHTC. Mr. Wang was the director of Sinotruk Ji'nan Technical Center Co., Ltd. from 1999 to 2000.

Kong Xiangquan (孔祥泉), aged 47, is our executive Director and the financial controller of the Group. Mr. Kong received a bachelor's degree in management science and engineering from Wuhan Institute of Technology (武漢工學院), the PRC (now known as Wuhan University of Technology (武漢理工大學), the PRC) in 1989 and a master's degree in management science from Dalian University of Technology (大連理工大學), the PRC in 2002. Mr. Kong has been the supervisor of Ji'nan Ganghao Development Co., Ltd. since 2008. Mr. Kong is a senior accountant. He was selected by Shandong Province, the PRC as one of the high-grade accountant personnel in 2011. Mr. Kong has extensive experiences in financial management, corporate restructuring and cross-border financing. He joined CNHTC in 2003. From 2003 to 2006, Mr. Kong served as the deputy general manager and the general manager of the finance department of CNHTC. Mr. Kong then served as the general manager of the finance department and the deputy financial controller of the Group since 2006. Mr. Kong was the supervisor of Sinotruk Finance Co., Ltd. from 2004 to 2012 and the chairman of the supervisory board of Sinotruk Import & Export Co., Ltd. from 2011 to 2012. Prior to joining the Group, Mr. Kong worked in China Qingqi Group Co., Ltd. and was responsible for general administration and financial management affairs.

Franz Neundlinger, aged 58, is our executive Director, who has extensive experience in the commercial vehicles industry. Mr. Neundlinger studied at Professional School Steyr in Austria from 1970 to 1974 and attended evening school at WIFI Institute Austria majored in industrial and machine engineering between 1977 and 1979. He joined the MAN Group in 1997 and is currently employed by MAN Truck & Bus Österreich AG, a wholly-owned subsidiary of MAN Truck & Bus AG, which is in turn a wholly-owned subsidiary of MAN SE. During 1976 to 1982, Mr. Neundlinger was a mechanic of Steyr Daimler Puch AG, one of the leading producers for commercial vehicles in Austria, responsible for the assembly and modification of special vehicles. From 1983 to 1987, he was a senior manager of Steyr Daimler Puch AG responsible for managing foreign after sales projects. During 1988 to 1993, Mr. Neundlinger was the head overseeing after sales strategy for Europe of Steyr Trucks Austria, being a manufacturer of commercial vehicles. He became responsible for the project of the transfer of a truck manufacturing technology of Steyr Trucks Austria in the PRC in 1994. He was also the chief representative of the PRC representative office of MAN Truck & Bus AG from 1997 to 2003, responsible for its business activities in the PRC. From 2003 to 2007, Mr. Neundlinger was the director of sales and marketing of MAN Truck and Bus (China) Ltd., a subsidiary of MAN Truck & Bus AG. From 2008 to 2010, he was the vice president of MAN Force Trucks Pvt. Ltd., a jointly controlled entity of MAN Truck & Bus AG as well as a manufacturer and distributor of commercial vehicles in India, and was responsible for key customer business and application engineering. From May 2010 to April 2012, he joined Sinotruk Import & Export Co., Ltd. as a vice general manager responsible for after sales and product management of the cooperation project between the Group and the the MAN Group. From May 2012 to October 2013, Mr. Neundlinger had been the director of engine sales and product management of MAN Truck and Bus (China) Ltd. in Beijing. Since 1 November 2013, Mr. Neundlinger has been appointed by the Company as an officer to coordinate the cooperation project.

Non-executive Directors

Georg Pachta-Reyhofen, aged 58, is our non-executive Director. Dr. Pachta-Reyhofen is the chief executive officer of MAN SE, which owns the entire issued share capital of MAN Finance and Holding S.A., a substantial shareholder of the Company. Dr. Pachta-Reyhofen also serves on the supervisory boards of MAN Diesel & Turbo SE, MAN Truck & Bus AG and MAN Latin America Indústria e Comércio de Veículos Ltda. 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 Türkiye A.S. as a 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 and was its chief executive officer from January 2010 to August 2012. He was the chairman of the executive board of MAN Diesel SE from July 2006 until the end of 2009. Since January 2010, Dr. Pachta-Reyhofen has been the chief executive officer of MAN SE.

Anders Olof Nielsen, aged 51, is our non-executive Director. Mr. Nielsen is the chief executive officer of MAN Truck & Bus AG. Mr. Nielsen studied industrial economy at the Institute of Technology at Linköping University, Sweden. Mr. Nielsen worked in Scania AB in Sweden since 1987. From 1995 to 1997, he managed the gearbox production plant in Sibbhult, Sweden, before becoming the plant manager for cab production on Scania AB in Oskarshamn, Sweden in 1997. From 2002 to 2006, Mr. Nielsen held the position of technical director of Scania Latin America Ltda in Brazil. From 2006 to 2010, Mr. Nielsen headed Scania AB's chassis and cab production in Sweden as senior vice president and was a member of the executive board of Scania AB as head of production and logistics from January 2010 to September 2012. Since 1 September 2012, Mr. Nielsen has been the chief executive officer of MAN Truck & Bus AG.

Jörg Astalosch, aged 41, is our non-executive Director. Mr. Astalosch is the chief financial officer of MAN Truck & Bus AG. Mr. Astalosch holds an MBA degree from IESE Business School, University of Navarra, Spain and obtained a degree in electrical engineering at the technical college of Osnabrück, Germany and a degree in economic science at the technical college of Wolfsburg-Wolfenbüttel, Germany. Starting in 1995, Mr. Astalosch had served at Volkswagen AG in various positions. From 1999, he was an assistant to the chief executive officer of Volkswagen AG. From 2002 to 2003, he headed the office of the chairman of the supervisory board of Volkswagen AG. From 2004 to 2006, he headed the Controlling Department for Audi of America and Audi Canada. In 2007, he headed the office of the chief executive officer at Audi AG, Ingolstadt. He again headed the office of the chairman of the supervisory board of Volkswagen AG from 2007 to 2011. Mr. Astalosch was the member of advisory board of MAN Finance International GmbH, a wholly-owned subsidiary of MAN SE from January 2012 to February 2014. Since January 2012, Mr. Astalosch has been the chief financial officer of MAN Truck & Bus AG.

Independent Non-executive Directors

Lin Zhijun (林志軍), aged 59, is our independent non-executive Director. Dr. Lin graduated from Xiamen University (廈門大學), the PRC in 1982 with a master's degree in economics and later received a Ph.D. degree in Economics (Accounting) from Xiamen University in 1985 and received a master's 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, Canada. 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 several companies which securities are listed on the Stock Exchange, including China Everbright Limited (stock code: 0165), Springland International Limited (stock code: 1700) and Zhengzhou Coal Mining Machinery Group Company Limited (stock code: 0564).

Ouyang Minggao (歐陽明高), aged 55, 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 (全國政協常務委員), 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 in the development of 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).

Chen Zheng (陳正), aged 68, 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's 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).

Lu Bingheng (盧秉恒), aged 69, is our independent non-executive Director. He is currently a professor, a teacher of the doctorate students and also the head of the faculty of mechanical engineering of Xi'an Jiaotong University (西安交通大學), the PRC. He is also an academician of the Chinese Academy of Engineering (中國工程院). Dr. Lu obtained a master's degree and a doctorate degree in mechanical engineering from Xi'an Jiaotong University, the PRC in June 1982 and June 1986, respectively. Dr. Lu was a lecturer and a vice professor in mechanical engineering of Xi'an Jiaotong University from 1986 to 1988 and 1988 to 1992, respectively. He was the director of the Advance Production Technology Research Centre of Xi'an Jiaotong University from November 1993 to September 2009. He has also been the head of Rapid Prototyping Manufacturing Centre of the Ministry of Education of the PRC (中國教育部快速成形製造中心) since 1993 and the head of the National Centre for Research on Rapid Manufacturing (快速製造國家工程研究中心) of the PRC since 2006. Dr. Lu has been the chairman of Shaanxi Hengtong Intelligent Machines Co., Ltd., a company which develops, produces and sells various types of laser rapid prototyping equipment, rapid tooling equipment and three-dimensional anti-seeking equipment since December 1997. Since 2008, Dr. Lu has been the chairman of Suzhou B&C Technologies Co., Ltd., a company that develops, produces and sells rapid manufacturing equipment and offers relative services for other companies. Since May 2013, Dr. Lu has been the chairman of Xi'an Ruite Rapid Manufacturing Engineering Research Co., Ltd., which is principally engaged in the research and development, production and sales of rapid prototyping equipment and technology, rapid mold manufacturing equipment and technology and high-speed machine tools. Dr. Lu was an independent director of Luoyang Bearing Science & Technology Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 002046) from November 2007 to January 2014.

Yang Weicheng (楊偉程), aged 67, is our independent non-executive director. He is a qualified lawyer in the PRC and is currently the management partner of Shandong Qindao Law Firm (山東琴島律師事務所) in Shandong, the PRC, and the counselor of Shandong Provincial People's Government. Mr. Yang graduated from Shandong University, the PRC in 1982, majored in history. He has also been a deputy director of the general office of Qingdao Municipal Justice Bureau (青島市司法局) from August 1991 to February 1994. From April 1999 to June 2008, he was the vice president of All China Lawyers Association (中華全國律師協會). During January 2005 to April 2011, he was the president of the Shandong Lawyers Association (山東省律師協會). He was awarded "Ten Best Lawyers of China" (全國十佳律師) by the Ministry of Justice of the PRC in 1999. He was a member of the 10th, 11th and 12th National People's Congress of China. Mr. Yang is currently an independent director of Songz Automobile Air Conditioning Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 002454), an independent director of Shandong Huatai Paper Co., Ltd. (a company listed on the Shanghai Stock Exchange in PRC, stock code: 600308) and a supervisor of Tsingtao Brewery Company Limited (a company listed on the Shanghai Stock Exchange in the PRC, stock code: 600600 and listed on the Stock Exchange, stock code: 0168). He was also an independent director of Shandong Denghai Seeds Co., Ltd. (stock code: 002041) from May 2007 to May 2013, Qingdao Kingking Applied Chemistry Co., Ltd. (stock code: 002094) from May 2007 to May 2013 and Lianhe Chemical Technology Co., Ltd. (stock code: 002250) from July 2007 to June 2013, all listed on the Shenzhen Stock Exchange.

Huang Shaoan (黃少安), aged 51, is our independent non-executive director. He is currently a special professor (特聘教授) engaged by the Changjiang Scholar programme of the Ministry of Education (教育部長江學者計劃) of the PRC and is the dean of the Centre for Economic Research of Shandong University (山東大學經濟研究院(中心)院長), the PRC, responsible for research, education and day-to-day management of the centre. Dr. Huang is also the specialist in theoretical economics of the Academic Degrees Committee of the State Council (國務院學位委員會理論經濟學學科組專家) and the evaluation specialist of the National Social Science Fund (國家社科基金). Dr. Huang is the founder of the Property Rights Institute (產權研究所), the Centre for Economic Research of Shandong University (山東大學經濟研究院(中心)), the PRC and a magazine namely, "Institutional Economics Research" (制度經濟學研究). He is also one of the important organizers and leaders in the areas of property rights theory, institutional economics, research in law and economics and development of academic subjects. Dr. Huang graduated from Shaoyang College (邵陽學院), the PRC in July 1982 and obtained a doctorate degree in economics from Xiamen University (廈門大學), the PRC in July 1994. He was employed as a lecturer of Shaoyang City Party School (邵陽市委黨校), the PRC in 1987 and as a professor of Shandong University in December 1994. He was elected as the first and second levels candidate of the National Hundred Thousand-Ten-Thousands Talents Project of the Ministry of Personnel of the PRC (國家人事部百千萬人才工程第一、二層次人選) in 1999, selected as one of the New Century Excellent Talents by the Ministry of Education of the PRC (國家教育部優秀跨世紀人才) in 2000. He was awarded with the National Award for Outstanding Young University Teachers (teaching and research award scheme) (全國高校優秀青年教師獎(教學和科研獎勵計劃)) in 2001, the Sun Yefang Prize in Economics (孫冶方經濟學獎) and the China Rural Development Research Award (中國農村發展研究獎) in 2004 and as a Changjiang Scholar by the Ministry of Education of the PRC (教育部長江學者) in 2006. Dr. Huang had been an independent director of Sanlian Commercial Co., Ltd. (三聯商社股份有限公司)(a company listed on the Shanghai Stock Exchange, stock code: 600898) from 2002 to 2008, an independent director of Shandong Tyan Home Co., Ltd. (山東天業恒基股份有限公司) (formerly known as Ji'nan Department Store Stock Co., Ltd. (濟南百貨大樓股份有限公司), a company listed on the Shanghai Stock Exchange, stock code: 600807) from 2005 to 2008, the external supervisor of Weihai City Commercial Bank Co., Ltd. (威海市商業銀行股份有限公司) from 2008 to 2011, an independent director of Huasu Holdings Co., Ltd. (華塑控股股份有限公司) (formerly known as China T.H. Co., Ltd. (同人華塑股份有限公司), a company listed on the Shenzhen Stock Exchange, stock code: 000509) from 2007 to 2010 and has been an independent director of Qilu Bank Co., Ltd. (齊魯銀行股份有限公司) since December 2013.

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 49, 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 PRACTICES

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 Group's internal control system from time to time so as to cope with the expectations of the Shareholders.

The Company has adopted the corporate governance code (the "CG Code") as set out in Appendix 14 of the Listing Rules as its own code of corporate governance and, during the Period, the Company has been in compliance with the CG Code except for the following:

1) The Company did not establish a nomination committee. According to article 81 of the Articles of Association, 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 of new Directors, the Board will consider their relevant experience, professional and educational background, and potential contributions that may be brought to the Company. The Board takes up all functions of nomination committee as required under the Listing Rules.

2) Pursuant to Rule 3.10A and 3.11 of the Listing Rules, the independent non-executive directors of a listed issuer must represent at least one-third of the board of directors and the listed issuer shall appoint a sufficient number of independent non-executive directors to meet the minimum number required within three months after failing to meet the requirements respectively. On 14 August 2013, the Board comprised fourteen members including three INEDs and such number of INEDs had fallen below one-third of the Board as required under Rule 3.10A of the Listing Rules. The Company had appointed Dr. Lu Bingheng and Mr. Yang Weicheng as INEDs on 6 November 2013. The Board comprised fifteen members including five INEDs. The Company had complied with Rule 3.10A of the Listing Rules by having sufficient number of INEDs and Rule 3.11 of the Listing Rules by having appointed a sufficient number of INEDs within the required time frame.Upon the appointment of Mr. Franz Neundlinger as an ED on 5 December 2013, the Board comprised sixteen members including five INEDs. As a result, the number of INEDs had fallen below one-third of the Board as required under Rule 3.10A of the Listing Rules.

   On 27 March 2014, the Company had appointed Dr. Huang Shaoan as an INED and, hence, the Board comprised seventeen members including six INEDs. The Company had complied with Rules 3.10A of the Listing Rules by having sufficient number of INEDs but failed to comply with Rule 3.11 of the Listing Rules by having appointed a sufficient number of INEDs within the required time frame.

BOARD OF DIRECTORS

Overall Accountability

The Board is accountable to the Shareholders and in discharging its corporate accountability, every Director is required to pursue excellence in the interests of the Shareholders and fulfill his fiduciary duties by applying the required level of skills, care and diligence to a standard in accordance with the statutory requirements.

Board Responsibilities and Delegation

The Board is responsible for formulating group policies and business directions, and monitoring internal controls and performances. The executive Directors are delegated with the responsibilities of the day-to-day management of the Group and making operational and business decisions within the control of and delegation framework of the Group. The non-executive Directors (including independent non-executive Directors) contribute valuable views and proposals for the Board's deliberation and decisions.

The Board has delegated some of its functions to the board committees, details of which are set out below. Matters specifically reserved to the Board including assessment on the nomination of new Directors, approval of financial statements, dividend policy, significant accounting policies, material contracts, significant appointments such as company secretary and external auditors, terms of reference of board committees, as well as major corporate policies such as code of conduct.

Composition of the Board

As at 31 December 2013, the Board had a total number of sixteen Directors including eight EDs, three NEDs and five INEDs. Biographies of each Director are set out in the section headed "Directors and Senior Management".

Mr. Ma Chunji is the chairman of the Board (the "Chairman") and Mr. Cai Dong is the president of the Company (the "President"). They have separate defined responsibilities whereby the Chairman is primarily responsible for leadership and effective functioning of the Board, ensuring key issues are promptly addressed by the Board, as well as providing strategic direction of the Group, and also take primary responsibility for ensuring good corporate governance practices and procedures are established. The President together with other executive Directors are responsible for the Company's daily operation and the effective implementation of corporate strategy and policies.

Executive Directors

As at 31 December 2013, there were eight EDs including Mr. Ma Chunji, Mr. Cai Dong, Mr. Wei Zhihai, Mr. Wang Haotao, Mr. Tong Jingen, Mr. Wang Shanpo, Mr. Kong Xiangquan and Mr. Franz Neundlinger.

Non-executive Directors

As at 31 December 2013, there were three NEDs including Dr. Georg Pachta-Reyhofen, Mr. Anders Olof Nielsen and Mr. Jörg Astalosch.

Dr. Pachta-Reyhofen has entered into a service contract with the Company for a term of three years commenced from 19 March 2013 and the contract can be terminated by either party by giving not less than three months' prior written notice. Each of Mr. Anders Olof Nielsen and Mr. Jörg Astalosch has entered into a service contract with the Company for a term of three years commenced from 1 December 2012 and each of the contracts can be terminated by either party giving not less than three months' prior written notice.

Independent Non-executive Directors and their Independence

As at 31 December 2013, there were five INEDs including Dr. Lin Zhijun, Dr. Ouyang Minggao, Mr. Chen Zheng, Dr. Lu Bingheng and Mr. Yang Weicheng.

Each of Dr. Lin Zhijun, Dr. Ouyang Minggao and Mr. Chen Zheng has entered into a service contract with the Company for a term of three years commenced from 26 July 2013 and each of Dr. Lu Bingheng and Mr. Yang Weicheng has entered into a service contract with the Company for a term of three years commenced from 6 November 2013 and each of the contracts can be terminated by either party by giving not less than three months' prior written notice.

Saved as disclosed above, the Company has appointed a sufficient number of INEDs in accordance with Rules 3.10(1) and 3.10A of the Listing Rules. With Dr. Lin Zhijun'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 appropriate professional knowledge in accounting and finance as required by Rule 3.10(2) of the Listing Rules. The Company has already received annual confirmation letters of independence from all the INEDs and each of them have declared fulfillment of all the guidelines for assessing independence in accordance with Rule 3.13 of the Listing Rules. Accordingly, the Board considers that all INEDs are independent as defined in the Listing Rules.

Board Committees

The Board has set up the Executive Committee, the Strategy and Investment Committee, the Remuneration Committee, the Audit Committee and the ISIBC to deal with different businesses and matters. Details of different committees are discussed below.

Attendance of Board Meetings and Board Committee Meetings

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

	Numbers of meetings attended/entitled to attend (Note 1)					
Directors	**Regular full Board meetings**	**Executive Committee meetings**	**Strategy and Investment Committee meetings**	**Remuneration Committee meetings**	**Audit Committee meetings**	**2013 annual general meeting**
Executive Directors						
Mr. Ma Chunji	4/4	3/3	2/2			1/1
Mr. Cai Dong	4/4	3/3	2/2			0/1
Mr. Wei Zhihai	2/4	3/3		2/2		0/1
Mr. Wang Haotao	4/4	3/3	2/2			0/1
Mr. Tong Jingen	4/4	3/3		2/2		1/1
Mr. Wang Shanpo	3/4	3/3	2/2			0/1
Mr. Kong Xiangquan	4/4	3/3				1/1
Mr. Franz Neundlinger (Note 2)	2/2	0/0	0/0			0/0
Non-executive Directors						
Dr. Georg Pachta-Reyhofen	4/4					0/1
Mr. Anders Olof Nielsen	4/4					0/1
Mr. Jörg Astalosch	4/4					0/1
Independent Non-executive Directors						
Dr. Lin Zhijun	4/4			2/2	4/4	1/1
Dr. Ouyang Minggao	4/4		2/2		3/4	0/1
Mr. Chen Zheng	4/4			2/2	4/4	1/1
Dr. Lu Bingheng (Note 3)	2/2		0/1			0/0
Mr. Yang Weicheng (Note 3)	2/2			0/0		0/0
Former Directors						
Mr. Gao Dinggui (Note 4)	2/2	2/2	1/1			1/1
Dr. Shao Qihui (Note 5)	0/1		1/1			0/1
Dr. Hu Zhenghuan (Note 5)	1/1		1/1			0/1
Mr. Li Xianyun (Note 5)	1/1			1/1		0/1

Note 1: During the Period, no meeting of ISIBC was convened.

Note 2: Mr. Neundlinger was appointed as an ED, a member of the Executive Committee and a member of Strategy and Investment Committee with effect from 5 December 2013 and during his tenure, two regular full Board meetings, no Executive Committee meetings, no Strategy and Investment Committee meetings and no shareholders meeting were held.

Note 3: Dr. Lu Bingheng and Mr. Yang Weicheng were appointed as INEDs on 6 November 2013. Dr. Lu Bingheng and Mr. Yang Weicheng were appointed as a member of the Strategy and Investment Committee and a member of Remuneration Committee respectively with effect from 5 December 2013. During their tenure, two regular full Board meetings, one Strategy and Investment meeting, no Remuneration Committee meeting and no shareholders meeting were held.

Note 4: Mr. Gao Dinggui resigned as an ED, a member of the Executive Committee and a member of Strategy and Investment Committee with effect from 1 September 2013 and during his tenure, two regular full Board meetings, two Executive Committee meetings, one Strategy and Investment Committee meeting and one shareholders meeting were held.

Note 5: Dr. Shao Qihui, Dr. Hu Zhenghuan and Mr. Li Xianyun retired as INEDs and resigned as members of other board committees with effect from 25 July 2013 and during their tenure, two regular full Board meetings, one Strategy and Investment Committee meeting, one Remuneration Committee meeting and one shareholders meeting were held.

BOARD MEETINGS

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

(1) the 2012 annual report of the Company and its related results announcements, circulars and documents and the call for the 2013 annual general meeting of the Company;

(2) the 2013 interim report of the Company and its related results announcements and documents;

(3) the review of continuing connected transactions for the year 2012;

(4) the recommendation of re-appointment of PricewaterhouseCoopers as auditor in 2013 annual general meeting recommended by the Audit Committee;

(5) the recommendation of the 2012 final dividend;

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

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

(8) matters raised by the Audit Committee including assessment of internal control report and risk management report;

(9) the resignation of Mr. Gao Dinggui as ED and the appointment of Mr. Franz Neundlinger as ED; and

(10) the adoption of the board diversity policy.

EXECUTIVE COMMITTEE

The Executive Committee has been formed by all the EDs as appointed from time to time and is responsible for implementing the decisions made by the Board.

As at 31 December 2013, the Executive Committee comprised of eight members, namely, Mr. Ma Chunji, Mr. Cai Dong, Mr. Wei Zhihai, Mr. Wang Haotao, Mr. Tong Jingen, Mr. Wang Shanpo, Mr. Kong Xiangquan and Mr. Franz Neundlinger. Mr. Ma Chunji is the chairman of the Executive Committee.

During the Period, the Executive Committee had convened three meetings to consider and approve the following major agenda items:

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

(2) the product quality improvement measures and their implementation; and

(3) the innovative marketing strategies and sales and marketing activities arrangement.

STRATEGY AND INVESTMENT COMMITTEE

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

As at 31 December 2013, the Strategy and Investment Committee comprised of seven members, namely, Mr. Ma Chunji, Mr. Cai Dong, Dr. Ouyang Minggao, Dr. Lu Bingheng, Mr. Wang Haotao, Mr. Wang Shanpo and Mr. Neundlinger. Dr. Ouyang Minggao and Dr. Lu Bingheng are INEDs while Mr. Ma Chunji, Mr. Cai Dong, Mr. Wang Haotao, Mr. Wang Shanpo and Mr. Franz Neundlinger are EDs. Mr. Ma Chunji is the chairman of the Strategy and Investment Committee.

During the Period, the Strategy and Investment Committee had convened two meetings and had discussed, reviewed and approved the following major agenda items:

(1) the progress of the implementation of 2012 and 2013 capital investment plan;

(2) the progress of the construction of national heavy duty truck engineering research centre; and

(3) 2014 capital expenditure plan.

Dr. Huang Shaoan was subsequently appointed as a member of the Strategy and Investment Committee on 27 March 2014.

REMUNERATION COMMITTEE

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

As at 31 December 2013, the Remuneration Committee comprised of five members, namely, Mr. Chen Zheng, Dr. Lin Zhijun, Mr. Yang Weicheng, Mr. Wei Zhihai and Mr. Tong Jingen. Mr. Chen Zheng, Dr. Lin Zhijun and Mr. Yang Weicheng are INEDs while Mr. Wei Zhihai and Mr. Tong Jingen are EDs. Mr. Chen Zheng is the chairman of the Remuneration Committee. The most up-to-date version of the terms of reference of the Remuneration Committee is available on the websites of the Company and the Stock Exchange.

Corporate Governance Functions

The Remuneration Committee is also responsible for performing the corporate governance functions including the following corporate governance duties:

- to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;
- to review and monitor the training and continuous professional development of Directors and senior management of the Company;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and the Directors; and
- to review the Company's compliance with the Code Provisions as set out in Appendix 14 of the Listing Rules and disclosure in the Corporate Governance Report in the annual report of the Company.

During the Period, the Remuneration Committee had convened two meetings to review, consider and approve the following major agenda items:

(1) corporate governance report in 2012 annual report; and

(2) the renumeration and appointment of INEDs.

In March 2014, the Board has reassigned the corporate governance functions from the Remuneration Committee to the Audit Committee.

AUDIT COMMITTEE

The Audit Committee is mainly responsible for reviewing and monitoring the financial control, internal control and risk management systems, including reassessment of the financial and accounting policies, review of interim reports, annual reports and financial statements of the Group, 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. The most up-to-date version of the terms of reference of the Audit Committee is available on the websites of the Company and the Stock Exchange.

As at 31 December 2013, the Audit Committee comprised of three members, namely, Dr. Lin Zhijun, Dr. Ouyang Minggao and Mr. Chen Zheng who all are INEDs. Dr. Lin Zhijun is the chairman of the Audit Committee.

During the Period, the Audit Committee had convened four meetings and had discussed, reviewed and approved the following major agenda items:

(1) the 2013 annual audit plan of the Group;

(2) the briefing from the auditors in respect of the progress of the 2012 annual audit;

(3) the auditor's reports to the Audit Committee in respect of the 2012 annual audit and the 2013 interim review of the Group;

(4) the 2012 annual report and the 2013 interim report and their related preliminary results announcements;

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

(6) the re-appointment of auditor of the Company;

(7) the internal control reports and risk management report of the Group; and

(8) the internal control system of the Group.

INCENTIVE SCHEME INDEPENDENT BOARD COMMITTEE

The ISIBC, which shall be comprised of all the INEDs as appointed from time to time, is responsible to decide the eligible participants of the Share Incentive Scheme adopted by the Board on 28 August 2012, the number of shares they are entitled, the vesting conditions and vesting period as well as the satisfaction by transfer of shares or by cash payment prior to vesting with the respect to the Share Incentive Scheme. No meeting of ISIBC has not been convened since its formation. A chairman will be elected among the members in its first meeting.

As at 31 December 2013, the ISIBC comprised of three members, namely, Dr. Lin Zhijun, Dr. Ouyang Minggao and Mr. Chen Zheng. Dr. Lu Bingheng, Mr. Yang Weicheng and Dr. Huang Shaoan do not yet join the ISIBC.

NOMINATION, APPOINTMENT, RETIREMENT AND RE-ELECTION OF DIRECTORS

The Board is responsible for reviewing its structure, size, composition and its diversity regularly and making any changes to complement the Company's corporate strategy, including making recommendations on the selection of individuals nominated for directorships, the appointment or re-appointment of Directors and succession planning for Directors.

During the Period, the Board has adopted the board diversity policy and reviewed and concluded that its existing structure, size, composition and diversity are appropriate.

Under article 84 (1) of the Articles of Association, at each annual general meeting of the Company, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at least once every three years. According to article 83 of the Articles of Association, any Director appointed by the Board to fill a casual vacancy or by way of addition to their number shall hold office only until the next following annual general meeting of the Company, and shall then be eligible for re-appointment.

Nomination Procedures

The Board is responsible for the nomination of a Director. In considering the appointment of a Director, the Board applies criteria such as relevant experience, professional and educational background, and potential contributions that may be brought to the Company of the nominated individual.

DIRECTORS' SECURITIES TRANSACTIONS

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

DIRECTORS' TRAINING AND PROFESSIONAL DEVELOPMENT

Every Director keeps abreast of responsibilities as a director of the Company and of the conduct, business activities and development of the Company. Directors are continually updated with regulatory and governance developments.

Directors are encouraged to participate in professional development courses and seminars to develop and refresh their knowledge and skills. The Company has devised a training record to assist the Directors to record the training they have undertaken.

During December 2013, all the Directors have received training materials in respect of inside information and disclosure on environment and social matters prepared in November 2013 from Sidley Austin, the Company's legal advisers on Hong Kong laws, and confirmed in writing that they understood their responsibilities as directors of the Company under the laws of Hong Kong, the Listing Rules and applicable legal requirements and other regulatory requirements as set out in such training materials. In addition, during the Period, each of Mr. Franz Neundlinger, Dr. Lu Bingheng and Mr. Yang Weicheng had attended a training on director's responsibilities provided by Sidley Austin in relation to their appointment.

REMUNERATION AND BENEFITS FOR DIRECTORS AND SENIOR MANAGEMENT

For NEDs including INEDs, their remuneration paid to each of them is a basic fee only. Apart from basic salaries, executive Directors are also 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 2013 to reflect a true and fair view of the Company's and 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 2013, 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. The financial statements for the year ended 31 December 2013 were prepared on a going concern basis.

The reporting responsibilities of the auditor are set out in the Independent Auditor's Report in this annual report.

INTERNAL CONTROL

The Board is responsible for the maintenance of a stable, effective internal control system for the Group. The Company conducted reviews on the effectiveness of the Group's internal control systems as required by the Code Provisions, covering financial, operational and compliance controls and risk management functions, and including reviews on the adequacy of resources, staff qualifications and experience, training programs and budget of the Group's accounting and financial report function for the Period.

In addition, the legal and audit department reviews the material controls of the Group on a continuous basis and aims to cover all major operations of the Group on a cyclical basis. Overall, internal audits are designed to provide the Board with reasonable assurance that the internal control systems of the Group are sound and effective.

NON-COMPETITION 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. The Board has received an annual confirmation from CNHTC for its compliance with the Non-competition Undertaking for the year ended 31 December 2013. After conducting the review, the Directors, including all INEDs, are of the view that the Non-competition Undertaking have been complied with by all parties.

REMUNERATION OF AUDITORS

For the Period, details of the remuneration paid or payable to the Group's auditors, PricewaterhouseCoopers and its related entities are as follows:

	RMB'000
For financial audit services:	12,336
For other services:	
the audit of internal control of certain subsidiaries	755
the taxation professional services	347
Total fee for other services	1,102
Auditors' remuneration	13,438

COMPANY SECRETARIES

The company secretaries of the Company are Mr. Tong Jingen (also an executive Director) and Mr. Kwok Ka Yiu. Both of them have confirmed that they have attended not less than 15 hours of relevant professional training during the Period. Their biographies are set out in the section headed "Directors and Senior Management" in this annual report.

SHAREHOLDERS AND INVESTOR RELATIONS

Communication Policy

The Board considers that active communications with investors are important and provides reports with transparency and clarity in disclosures. Any significant events of the Group fall to be disclosed will be published in a timely, accurate and complete manner through the websites of the Company and the Stock Exchange, so as to safeguard Shareholders' rights of information and participation. The notice of the annual general meeting (the "AGM") together with relevant documents will be sent out to the Shareholders at least 20 business days prior to the date on which the AGM will be held and at least 10 business days prior to the date on which all other general meetings 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.

Investor Relations

The securities department of the Company is responsible for promoting investor relations, enhancing 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.

Annual General Meeting

The Board and senior management are well aware of their important tasks of acting on behalf of the interests of all the Shareholders and raising the Shareholders' returns. The Board considers that AGM is an important opportunity for direct communication with the Shareholders. The 2013 AGM at which the external auditors attended was convened on 22 May 2013. The Board encourages all the Shareholders to participate in the forthcoming 2014 AGM where the members of the Board and external auditors will be present and communicate with the Shareholders.

Shareholders' Rights

(1) Procedures for Shareholders to convene an extraordinary general meeting ("EGM")

Any one or more Shareholders holding at the date of deposit of the Requisition (as defined below) at least 5% of the total voting rights of all Shareholders having rights to vote at general meetings of the Company (the "Requisitionist(s)") shall at all times have the right, by requisition (the "Requisition") to the Board or the Company Secretary to convene a general meeting.

The Requisition must state the business to be dealt with at the general meeting. It must also be authenticated by such Requisitionist(s) and either deposited at the registered office of the Company (the "Registered Office") at Units 2102-2103, China Merchants Tower, Shun Tak Centre, 168-200, Connaught Road Central, Hong Kong or by email to generalmeeting@sinotrukhk.com for attention of the Company Secretary, If the Directors does not within 21 days from the date of the deposit of the Requisition proceed duly to convene a meeting for a day not more than 28 days after the date on which notice convening the meeting is given, such Requisitionist(s), or any of them representing more than one-half of the total voting rights of all of them, may themselves convene a general meeting in accordance with the relevant provisions of the New Companies Ordinance, but any meeting so convened shall not be held after the expiration of 3 months from the said date.

(2) Procedures for putting forward proposals at Shareholders' meeting

Eligible Shareholders may submit a request to make proposals or move a resolution at the general meeting (the "Request"). "Eligible Shareholder(s) " means:

(i) any number of Shareholders representing at least 2.5% of the total voting rights of all Shareholders having at the date of the Request a right to vote at the general meeting to which the Request relates; or (ii) at least 50 Shareholders who have a right to vote at the general meeting to which the Request relates.

The Request must state clearly the name(s) and contact information of the Eligible Shareholders, his/her/their shareholding, the proposed resolution, accompanied by a statement (the "Statement") of not more than 1,000 words with respect to the matter referred to in the proposed resolution or the proposed business to be dealt with at the general meeting.

The Request and the Statement must be authenticated by the Eligible Shareholder(s) making the Request and either deposited at the Registered Office or by email to resolutionrequest@sinotrukhk.com for the attention of the Company Secretary at least six (6) weeks before the AGM to which the Request relates; or if later, the time at which notice is given of that AGM, and in all other cases, at least seven (7) days before the general meeting to which the Request relates.

The Eligible Shareholder(s) need not pay the circulation of the Statement if the Request and the Statement have been duly received by the Company and been sent together with notice of the AGM. In all other cases, the Eligible Shareholder(s) concerned shall deposit a sum of money reasonably sufficient to meet the Company's expenses in serving the notice of the resolution, a circular or a supplemental circular (as the case may be) concerned and the Statement at least seven (7) days before the general meeting to which the Request relates in accordance with the New Companies Ordinance and the requirements under the Listing Rules to all the Shareholders.

(3) Shareholders' enquiries to the Board

Shareholders may send their enquiries and concerns together with their names and contact information to the Board by addressing them to the Registered Office of the Company by post or email to boardenquiries@sinotrukhk.com for the attention of the Company Secretary. The Board will reply the enquiries and concerns as soon as possible.

CONSTITUTIONAL DOCUMENTS

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

NEW COMPANIES ORDINANCE

The New Companies Ordinance took effect on 3 March 2014. Under the New Companies Ordinance, the nominal value of Shares at HK$0.10 each is statutorily deemed to be abolished since the effective date of the New Companies Ordinance. The memorandum of association of the Company immediately before the commencement of the New Companies Ordinance is deemed to be regraded as a provision of the Articles of Association (except for the provisions in relation to the amount of share capital with which the Company is registered and the division of the share capital of the Company into shares of a fixed amount which were regarded as deleted).

DISCLAIMER

The contents of the section headed “Shareholders’ Rights” are for reference and disclosure compliance purposes only. The information does not represent and should not be regarded as legal or other professional advice from the Company to the Shareholders. Shareholders should seek their own independent legal or other professional advice as to their rights as Shareholders. The Company disclaims all liabilities and losses incurred by the Shareholders in reliance on any contents of the section headed “Shareholders’ Rights”.

The Directors are pleased to present their report and the audited financial statements of the Group for the year ended 31 December 2013.

PRINCIPAL BUSINESS

The Company is principally engaged in investment holding and trading of trucks. The Group primarily specialises in the research, development and manufacturing of heavy duty trucks, light duty trucks, buses 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 33 to the consolidated financial statements. There has been no significant change in the principal business of the Group during the Period.

An analysis of the Group's performance for the Period by operating segment is set out in note 5 to the consolidated financial statements.

OPERATING RESULTS AND RESERVES

The results of the Group for the year ended 31 December 2013 are set out in the consolidated statement of comprehensive income.

The details of the reserves of the Group and the Company during the Period are set out in the consolidated statement of changes in equity on page 63 and note 23 to the consolidated financial statements respectively.

Dividends

The Directors recommend the payment of a final dividend of HKD0.04 per Share of the Company for the year ended 31 December 2013 (the "2013 Final Dividend") with a sum of approximately HKD110,440,000, which is subject to shareholders' approval at the forthcoming 2014 AGM.

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稅法》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稅法實施條例》, 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 2013 Final Dividend.

In respect of all the 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 2013 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 2013 Final Dividend payable to PRC resident enterprise shareholders, exempted entities or any natural person shareholders.

PROPERTIES HELD FOR INVESTMENT

Details of the properties held for investment proposes of the Group are set out in note 17 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group and the Company during the Period are set out in note 16 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the Period are set out in the consolidated statement of changes in equity on page 63 and note 23 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's distributable reserves as at 31 December 2013, calculated under section 79B of the Companies Ordinance, were approximately RMB630,550,000.

CHARITABLE DONATION

The Group's total charitable donation for the period amounted to approximately RMB3,928,000 (2012: RMB3,295,000).

BORROWINGS

Details of the Group's borrowings as at 31 December 2013 are set out in note 24 to the consolidated financial statements respectively.

FIVE YEARS FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Group for the past five financial years is set out on page 156.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

EMPLOYEE SHARE INCENTIVE SCHEME

On 28 August 2012, the Company had adopted the Share Incentive Scheme for the purpose to recognise contributions made by the employees selected (including executive Directors and senior management of the Company but not non-executive Directors) (the "Participant") and to attract skilled and experienced personnel, to incentivise them to remain with the Group and to motivate them to strive for the future development and expansion of the Group by providing them with the opportunity to acquire equity interest in the Company.

The Share Incentive Scheme is valid and effective for three years from 28 August 2012. An independent board committee namely ISIBC which shall comprise of all the INEDs as appointed from time to time, was established for the purpose of the Share Incentive Scheme.

The maximum number of Shares to be granted of the Share Incentive Scheme is 10,000,000 Shares (the "Scheme Shares"), which will be acquired from open market by the trustee of the Share Incentive Scheme. The vesting period of each Scheme Shares granted will be no shorter than three years and that the portion to be vested in any one year will not be more than 33.4% of the number of that Scheme Shares awarded.

Participant accepts such Scheme Shares awarded by pay to the Company at the amount equal to the aggregate market value of the underlying Shares of Scheme Shares granted as the consideration. Any consideration paid by Participant is non-refundable. When vest, Participants will receive the underlying Shares of Scheme Shares granted at nil consideration or cash payment if the ISIBC has so determined.

From the date of the Share Incentive Scheme being adopted upto 31 December 2013, there was no any Scheme Shares granted.

Details of the Share Incentive Scheme has been disclosed in the Company's announcement dated 28 August 2012. Save for the Share Incentive Scheme, the Company did not have any other share option scheme as at 31 December 2013.

DIRECTORS

During the Period, the Directors were as follows:

Executive Directors:

Ma Chunji *(Chairman)*
Cai Dong *(President)*
Wei Zhihai
Wang Haotao
Tong Jingen
Wang Shanpo
Kong Xiangquan
Franz Neundlinger (appointed on 5 December 2013)
Gao Dinggui (resigned on 1 September 2013)

Non-executive Directors:

Georg Pachta-Reyhofen
Anders Olof Nielsen
Jörg Astalosch

Independent non-executive Directors:

Lin Zhijun
Ouyang Minggao
Chen Zheng
Lu Bingheng (appointed on 6 November 2013)
Yang Weicheng (appointed on 6 November 2013)
Shao Qihui (retired on 26 July 2013)
Hu Zhenghuan (retired on 26 July 2013)
Li Xianyun (retired on 26 July 2013)

Dr. Huang Shaoan was subsequently appointed as INED on 27 March 2014.

Pursuant to articles 83 and 84(1) of the Articles of Association, Mr. Wei Zhihai, Mr. Wang Haotao, Mr. Tong Jingen, Mr. Wang Shanpo, Mr. Franz Neundlinger, Dr. Lu Bingheng, Mr. Yang Weicheng and Dr. Huang Shaoan will be retired at the forthcoming annual general meeting and, being eligible, will be available for re-election as Directors.

DIRECTORS' SERVICE CONTRACTS

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, Mr. Ma Chunji is the chairman of CNHTC, Mr. Wang Haotao is the vice general manager and director of CNHTC, Dr. Georg Pachta-Reyhofen is the chief executive officer of MAN SE, Mr. Anders Olof Nielsen and Mr. Jörg Astalosch are the chief executive officer and the chief financial officer of MAN Truck & Bus AG respectively and Mr. Franz Neundlinger is employed by MAN Truck & Bus Österrecich AG . Save as significant transactions between the Group and CNHTC Group and between the Group and the MAN Group as disclosed in section headed "connected transactions" below in the report of the Directors and in the related party transactions in note 34 to the consolidated financial statements, no contract of significance to the business of the Group subsisted during or at the end of the Period 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 20 to page 25.

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

As at 31 December 2013, 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 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.

Saved as disclosed above, at no time during the Period was the Company, its subsidiaries, its associated companies, its fellow subsidiaries or its parent company a party to any arrangement to enable the Directors and chief executives of the Company (including their spouse and children under 18 years of age) to hold any interests or short positions in the Shares or underlying Shares in or debentures of, the Company or any other body corporate.

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

As at 31 December 2013, so far as it is known to the Directors, persons (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.A. (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.A. (formerly known as 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.A. 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 2013, 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.

SPECIFIC PERFORMANCE BY THE CONTROLLING SHAREHOLDER

On 19 March 2012, the Company had entered into a facility agreement ("RMB1.8 Billion Facility Agreement") with Bank of China (Hong Kong) Limited ("BOCHK") and other financial institutions for the borrowing of RMB1,800,000,000 for 24 months ("RMB1.8 Billion Facility"). On 24 October 2012, the Company had entered into a facility agreement ("RMB900 Million Facility Agreement") with BOCHK and other financial institutions for the borrowing of RMB900,000,000 for 24 months ("RMB900 Million Facility"). On 21 February 2014, the Company had entered into a facility agreement ("RMB1 Billion Facility Agreement") with BOCHK and other financial institutions for the borrowing of RMB1,000,000,000 for 36 months ("RMB1 Billion Facility"). Thereafter RMB1.8 Billion Facility Agreement, RMB900 Million Facility Agreement and RMB1 Billion Facility Agreement collectively referred to "Facility Agreements" and RMB1.8 Billion Facility, RMB900 Million Facility and RMB1 Billion Facility are collectively referred to "Facilities".

Pursuant to the Facility Agreements, it will be an event of default if CNHTC is no longer the beneficial owner (directly or indirectly) of more than 50% of the entire issued share capital of the Company. In case of an occurrence of an event of default which is continuing, the agent of Facilities may by notice to the Company (a) cancel the Facilities whereupon such Facilities shall be immediately cancelled; (b) declare that all or part of the loans made or to be made under the Facilities or the principal amount outstanding for the time being of these loans (the "Loans"), together with accrued interest, and all other amounts accrued or outstanding under the Facility Agreements and other documents designated as finance documents under the Facility Agreements by the agent and the Company be immediately due and payable, whereupon such Loans and other amounts shall immediately become due and payable; and/or (c) declare that all or part of the Loans be payable on demand, whereupon such Loans shall immediately become payable on demand by the agent.

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 Period.

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	2.2%
– the five largest suppliers	9.1%

Sales

– the largest customer	2.9%
– the five largest customers	11.2%

The controlling shareholder and ultimate holding company, CNHTC owns all equity interests in CNHTC Ji'nan Investment Co., Ltd., CNHTC Qingdao Heavy Industry Co., Ltd. and CNHTC Datong Gear Co., Ltd., being three of the five largest suppliers of the Group and CNHTC Ji'nan Investment Co., Ltd. is also one 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 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 34 to the consolidated financial statements during the Period.)

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

1) 2015 General Services Agreement

Date of agreement	:	27 March 2012
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 2013 to 31 December 2015
Objective	:	CNHTC 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) market price; or (b) if there is no market price, the cost with a reasonable margin which will be referenced to the average profit margin of similar service
Annual cap for the year ended 31 December 2013	:	RMB187,000,000
Actual consideration for the year ended 31 December 2013	:	RMB95,909,000

Details of the transactions contemplated under the 2015 General Services Agreement were disclosed in the Company's announcement dated 27 March 2012.

2) 2015 Property Leasing In Agreement

Date of agreement	:	27 March 2012
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 2013 to 31 December 2015
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 2013	:	RMB24,000,000
Actual consideration for the year ended 31 December 2013	:	RMB23,827,000

Details of the transactions contemplated under the 2015 Property Leasing In Agreement were disclosed in the Company's announcement dated 27 March 2012.

3) 2015 Property Rent Out Agreement

Date of agreement	:	27 March 2012
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 2013 to 31 December 2015
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 2013	:	RMB13,000,000
Actual consideration for the year ended 31 December 2013	:	RMB7,801,000

Details of the transactions contemplated under the 2015 Property Rent Out Agreement were disclosed in the Company's announcement dated 27 March 2012.

4) 2015 Construction and Project Management Services Agreement

Date of agreement	:	27 March 2012
Parties	:	CNHTC Ji'nan Construction Co., Ltd. ("Ji'nan Construction"), a wholly-owned subsidiary of CNHTC the Company (for itself and on behalf of its subsidiaries)
Term	:	3 years from 1 January 2013 to 31 December 2015
Objective	:	Ji'nan Construction 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 market price; or (b) if this is no market price, costs plus a reasonable margin which will be referenced to the average profit margin of similar service or the guidance price from local government
Annual cap for the year ended 31 December 2013	:	RMB125,000,000
Actual consideration for the year ended 31 December 2013	:	RMB13,683,000

Details of the transactions contemplated under 2015 Construction and Project Management Services Agreement were disclosed in the Company's announcement dated 27 March 2012.

5) 2015 Settlement and Deposits Taking Services Agreement

Date of agreement	:	27 March 2012
Parties	:	CNHTC (for itself and on behalf of its associates) Sinotruk Finance, a non-wholly owned subsidiary of the Company
Term	:	3 years from 1 January 2013 to 31 December 2015
Objective	:	Sinotruk Finance has agreed to provide a range of financial services to members of CNHTC Group including settlement services and deposits taking services
Consideration	:	The consideration of the following services were determined on the following basis: (a) settlement services: free of charge; and (b) deposits services: the interest rates for such deposits are determined in accordance with the standard rates promulgated by PBOC from time to time
Annual cap for the year ended 31 December 2013	:	Maximum day-end balance for deposits taking services: RMB500,000,000 Interest expenses for deposits taking services: RMB30,000,000
Actual consideration for the year ended 31 December 2013	:	Maximum day-end balance for deposits taking services: RMB497,389,000 Interest expenses: RMB3,991,000

Details of the transactions contemplated under the 2015 Settlement and Deposits Taking Services Agreement were disclosed in the Company's announcement dated 27 March 2012.

6) 2015 Bank Bills Discounting and Entrustment Loans Agreement

Date of agreement	:	27 March 2012
Parties	:	CNHTC (for itself and on behalf of its associates) Sinotruk Finance
Term	:	3 years from 1 January 2013 to 31 December 2015
Objective	:	Sinotruk Finance has agreed to provide (including bank bills held by or issued by members of CNHTC Group) bank bills discounting services and arrangement of entrustment loans to CNHTC Group
Consideration	:	The consideration of the following services were determined on the following basis, with reference to the prevailing local market conditions: (a) 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 (b) arrangement of entrustment loans: the service fee is set at a rate with regard to the individual circumstances including terms of the loan
Annual cap for the year ended 31 December 2013	:	Maximum day-end balance for bank bills discounting services: RMB300,000,000 The aggregate of interest and fee income : RMB50,000,000
Actual consideration for the year ended 31 December 2013	:	Maximum day-end balance for bank bills discounting services: Nil The aggregate of interest and fee income: Nil

Details of the transactions contemplated under the 2015 Bank Bills Discounting and Entrustment Loans Agreement were disclosed in the Company's announcement dated 27 March 2012.

B. 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 Sinotruk Ji'nan Power Co., Ltd., a wholly-owned subsidiary of the Company, as 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; and (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 2013	:	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) 2015 Products Sales Agreement

Date of agreement	:	27 March 2012
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 2013 to 31 December 2015
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 market price; or (b) if there is no market price, the cost with a reasonable margin which will be referenced to the average profit margin of similar products
Annual cap for the year ended 31 December 2013	:	RMB738,000,000
Actual consideration for the year ended 31 December 2013	:	RMB158,480,000

Details of the transactions contemplated under 2015 Products Sales Agreement were disclosed in the Company's announcement dated 27 March 2012 and the Company's circular dated 20 April 2012.

3) 2015 Products Purchase Agreement

Date of agreement	:	27 March 2012
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 2013 to 31 December 2015
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 market price; or (b) if there is no market price, the cost with a reasonable margin which will be referenced to the average profit margin of similar products
Annual cap for the year ended 31 December 2013	:	RMB2,270,000,000
Actual consideration for the year ended 31 December 2013	:	RMB1,251,177,000

Details of the transactions contemplated under 2015 Products Purchase Agreement were disclosed in the Company's announcement dated 27 March 2012 and the Company's circular dated 20 April 2012.

4) 2015 Parts Sales Agreement

Date of agreement	:	27 March 2012
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 2013 to 31 December 2015
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 market price; or (b) if there is no market price, the cost with a reasonable margin which will be referenced to the average profit margin of similar products
Annual cap for the year ended 31 December 2013	:	RMB2,032,000,000
Actual consideration for the year ended 31 December 2013	:	RMB510,292,000

Details of the transactions contemplated under 2015 Parts Sales Agreement were disclosed in the Company's announcement dated 27 March 2012 and the Company's circular dated 20 April 2012.

5) **2015 Parts Purchase Agreement**

Date of agreement	:	27 March 2012
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 2013 to 31 December 2015
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 market price; or (b) if there is no market price, the cost with a reasonable margin which will be referenced to the average profit margin of similar products
Annual cap for the year ended 31 December 2013	:	RMB2,008,000,000
Actual consideration for the year ended 31 December 2013	:	RMB588,898,000

Details of the transactions contemplated under 2015 Parts Purchase Agreement were disclosed in the Company's announcement dated 27 March 2012 and the Company's circular dated 20 April 2012.

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.

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 2013 and confirmed that:

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 2014

For the year ended 31 December 2013
(All amounts in RMB thousands unless otherwise stated)

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 57 to 155, which comprise the consolidated and company statement of financial position as at 31 December 2013, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows 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 2013 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 2014

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
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Consolidated Statement of Comprehensive Income

For the year ended 31 December 2013
(All amounts in RMB thousands unless otherwise stated)

	Note	2013	2012
Turnover	5	**30,409,787**	27,888,431
Cost of sales	6	**(25,318,995)**	(23,737,351)
Gross profit		**5,090,792**	4,151,080
Distribution costs	6	**(2,237,779)**	(1,947,278)
Administrative expenses	6	**(2,075,425)**	(1,998,452)
Other gains – net	7	**209,958**	632,252
Operating profit		**987,546**	837,602
Finance income		**83,715**	114,676
Finance costs		**(478,968)**	(631,840)
Finance costs – net	9	**(395,253)**	(517,164)
Profit before income tax		**592,293**	320,438
Income tax expense	10	**(152,738)**	(148,957)
Profit for the year		**439,555**	171,481
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss			
Remeasurements of termination and post-employment benefits		**(5,410)**	—
Items that may be reclassified to profit or loss			
(Losses)/gains on currency translation		**(17,909)**	1,140
Total comprehensive income for the year		**416,236**	172,621

For the year ended 31 December 2013
(All amounts in RMB thousands unless otherwise stated)

	Note	2013	2012
Profit attributable to:			
– Equity holders of the Company		**271,387**	122,969
– Non-controlling interests		**168,168**	48,512
		439,555	171,481
Total comprehensive income attributable to:			
– Equity holders of the Company		**248,068**	124,109
– Non-controlling interests		**168,168**	48,512
		416,236	172,621
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in RMB per share)			
– Basic and diluted	13	**0.10**	0.04

The notes on pages 65 to 155 are an integral part of these consolidated financial statements.

Detail of dividends of the Company is set out in Note 14 to these consolidated financial statements.

Consolidated Statement of Financial Position

For the year ended 31 December 2013
(All amounts in RMB thousands unless otherwise stated)

	Note	31 December 2013	31 December 2012
ASSETS			
Non-current assets			
Land use rights	15	**1,545,785**	1,464,106
Property, plant and equipment	16	**12,681,507**	12,835,865
Investment properties	17	**180,023**	214,754
Intangible assets	18	**672,195**	546,714
Goodwill		**3,868**	3,868
Deferred income tax assets	25	**952,781**	880,956
Investment in an associate		**2,319**	4,564
Trade receivables and other receivables	20	**423,897**	360,321
		16,462,375	16,311,148
Current assets			
Inventories	19	**7,803,963**	7,560,531
Trade receivables, other receivables and other current assets	20	**16,124,932**	13,930,524
Financial assets at fair value through profit or loss	21	**1,236**	1,489
Amounts due from related parties	34(b)	**16,512**	12,694
Cash and bank balances	22	**5,288,229**	5,933,177
		29,234,872	27,438,415
Total assets		**45,697,247**	43,749,563
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	23(a)	**261,489**	261,489
Reserves			
– Proposed final dividend	14	**87,481**	33,463
– Others		**18,515,166**	18,354,150
		18,864,136	18,649,102
Non-controlling interests		**1,948,236**	1,806,010
Total equity		**20,812,372**	20,455,112

For the year ended 31 December 2013
(All amounts in RMB thousands unless otherwise stated)

	Note	31 December 2013	31 December 2012
LIABILITIES			
Non-current liabilities			
Borrowings	24	753,400	5,618,988
Deferred income tax liabilities	25	29,870	48,807
Termination and post-employment benefits	27	21,470	22,580
Deferred income	29	294,914	394,383
Long-term payable		4,920	7,902
Amounts due to related parties	34(b)	85,268	170,069
		1,189,842	6,262,729
Current liabilities			
Trade payables, other payables and other current liabilities	26	13,810,802	10,718,796
Current income tax liabilities		60,353	20,549
Borrowings	24	9,019,237	5,388,247
Amounts due to related parties	34(b)	448,276	599,937
Provisions for other liabilities	28	356,365	304,193
		23,695,033	17,031,722
Total liabilities		24,884,875	23,294,451
Total equity and liabilities		45,697,247	43,749,563
Net current assets		5,539,839	10,406,693
Total assets less current liabilities		22,002,214	26,717,841

The notes on pages 65 to 155 are an integral part of these consolidated financial statements.

Company Statement of Financial Position

For the year ended 31 December 2013
(All amounts in RMB thousands unless otherwise stated)

	Note	31 December 2013	31 December 2012
ASSETS			
Non-current assets			
Land use rights	15	16,346	16,365
Property, plant and equipment	16	567	608
Investments in subsidiaries	33(a)	15,864,376	15,862,957
Amounts due from subsidiaries	33(b)	—	3,940,000
		15,881,289	19,819,930
Current assets			
Amounts due from subsidiaries	33(b)	4,044,245	600,515
Dividends receivable		1,050,380	1,051,800
Trade receivables, other receivables and other current assets	20	1,522	708
Cash and bank balances	22	131,511	219,304
		5,227,658	1,872,327
Total assets		21,108,947	21,692,257
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		261,489	261,489
Reserves			
– Proposed final dividend		87,481	33,463
– Others		16,998,604	16,835,995
Total equity	23(b)	17,347,574	17,130,947

For the year ended 31 December 2013
(All amounts in RMB thousands unless otherwise stated)

	Note	31 December 2013	31 December 2012
LIABILITIES			
Non-current liabilities			
Borrowings	24	—	3,938,889
Current liabilities			
Amounts due to subsidiaries	33(c)	276	125
Trade and other payables	26	68,369	82,296
Borrowings	24	3,692,728	540,000
		3,761,373	622,421
Total liabilities		3,761,373	4,561,310
Total equity and liabilities		21,108,947	21,692,257
Net current assets		1,466,285	1,249,906
Total assets less current liabilities		17,347,574	21,069,836

The notes on pages 65 to 155 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2013
(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 2012	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
Profit for the year	—	—	—	—	—	—	—	—	—	122,969	122,969	48,512	171,481
Other comprehensive income													
Gains on currency translation	—	—	—	—	—	—	—	—	1,140	—	1,140	—	1,140
Transactions with owners in their capacity as owners													
Dividends of the Company relating to 2011, paid	—	—	—	—	—	—	—	—	—	(225,092)	(225,092)	—	(225,092)
Dividends of subsidiaries to non-controlling shareholders	—	—	—	—	—	—	—	—	—	—	—	(54,437)	(54,437)
Acquisition of non-controlling interests without change of control	—	—	—	446	—	—	—	—	—	—	446	(7,026)	(6,580)
Total transactions with owners	—	—	—	446	—	—	—	—	—	(225,092)	(224,646)	(61,463)	(286,109)
Transfer of property revaluation reserve relating to disposal of properties	—	—	—	—	(62,192)	—	—	—	—	62,192	—	—	—
Appropriation to reserves	—	—	—	—	—	218,206	—	—	—	(218,206)	—	—	—
Balance as at 31 December 2012	261,489	16,444,600	10,935	(3,672,258)	1,053	958,092	104,294	1,144,582	(57,719)	3,454,034	18,649,102	1,806,010	20,455,112
Balance as at 1 January 2013	261,489	16,444,600	10,935	(3,672,258)	1,053	958,092	104,294	1,144,582	(57,719)	3,454,034	18,649,102	1,806,010	20,455,112
Profit for the year	—	—	—	—	—	—	—	—	—	271,387	271,387	168,168	439,555
Other comprehensive income													
Remeasurements of termination and post-employment benefits	—	—	—	—	—	—	—	—	—	(5,410)	(5,410)	—	(5,410)
Losses on currency translation	—	—	—	—	—	—	—	—	(17,909)	—	(17,909)	—	(17,909)
Total other comprehensive income for the year	—	—	—	—	—	—	—	—	(17,909)	(5,410)	(23,319)	—	(23,319)
Transactions with owners in their capacity as owners													
Dividends of the Company relating to 2012, paid	—	—	—	—	—	—	—	—	—	(33,034)	(33,034)	—	(33,034)
Dividends of subsidiaries to non-controlling shareholders	—	—	—	—	—	—	—	—	—	—	—	(25,942)	(25,942)
Total transactions with owners	—	—	—	—	—	—	—	—	—	(33,034)	(33,034)	(25,942)	(58,976)
Appropriation to reserves	—	—	—	—	—	74,824	—	—	—	(74,824)	—	—	—
Balance as at 31 December 2013	261,489	16,444,600	10,935	(3,672,258)	1,053	1,032,916	104,294	1,144,582	(75,628)	3,612,153	18,864,136	1,948,236	20,812,372

The notes on pages 65 to 155 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2013
(All amounts in RMB thousands unless otherwise stated)

		2013	2012
Cash flows from operating activities			
Cash generated from operations	30(a)	**1,282,973**	1,730,990
Interest paid		**(442,022)**	(734,171)
Income tax paid		**(194,774)**	(203,640)
Net cash generated from operating activities		**646,177**	793,179
Cash flows from investing activities			
Prepaid operating lease payments for land use rights		**(5,307)**	(19,249)
Purchase of property, plant and equipment		**(442,330)**	(644,025)
Proceeds from disposals of property, plant and equipment	30(b)	**1,971**	2,794
Purchase of investment properties		**—**	(182,616)
Proceeds from disposals of investment properties		**—**	251,475
Purchase of intangible assets		**(1,549)**	(6,774)
Purchase of financial assets at fair value through profit or loss		**—**	(14,391)
Proceeds from disposals of financial assets at fair value through profit or loss		**—**	17,947
Purchase of non-controlling interests		**—**	(6,580)
Interest received		**74,998**	137,167
Decrease/(Increase) in fixed deposits		**34,880**	(64,000)
Net cash used in investing activities		**(337,337)**	(528,252)
Cash flows from financing activities			
Decrease in restricted cash		**—**	20,504
Proceeds from borrowings		**7,899,375**	10,989,046
Repayments of borrowings		**(9,097,973)**	(14,689,563)
Proceeds from issue of RMB bonds		**—**	1,789,036
Repayments of RMB bonds		**—**	(2,700,000)
Dividends paid to the equity shareholders of the Company		**(33,034)**	(225,092)
Dividends paid to non-controlling interests		**(29,466)**	(51,529)
Net cash used in financing activities		**(1,261,098)**	(4,867,598)
Net decrease in cash and cash equivalents		**(952,258)**	(4,602,671)
Cash and cash equivalents at beginning of the year	22(c)	**4,974,962**	9,576,878
Exchange (losses)/gains on cash	30(a)	**(18,375)**	755
Cash and cash equivalents at end of the year	22(c)	**4,004,329**	4,974,962

The notes on pages 65 to 155 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 have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 2007.

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 duty trucks and buses, and also produces and sells key parts and components such as engines, axles and cabins, 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.

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 fiscal year beginning 1 January 2013 and relevant to the Group:

- Amendment to HKAS 1 'Financial statement presentation' is effective for annual periods beginning on or after 1 July 2012. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendment has no significant impact on the Group's financial statements.

2. Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

Changes in accounting policy and disclosures (Continued)

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

- Amendment to HKFRSs 10, 11 and 12 on transition guidance are effective for annual periods beginning on or after 1 January 2013. These amendments provide additional transition relief to HKFRSs 10, 11 and 12, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. For disclosures related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for periods before HKFRS 12 is first applied. These amendments have no significant impact on the Group's financial statements.

- HKFRS 10, 'Consolidated financial statements'. The objective of HKFRS 10 is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entity (an entity that controls one or more other entities) to present consolidated financial statements. Defines the principle of control, and establishes controls as the basis for consolidation. Set out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee. It also sets out the accounting requirements for the preparation of consolidated financial statements.

- HKAS 27 (revised 2011) 'Separate financial statements' is effective for annual periods beginning on or after 1 January 2013. It includes the provisions on separate financial statements that are left after the control provisions of HKAS 27 have been included in the new HKFRS 10. It has no significant impact on the Group's financial statements.

- 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.

- 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 requirements, which are largely aligned between HKFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRSs or US GAAP.

- Amendment to HKAS 19 'Employee benefits' is effective for annual periods beginning on or after 1 January 2013. These amendments eliminate the corridor approach and calculate finance costs on a net funding basis. See Note 27 for the impact on the consolidated financial statements.

There are no other amended standards or interpretations that are effective for the first time for this year that have a material impact on the Group.

(All amounts in RMB thousands unless otherwise stated)

2. Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

Changes in accounting policy and disclosures (Continued)

(2) New and amended standards have been issued but are not effective for the fiscal year beginning on or after 1 January 2014 and have not been early adopted

The Group's assessment of the impact of these new and amended standards is set out below:

Standards	Description	Effective date
Amendments to HKAS 32	'Financial instruments presentation' on asset and liability offsetting	1 January 2014
Amendments to HKFRS 10, 12 and HKAS 27	'Consolidation for investment entities'	1 January 2014
Amendment to HKAS 36	'Impairment of assets' on recoverable amount disclosures	1 January 2014
Amendment to HKAS 39	'Financial Instruments: Recognition and Measurement'	1 January 2014
HK(IFRIC) - Int 21	'Levies'	1 January 2014
Amendment to HKAS 19	'Defined benefit plans'	1 July 2014
HKFRS 9	'Financial Instruments'	1 January 2015
Annual Improvement 2012		1 July 2014
Annual Improvement 2013		1 July 2014

None of these new and amended standards is expected to have a significant effect on the consolidated financial statements of the Group.

2. Summary of significant accounting policies (Continued)

(b) Subsidiaries

(i) Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

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.

Intra-group transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(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 received and receivable.

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 consolidated statement of comprehensive income 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 consolidated statement of comprehensive income.

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 consolidated statement of comprehensive income.

2. Summary of significant accounting policies (Continued)

(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 board of directors, while it delegates the executive committee of the Company ("Executive Committee") comprising all executive directors to execute its decisions.

(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 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 consolidated statement of comprehensive income, 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 bank balances are presented in the consolidated statement of comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the consolidated statement of comprehensive income within 'other gains – 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 function currency different from the presentation currency are translated into the presentation currency as follows:

(a) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(b) income and expenses for each statement of comprehensive income 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); and

(c) all resulting currency translation differences are recognised in other comprehensive income.

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, costs of plant and machinery and borrowing costs recognised. 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 - net' in the consolidated statement of comprehensive income.

2. Summary of significant accounting policies (Continued)

(g) Investment property

Investment property, principally comprising leasehold land and office buildings, is held for long-term rental yields or for capital appreciation or both, and is not occupied by the Group. Land held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date 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. Changes in fair values are recorded in the consolidated statement of comprehensive income as part of a valuation gain or loss in 'other gains – net'.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment and land use rights. Its fair value at the date of reclassification becomes its cost for subsequent accounting purposes.

(h) Intangible assets

(i) Proprietary technology

Separately acquired proprietary technology is initially recorded at purchase cost. Proprietary technology recognised from development expenditures is recorded at costs incurred on development projects. Proprietary technology has a finite useful life and is carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of proprietary technology over their estimated useful lives of 6 to 10 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 2 to 5 years.

2. Summary of significant accounting policies (Continued)

(i) Impairment of investments in subsidiaries and 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.

(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 assets.

(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 date of statement of financial position, which are classified as non-current assets.

2. Summary of significant accounting policies (Continued)

(j) Financial assets (Continued)

(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 – 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.

(iii) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position 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.

2. Summary of significant accounting policies (Continued)

(j) Financial assets (Continued)

(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 statement of comprehensive income. 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, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. In the consolidated and company statement of financial position, bank overdrafts are shown within borrowings in current liabilities.

(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 date of statement of financial position.

(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 date of statement of financial position 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 substantively enacted by the date of statement of financial position 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 liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, 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. Generally the Group is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

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

A defined contribution plan is a pension plan under which the Group pays contributions into a separate 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 that 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 statement of financial position in respect of defined benefit plans is the present value of the defined benefit obligation at the date of statement of financial position less the fair value of plan assets. 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 high-quality corporate 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 obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in other comprehensive income in the period in which they arise.

Past-service costs are recognised immediately in the statement of comprehensive income.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. 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 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.

2. Summary of significant accounting policies (Continued)

(s) Employee benefits (Continued)

(i) Pension obligations (Continued)

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 at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of HKAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their 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's 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. The discounting rates of the calculation of the present value of the past-employment benefits obligation are the interest-rates of Chinese government bonds. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. These obligations are valued annually by independent qualified actuaries.

On 1 March 2006, with the approval of governmental authorities, the Group's 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's 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.

2. Summary of significant accounting policies (Continued)

(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.

(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) Rendering of services

Revenue from the rendering 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.

2. Summary of significant accounting policies (Continued)

(v) Revenue recognition (Continued)

(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.

(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 statement of financial position based on the nature of the asset.

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

2. Summary of significant accounting policies (Continued)

(x) Dividend distribution

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

(y) Research and development

Research expenditure is recognised as an expense when 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.

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.

(a) 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 trade and other receivables, financial assets at fair value through profit or loss, cash and bank balances, borrowings, trade payables and amounts due to related parties denominated in foreign currencies, mainly USD, EURO and HKD, which are exposed to foreign currency translation risk. Details of the Group's financial assets and liabilities dominated in foreign currencies are disclosed in Note 20, 21, 22, 24, 26 and 34 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 2013, 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 RMB70,405,000 (2012: RMB51,550,000) lower/higher, mainly as a result of foreign exchange losses/gains on translation of USD-denominated trade and other receivables, cash and bank balances, borrowings and trade payables.

As at 31 December 2013, 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 RMB5,746,000 (2012: RMB10,737,000) lower/higher, mainly as a result of foreign exchange losses/gains on translation of EURO-denominated trade and other receivables, cash and bank balances, trade payables and amounts due to related parties.

As at 31 December 2013, 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 RMB1,971,000 (2012: RMB5,149,000) lower/higher, respectively, mainly as a result of foreign exchange losses/gains on translation of HKD-denominated trade and other receivables, financial assets at fair value through profit or loss, cash and bank balances and trade payables.

3. Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) 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 other than 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. Financial assets and liabilities dominated in foreign currencies have been disclosed in Note 22 and 24 respectively.

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

As at 31 December 2013, if the interest rates on bank borrowings had been 150 basis points higher/lower than the average coupon rate of 4.82% (2012: 5.64%) per annum with all other variables held constant, profit before income tax for the year would have been RMB68,328,000 (2012: RMB121,553,000) lower/higher, mainly as a result of higher/lower interest expense on bank borrowings with floating rate.

(c) Credit risk

The Group has no significant concentrations of credit risk. The carrying amounts of trade and other receivables (Note 20), cash and bank balances (Note 22) and amounts due from related parties (Note 34(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 respective Group companies. 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 bank balances, together with adequate banking facilities. The Group also manages liquidity through the issue of convertible notes and bonds where appropriate.

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

	Repayment period				
	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Total
As at 31 December 2013					
Borrowings	**9,019,237**	**726,700**	**26,700**	—	**9,772,637**
Interests payments on borrowings (a)	**228,454**	**10,839**	**148**	—	**239,441**
Trade and other payables	**11,877,930**	—	—	—	**11,877,930**
Long-term payables	—	**4,920**	—	—	**4,920**
Amounts due to related parties	**436,692**	**85,268**	—	—	**521,960**
	21,562,313	**827,727**	**26,848**	—	**22,416,888**
As at 31 December 2012					
Borrowings	5,388,247	5,565,588	26,700	26,700	11,007,235
Interests payments on borrowings (a)	390,036	162,910	747	148	553,841
Trade and other payables	9,204,036	—	—	—	9,204,036
Long-term payables	—	2,982	4,920	—	7,902
Amounts due to related parties	599,937	84,894	85,175	—	770,006
	15,582,256	5,816,374	117,542	26,848	21,543,020

(a) The interest on borrowings is calculated based on borrowings held as at the dates of statement of financial position without taking into account of future issues. Floating-rate interest is estimated using current interest rate as at the dates of statement of financial position.

(All amounts in RMB thousands unless otherwise stated)

3. Financial risk management (Continued)

3.2 Capital 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 debts.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt includes total borrowings (including current and non-current borrowings) and borrowings from related parties less fixed deposits and cash and cash equivalents. Total capital is calculated as total equity as shown in the consolidated statement of financial position plus net debt.

	As at 31 December 2013	As at 31 December 2012
Total borrowings (Note 24)	**9,772,637**	11,007,235
Borrowings from related parties (Note 34(b))	**36,000**	—
Less: fixed deposits (Note 22(a))	**(29,120)**	(64,000)
cash and cash equivalents (Note 22(c))	**(4,004,329)**	(4,974,962)
Net debt	**5,775,188**	5,968,273
Total equity	**20,812,372**	20,455,112
Total capital	**26,587,560**	26,423,385
Gearing ratio	**22%**	23%

The decrease in the gearing ratio is resulted from decrease in borrowings.

(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 2013 and 2012.

	Level 1	Level 2	Level 3	Total
As at 31 December 2013				
Assets				
Financial assets at fair value through profit or loss	**1,236**	—	—	**1,236**
Total	**1,236**	—	—	**1,236**
As at 31 December 2012				
Assets				
Financial assets at fair value through profit or loss	1,489	—	—	1,489
Total	1,489	—	—	1,489

(All amounts in RMB thousands unless otherwise stated)

3. Financial risk management (Continued)

3.4 Financial instruments by category

	As at 31 December 2013		
	Loans and receivables	Assets at fair value through profit and loss	Total
Assets			
Receivables and other current assets excluding prepayments	15,876,766	—	15,876,766
Amounts due from related parties excluding prepayments	13,788	—	13,788
Financial assets at fair value through profit or loss	—	1,236	1,236
Cash and bank balances	5,288,229	—	5,288,229
Total	21,178,783	1,236	21,180,019

	As at 31 December 2013
	Financial liabilities at amortised cost
Liabilities	
Borrowings	9,772,637
Trade and other payables excluding non-financial liabilities	11,882,850
Amounts due to related parties excluding advances from customers	521,960
Total	22,177,447

(All amounts in RMB thousands unless otherwise stated)

3. Financial risk management (Continued)

3.4 Financial instruments by category (Continued)

	As at 31 December 2012		
	Loans and receivables	Assets at fair value through profit and loss	Total
Assets			
Receivables and other current assets excluding prepayments	13,388,518	—	13,388,518
Amounts due from related parties excluding prepayments	10,796	—	10,796
Financial assets at fair value through profit or loss	—	1,489	1,489
Cash and bank balances	5,933,177	—	5,933,177
Total	19,332,491	1,489	19,333,980

	As at 31 December 2012
	Financial liabilities at amortised cost
Liabilities	
Borrowings	11,007,235
Trade and other payables excluding non-financial liabilities	9,211,938
Amounts due to related parties excluding advances from customers	767,218
Total	20,986,391

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 10). 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) 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)

(c) 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 market condition as at the date of statement of financial position and the historical experience of manufacturing and selling products of similar nature.

(d) 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.

(e) 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)

(f) 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 2013, the Group's market capitalisation of RMB9,443 million approximately, which is lower than the Group's net assets value of RMB20,812 million. 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.

(g) Fair value of investment properties

The fair value of investment properties is determined by using valuation technique. Details for the judgement and assumptions have been disclosed in Note 17.

5. Segment information

The chief operating decision-maker has been identified as the board of directors, while it delegates the Executive Committee 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 heavy duty trucks, light duty trucks and buses, engines and finance.

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

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

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

(iv) Finance – Taking deposits from member companies, facilitating borrowings for member companies, discounting notes of member companies, provision for entrusted loan between member companies as well as provision for financing services.

5. Segment information (Continued)

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

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

Segment assets are those operating assets that are employed by a segment in its operating activities. Segment assets are determined after deducting related allowance that are reported as direct offsets in the statement of financial position. 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 15), property, plant and equipment (Note 16), and intangible assets (Note 18), 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 2013 and 2012 are as follows:

	Year ended 31 December 2013					
	Heavy duty trucks	Light duty trucks and buses	Engines	Finance	Elimination	Total
External segment revenue						
Sales of goods	25,683,664	2,824,777	1,111,784	—	—	29,620,225
Provision of financing services	—	—	—	217,126	—	217,126
Rendering of services	453,008	17,202	102,226	—	—	572,436
Total	26,136,672	2,841,979	1,214,010	217,126	—	30,409,787
Inter-segment revenue	73,847	28,917	6,154,041	46,642	(6,303,447)	—
Segment revenue	26,210,519	2,870,896	7,368,051	263,768	(6,303,447)	30,409,787
Operating profit/(loss) before unallocated expenses	719,404	(272,142)	260,592	187,946	117,225	1,013,025
Unallocated expenses						(25,479)
Operating profit						987,546
Finance costs – net						(395,253)
Profit before income tax						592,293
Income tax expense						(152,738)
Profit for the year						439,555

For the year ended 31 December 2013
(All amounts in RMB thousands unless otherwise stated)

5. Segment information (Continued)

The segment results for the year ended 31 December 2013 and 2012 are as follows: (Continued)

	Year ended 31 December 2012					
	Heavy duty trucks	Light duty trucks and buses	Engines	Finance	Elimination	Total
External segment revenue						
Sales of goods	23,842,860	2,163,800	1,011,862	—	—	27,018,522
Provision of financing services	—	—	—	207,991	—	207,991
Rendering of services	362,914	5,643	293,361	—	—	661,918
Total	24,205,774	2,169,443	1,305,223	207,991	—	27,888,431
Inter-segment revenue	47,716	42,092	5,007,244	46,499	(5,143,551)	—
Segment revenue	24,253,490	2,211,535	6,312,467	254,490	(5,143,551)	27,888,431
Operating profit/(loss) before unallocated expenses	479,092	(230,838)	280,675	172,947	150,159	852,035
Unallocated expenses						(14,433)
Operating profit						837,602
Finance costs – net						(517,164)
Profit before income tax						320,438
Income tax expense						(148,957)
Profit for the year						171,481

(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 2013 and 2012 are as follows:

	Year ended 31 December 2013					
	Heavy duty trucks	Light duty trucks and buses	Engines	Finance	Unallocated	Total
Depreciation	453,945	58,148	509,056	863	46	1,022,058
Amortisation of intangible assets and land use rights	49,525	7,838	122,306	69	19	179,757

	Year ended 31 December 2012					
	Heavy duty trucks	Light duty trucks and buses	Engines	Finance	Unallocated	Total
Depreciation	378,729	48,541	400,509	843	46	828,668
Amortisation of intangible assets and land use rights	52,629	6,122	108,067	66	19	166,903

The segment assets and liabilities as at 31 December 2013 and 2012 and capital expenditure for the year then ended are as follows:

	As at 31 December 2013					
	Heavy duty trucks	Light duty trucks and buses	Engines	Finance	Unallocated	Total
Segment assets	27,164,787	3,273,124	11,869,463	5,521,798	6,279,281	54,108,453
Elimination						(8,411,206)
Total assets						45,697,247
Segment liabilities	9,973,869	2,369,783	2,838,884	4,264,243	9,931,230	29,378,009
Elimination						(4,493,134)
Total liabilities						24,884,875
Segment capital expenditure	549,745	372,964	343,523	44	5	1,266,281

(All amounts in RMB thousands unless otherwise stated)

5. Segment information (Continued)

Reconciled to entity assets and liabilities as follows:

	As at 31 December 2013	
	Assets	**Liabilities**
Segment assets/liabilities after elimination	**39,417,966**	**14,953,645**
Unallocated:		
Deferred tax assets/liabilities	952,781	29,870
Current tax assets/liabilities	82,204	60,353
Current borrowings	—	9,019,237
Non-current borrowings	—	753,400
Other assets/liabilities of the Company	5,244,296	68,370
Total	**45,697,247**	**24,884,875**

	As at 31 December 2012					
	Heavy duty trucks	Light duty trucks and buses	Engines	Finance	Unallocated	Total
Segment assets	24,610,025	3,167,640	11,846,110	5,716,050	6,801,383	52,141,208
Elimination						(8,391,645)
Total assets						43,749,563
Segment liabilities	8,223,071	1,985,758	2,503,754	4,337,293	11,159,012	28,208,888
Elimination						(4,914,437)
Total liabilities						23,294,451
Segment capital expenditure	810,601	595,976	957,033	218	10	2,363,838

(All amounts in RMB thousands unless otherwise stated)

5. Segment information (Continued)

Reconciled to entity assets and liabilities as follows:

	As at 31 December 2012	
	Assets	Liabilities
Segment assets/liabilities after elimination	36,948,181	12,135,439
Unallocated:		
Deferred tax assets/liabilities	880,956	48,807
Current tax assets/liabilities	91,126	20,549
Current borrowings	—	5,388,247
Non-current borrowings	—	5,618,988
Other assets/liabilities of the Company	5,829,300	82,421
Total	43,749,563	23,294,451

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.

	2013	2012
Turnover		
Mainland China	**24,881,188**	23,247,048
Overseas	**5,528,599**	4,641,383
	30,409,787	27,888,431

(All amounts in RMB thousands unless otherwise stated)

5. Segment information (Continued)

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

	2013	2012
Total assets		
Mainland China	37,204,393	34,633,526
Overseas	8,492,854	9,116,037
	45,697,247	43,749,563

Non-current assets other than deferred income tax assets are allocated based on where the assets are located.

	2013	2012
Non-current assets other than deferred income tax assets		
Mainland China	15,285,198	15,178,186
Overseas	224,396	252,006
	15,509,594	15,430,192

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

	2013	2012
Capital expenditure		
Mainland China	1,266,231	2,181,212
Overseas	50	182,626
	1,266,281	2,363,838

(All amounts in RMB thousands unless otherwise stated)

6. Expenses by nature

	2013	2012
Materials cost (Note 19)	22,359,809	20,282,912
Employee benefit expenses (Note 8)	2,428,714	2,043,736
Warranty expenses (Note 28)	720,371	680,051
Utilities expenses	681,951	593,201
Amortisation of land use rights (Note 15)	36,951	32,007
Depreciation of property, plant and equipment (Note 16)	1,022,058	828,668
Amortisation of intangible assets (Note 18)	142,806	134,896
Transportation expenses	940,044	867,348
Advertising costs	94,486	97,403
Travel and office expenses	225,157	254,903
Transaction taxes	141,112	146,675
Write-down of inventories to net realisable value (Note 19)	192,454	89,636
Auditors' remuneration	13,438	15,878
Provision for impairment of trade and other receivables (Note 20(b))	62,867	67,480
Rental expenses	53,845	84,840
Other charges	516,136	1,463,447
Total	29,632,199	27,683,081
Representing:		
Cost of sales	25,318,995	23,737,351
Distribution costs	2,237,779	1,947,278
Administrative expenses	2,075,425	1,998,452
Total	29,632,199	27,683,081

For the year ended 31 December 2013
(All amounts in RMB thousands unless otherwise stated)

7. Other gains – net

	2013	2012
Losses from financial assets at fair value through profit or loss	**(241)**	(176)
Disposal of scraps	**63,598**	160,896
Government grants (a)	**222,231**	427,861
Fair value (losses)/gains on investment properties (Note 17)	**(20,746)**	25,977
Gains/(losses) on disposals of property, plant and equipment (Note 30(a))	**5,354**	(10,107)
Rental income	**15,334**	18,798
Loss on investment in an associate	**(2,245)**	(1,661)
Losses on disposals of investment properties	**—**	(8,865)
Foreign exchange losses – net	**(72,519)**	(1,519)
Others	**(808)**	21,048
Total	**209,958**	632,252

(a) Government grants were contributed from various government organizations to the Group in respect of relocation compensations, subsidies for research and development, overseas promotion activities and other incentives.

8. Employee benefit expenses

	2013	2012
Salaries, wages and bonuses	**1,863,706**	1,523,496
Contributions to pension plans	**236,207**	210,558
Termination benefits (Note 27(a))	**460**	550
Post-employment benefits (Note 27(b))	**220**	210
Medical insurance plan (Note 27(c))	**50**	110
Housing benefits	**109,120**	102,865
Other welfare expenses	**218,951**	205,947
Total (Note 6)	**2,428,714**	2,043,736

(All amounts in RMB thousands unless otherwise stated)

9. Finance costs – net

	2013	2012
Interest expense:		
– Bank borrowings and bonds wholly repayable within 5 years	506,401	724,756
– Discount of notes receivable	14,342	16,361
	520,743	741,117
Less: amount capitalized in construction in progress (Note 16(b))	(41,775)	(109,277)
Finance costs	478,968	631,840
Finance income:		
– Interest income from bank deposits	(83,715)	(114,676)
Finance costs – net	395,253	517,164

10. 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% (2012: 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 the People's Republic of China ("PRC"), which has been calculated based on the corporate income tax rate of 25% (2012: 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 Engines Co., Ltd. have been recognised as the High New Tech Enterprises in 2011. Sinotruk Ji'nan Fuqiang Power Co., Ltd. has been recognised as the High New Tech Enterprises in 2012. According to the tax incentives of the Corporate Income Tax Law of the PRC (the "CIT Law") for High New Tech Enterprises, these companies are subject to a reduced corporate income tax rate of 15% for three years.

(All amounts in RMB thousands unless otherwise stated)

10. Taxation (Continued)

(a) Income tax expense (Continued)

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 Sinotruk Mianyang Special Vehicles Co., Ltd. are subject to a corporate income tax rate of 15% according to the Western Development tax incentives of the CIT Law.

Sinotruk Russia Co., Ltd. is subject to a corporate income tax rate of 20% according to Tax Code of the Russian Federation.

The remaining subsidiaries are subject to the PRC corporate income tax, which has been calculated based on the corporate income tax rate of 25% (2012: 25%).

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

	2013	2012
Current tax:		
– Hong Kong profits tax	5,068	7,825
– PRC corporate income tax	238,432	195,798
Total current tax	243,500	203,623
Deferred tax (Note 25(b))	(90,762)	(54,666)
Income tax expense	152,738	148,957

(All amounts in RMB thousands unless otherwise stated)

10. Taxation (Continued)

(a) Income tax expense (Continued)

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

	2013	2012
Profit before income tax	592,293	320,438
Tax calculated at tax rates applicable to profits of the respective entities	148,073	78,790
Tax effects of:		
Preferential tax of certain subsidiaries	(38,456)	(7,665)
Income not subject to tax	—	(1,953)
Expenses not deductible for tax purposes	41,340	44,613
Tax losses for which no deferred tax assets were recognised	32,887	69,378
Additional allowance for research and development expenditures	(31,106)	(35,677)
Re-measurement of deferred tax resulted from changes in tax rates of certain subsidiaries	—	1,471
Income tax expense	152,738	148,957

As at 31 December 2013, the Group has unrecognised tax losses of approximately RMB413,060,000 (2012: RMB302,824,000) which can be carried forward against future taxable income and will expire within 5 years.

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

Certain Group's entities 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 5% of BT payable, respectively.

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

Certain Group's entities 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 5% of net VAT payable, respectively.

For the year ended 31 December 2013
(All amounts in RMB thousands unless otherwise stated)

11. Directors' and senior management's emoluments

(a) Remuneration of directors

(i) The remuneration of each director of the Company (the "Director") is set out below:

Year ended 31 December 2013

Name of Director	Fees, salaries and bonuses	Other benefits	Employer's contribution to pension scheme	Total
Mr. Ma Chunji	717	23	18	758
Mr. Cai Dong	700	36	22	758
Mr. Wei Zhihai	600	22	12	634
Mr. Wang Haotao	580	36	22	638
Mr. Tong Jingen	580	36	22	638
Mr. Wang Shanpo	580	36	22	638
Mr. Kong Xiangquan	520	36	22	578
Mr. Franz Neundlinger	92	—	—	92
Dr. Georg Pachta-Reyhofen	145	—	—	145
Mr. Anders Olof Nielsen	145	—	—	145
Mr. Jörg Astalosch	145	—	—	145
Dr. Lin Zhijun	145	—	—	145
Dr. Ouyang Minggao	145	—	—	145
Mr. Chen Zheng	145	—	—	145
Dr. Lu Bingheng	28	—	—	28
Mr. Yang Weicheng	28	—	—	28
Mr. Gao Dinggui	413	26	17	456
Dr. Shao Qihui	70	—	—	70
Dr. Hu Zhenghuan	70	—	—	70
Mr. Li Xianyun	70	—	—	70

(All amounts in RMB thousands unless otherwise stated)

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

(a) Remuneration of directors (Continued)

(i) The remuneration of each Director is set out below: (Continued)

Year ended 31 December 2012

Name of Director	Fees, salaries and bonuses	Other benefits	Employer's contribution to pension scheme	Total
Mr. Ma Chunji	456	20	—	476
Mr. Cai Dong	437	20	11	468
Mr. Wei Zhihai	382	20	—	402
Mr. Wang Haotao	366	20	11	397
Mr. Tong Jingen	365	20	11	396
Mr. Wang Shanpo	365	20	11	396
Mr. Kong Xiangquan	326	20	11	357
Dr. Georg Pachta-Reyhofen	120	—	—	120
Mr. Anders Olof Nielsen	10	—	—	10
Mr. Jörg Astalosch	10	—	—	10
Dr. Lin Zhijun	120	—	—	120
Dr. Ouyang Minggao	120	—	—	120
Mr. Chen Zheng	120	—	—	120
Mr. Gao Dinggui	505	10	19	534
Mr. Jörg Schwitalla	90	—	—	90
Mr. Lars Wrebo	30	—	—	30
Dr. Shao Qihui	120	—	—	120
Dr. Hu Zhenghuan	120	—	—	120
Mr. Li Xianyun	120	—	—	120

During the year 2013 and 2012, 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)

11. 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 2013 include four (2012: four) Directors whose emoluments have been included in Note (a) above. The emoluments payable to the remaining individual during the year are as follows:

	2013	2012
Basic salaries, housing allowances and other allowances	1,074	1,025

(c) Senior management remuneration by band

The emoluments fell within the following bands:

	Number of employees	
	2013	2012
Emolument bands (in HK dollars)		
HKD1,000,000 – HKD1,500,000	1	1
HKD500,000 – HKD1,000,000	8	3
HKD0 – HKD500,000	12	16

12. 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 a profit of RMB249,661,000 (2012: RMB136,346,000).

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

	2013	2012
Operating profit/(loss) for the year in the Company's financial statements	2,707	(16,217)
Final dividends from subsidiaries attributable to the profits of the previous financial years, approved during the year	246,954	152,563
Profit attributable to equity holders dealt with in the Company's financial statements (Note 23(b))	249,661	136,346

13. 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.

	2013	2012
Profit attributable to equity holders of the Company	**271,387**	122,969
Weighted average number of ordinary shares in issue (thousands)	**2,760,993**	2,760,993
Basic earnings per share (RMB per share)	**0.10**	0.04

Diluted earnings per share equals to basic earnings per share for the years ended 31 December 2013 and 2012 as there are no dilutive potential shares existed during the years.

14. Dividends

(a) At a meeting held on 27 March 2014, the board of directors ("Board") proposed a final dividend in respect of the year ended 31 December 2013 of approximately HKD110,440,000 (2012: HKD41,415,000 which was fully paid during the year ended 31 December 2013) (approximately RMB87,481,000, 2012: RMB33,463,000), representing HKD0.04 (2012: HKD0.015) per ordinary share. Such dividend is to be approved by the shareholders at the forthcoming 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 RMB1,144,000 in respect of the final dividend for the year 2012 (withholding corporate income tax for the final dividend for the year 2011: RMB8,087,000) for its non-PRC resident enterprise shareholders and paid all withholding corporate income tax in June 2013.

(All amounts in RMB thousands unless otherwise stated)

15. 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 36 to 871 years.

The locations are as follows:

	Group		Company	
	2013	2012	**2013**	2012
In Hong Kong				
– Leases over 50 years	**16,346**	16,365	**16,346**	16,365
– Leases between 10 to 50 years	**23,504**	17,895	**—**	—
Outside Hong Kong				
– Leases between 10 to 50 years	**1,505,935**	1,429,846	**—**	—
	1,545,785	1,464,106	**16,346**	16,365

The movements in land use rights are as follows:

	Group		Company	
	2013	2012	**2013**	2012
Opening net book amount	**1,464,106**	1,394,774	**16,365**	16,384
Transfer from property, plant and equipment (Note 16)	**106,750**	82,090	**—**	—
Transfer from investment properties (Note 17)	**6,573**	—	**—**	—
Additions	**5,307**	19,249	**—**	—
Amortization charge (Note 6)	**(36,951)**	(32,007)	**(19)**	(19)
Closing net book amount	**1,545,785**	1,464,106	**16,346**	16,365
Cost	**1,721,350**	1,602,720	**16,467**	16,467
Accumulated amortization	**(175,565)**	(138,614)	**(121)**	(102)
Net book amount	**1,545,785**	1,464,106	**16,346**	16,365

Amortisation of the Group's intangible assets has been charged to administrative expenses in the consolidated statement of comprehensive income.

For the year ended 31 December 2013
(All amounts in RMB thousands unless otherwise stated)

16. Property, plant and equipment – Group and Company

	Buildings	Machinery	Furniture, fittings and equipment	Vehicles	Construction in progress	Total
The Group						
As at 1 January 2012						
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
Year ended 31 December 2012						
Opening net book amount	3,778,132	3,782,964	156,965	136,620	3,748,706	11,603,387
Additions	32,020	87,127	14,891	4,170	2,018,122	2,156,330
Transfers	347,690	679,232	5,674	9,043	(1,041,639)	—
Transfer to land use rights (Note 15)	—	—	—	—	(82,090)	(82,090)
Disposals (Note 30(b))	(10,573)	(1,898)	(60)	(563)	—	(13,094)
Depreciation charge (Note 6)	(151,846)	(624,443)	(31,845)	(20,534)	—	(828,668)
Closing net book amount	3,995,423	3,922,982	145,625	128,736	4,643,099	12,835,865
As at 31 December 2012						
Cost	4,722,014	7,395,967	311,192	238,307	4,643,099	17,310,579
Accumulated depreciation	(726,591)	(3,472,985)	(165,567)	(109,571)	—	(4,474,714)
Net book amount	3,995,423	3,922,982	145,625	128,736	4,643,099	12,835,865
Year ended 31 December 2013						
Opening net book amount	3,995,423	3,922,982	145,625	128,736	4,643,099	12,835,865
Additions	25,495	63,475	8,822	8,347	1,153,286	1,259,425
Transfers	481,673	2,809,318	26,425	9,978	(3,327,394)	—
Transfer from investment properties (Note 17)	1,211	—	—	—	—	1,211
Transfer to land use rights (Note 15)	—	—	—	—	(106,750)	(106,750)
Transfer to intangible assets (Note 18)	—	—	—	—	(266,738)	(266,738)
Disposals (Note 30(b))	(6,226)	(12,012)	(512)	(698)	—	(19,448)
Depreciation charge (Note 6)	(166,031)	(803,135)	(34,376)	(18,516)	—	(1,022,058)
Closing net book amount	4,331,545	5,980,628	145,984	127,847	2,095,503	12,681,507
As at 31 December 2013						
Cost	5,219,034	10,196,816	344,153	251,471	2,095,503	18,106,977
Accumulated depreciation	(887,489)	(4,216,188)	(198,169)	(123,624)	—	(5,425,470)
Net book amount	4,331,545	5,980,628	145,984	127,847	2,095,503	12,681,507

(All amounts in RMB thousands unless otherwise stated)

16. Property, plant and equipment – Group and Company (Continued)

	Buildings	Furniture, fittings and equipment	Total
The Company			
As at 1 January 2012			
Cost	813	39	852
Accumulated depreciation	(180)	(29)	(209)
Net book amount	633	10	643
Year ended 31 December 2012			
Opening net book amount	633	10	643
Additions	—	11	11
Depreciation charge	(40)	(6)	(46)
Closing net book amount	593	15	608
As at 31 December 2012			
Cost	813	50	863
Accumulated depreciation	(220)	(35)	(255)
Net book amount	593	15	608
Year ended 31 December 2013			
Opening net book amount	**593**	**15**	**608**
Additions	**—**	**5**	**5**
Depreciation charge	**(41)**	**(5)**	**(46)**
Closing net book amount	**552**	**15**	**567**
As at 31 December 2013			
Cost	**813**	**55**	**868**
Accumulated depreciation	**(261)**	**(40)**	**(301)**
Net book amount	**552**	**15**	**567**

(All amounts in RMB thousands unless otherwise stated)

16. 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	
	2013	2012	**2013**	2012
Cost of sales	**856,712**	713,203	**—**	—
Distribution costs	**3,559**	2,858	**—**	—
Administrative expenses	**161,787**	112,607	**46**	46
	1,022,058	828,668	**46**	46

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

	Group		Company	
	2013	2012	**2013**	2012
Borrowing costs capitalized	**41,775**	109,277	**—**	—
Average capitalization rate	**5.30%**	6.21%	**—**	—

(c) As at 31 December 2013, the Group was in the process of applying the certificates of ownership for the buildings, with net book amount of approximately RMB119,570,000 (2012: RMB58,427,000). The Directors are of the opinion that the process will be completed before 31 December 2014.

(All amounts in RMB thousands unless otherwise stated)

17. Investment properties – Group

	2013	2012
As at 1 January	214,754	266,501
Purchases	—	182,616
Disposals	—	(260,340)
Transfer to property, plant and equipment (Note 16)	(1,211)	—
Transfer to land use right (Note 15)	(6,573)	—
Fair value (losses)/gains (Note 7)	(20,746)	25,977
Translation differences	(6,201)	—
As at 31 December	180,023	214,754

The information of the investment properties as at 31 December 2013 is set out below:

Shun Tak Centre
Address: Units 2302-2303, 23/F and Units 3101-3105, 31/F, West Tower, Shun Tak Centre, Nos.168-200 Connaught Road Central, Hong Kong
Lot No: Inland Lot No.8517
Usage: office

During the year, the information of the investment properties transferred to property, plant and equipment and land use right is set out below:

Ilumination Terrace
Address: Flat A, 1/F, Block 2, Illumination Terrace, 7 Tai Hang Road, Hong Kong
Lot No: Inland Lot No.8731
Usage: residential

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

	2013	2012
Rental income	5,415	2,896

The investment properties are located in Hong Kong and held on leases between 10 to 50 years.

17. Investment properties – Group (Continued)

An independent valuation of the Group's investment properties was performed by the surveyor, PRUDENTIAL Property Surveyors (Hong Kong) Limited, to determine the fair value of the investment properties as at 31 December 2013 and 2012. The revaluation gains or losses are included in 'Other gains – net' in the consolidated statement of comprehensive income. The following table analyses the investment properties carried at fair value by valuation method.

Fair value hierarchy

	Fair value measurements at 31 December 2013 using		
Description	**Quoted prices in active markets for identical assets (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Recurring fair value measurements:			
– Office units	—	180,023	—

The valuation was determined using the sale comparison approach. Sales prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is selling price per square foot.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

(All amounts in RMB thousands unless otherwise stated)

18. 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 2012			
Cost	889,228	48,772	938,000
Accumulated amortisation	(249,751)	(12,282)	(262,033)
Net book amount	639,477	36,490	675,967
Year ended 31 December 2012			
Opening net book amount	639,477	36,490	675,967
Additions	1,469	4,174	5,643
Amortisation charge (Note 6)	(130,121)	(4,775)	(134,896)
Closing net book amount	510,825	35,889	546,714
At 31 December 2012			
Cost	890,697	52,826	943,523
Accumulated amortisation	(379,872)	(16,937)	(396,809)
Net book amount	510,825	35,889	546,714
Year ended 31 December 2013			
Opening net book amount	**510,825**	**35,889**	**546,714**
Additions	**677**	**872**	**1,549**
Transfer from property, plant and equipment (Note 16)	**262,188**	**4,550**	**266,738**
Amortisation charge (Note 6)	**(137,219)**	**(5,587)**	**(142,806)**
Closing net book amount	**636,471**	**35,724**	**672,195**
At 31 December 2013			
Cost	**1,153,562**	**58,248**	**1,211,810**
Accumulated amortisation	**(517,091)**	**(22,524)**	**(539,615)**
Net book amount	**636,471**	**35,724**	**672,195**

(a) Amortisation of the Group's intangible assets has been charged to administrative expenses in the consolidated statement of comprehensive income.

(b) Research expenditures and development expenditures that do not meet criteria for capitalization are recognized as an expense as incurred. The total amount of expenses charged into the consolidated statement of comprehensive income is approximately RMB722,470,000 (2012: RMB480,603,000).

(All amounts in RMB thousands unless otherwise stated)

19. Inventories – Group

	2013	2012
Raw materials	**1,493,336**	1,488,440
Work in progress	**629,647**	836,871
Finished goods - engines, parts and components	**885,215**	319,129
Finished goods - trucks	**5,191,813**	5,171,327
	8,200,011	7,815,767
Less: write-down of inventories to net realisable value	**(396,048)**	(255,236)
	7,803,963	7,560,531

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

	2013	2012
Materials cost (Note 6)	**22,359,809**	20,282,912
Write-down of inventories to net realisable value (Note 6)	**192,454**	89,636
	22,552,263	20,372,548
Representing:		
Cost of sales	**22,540,363**	20,357,154
Administrative expenses	**11,900**	15,394
	22,552,263	20,372,548

(a) As at 31 December 2013, no inventory was pledged as security of bank borrowings. As at 31 December 2012, the carrying amount of inventories pledged as security of bank borrowings was RMB800,000,000 (Note 24(b)).

For the year ended 31 December 2013
(All amounts in RMB thousands unless otherwise stated)

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

	Group		Company	
	2013	2012	2013	2012
Non-current				
Accounts receivable	25,018	16,758	—	—
Loans and receivables from financing services	404,955	347,033	—	—
Less: Provision for impairment of loans and receivables from financing services	(6,076)	(3,470)	—	—
Loans and receivables from financing services – net	398,879	343,563	—	—
Trade receivables and other receivables	423,897	360,321	—	—
Current				
Accounts receivable	5,368,913	5,613,024	1,188	—
Less: Provision for impairment of accounts receivable	(227,583)	(174,196)	—	—
Accounts receivable – net	5,141,330	5,438,828	1,188	—
Notes receivable				
– Bank acceptance notes	8,675,848	6,225,560	—	—
– Commercial acceptance notes	35,611	32,000	—	—
Notes receivable – total	8,711,459	6,257,560	—	—
Trade receivables – net	13,852,789	11,696,388	1,188	—
Loans and receivables from financing services	1,232,793	1,041,129	—	—
Less: Provision for impairment from financing services	(20,584)	(16,592)	—	—
Loans and receivables from financing services – net	1,212,209	1,024,537		
Other receivables	371,708	296,991	—	—
Less: Provision for impairment of other receivables	(4,603)	(1,768)	—	—
Other receivables – net	367,105	295,223	—	—
Interest receivables	20,766	12,049	293	685

(All amounts in RMB thousands unless otherwise stated)

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

	Group		Company	
	2013	2012	**2013**	2012
Receivables and other current assets before prepaid items	**15,452,869**	13,028,197	**1,481**	685
Prepayments	**271,070**	412,945	**41**	23
Prepaid taxes other than income tax	**318,789**	398,256	**—**	—
Prepaid income taxes	**82,204**	91,126	**—**	—
Trade receivables, other receivables and other current assets – net	**16,124,932**	13,930,524	**1,522**	708

(a) As at 31 December 2013 and 2012, the carrying amounts of the Group's receivables and other current assets before prepaid items approximated their fair values.

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

	Group	
	2013	2012
Opening amount	**196,026**	133,830
Provision for impairment of receivables (Note 6)	**62,867**	67,480
Receivables written off during the year as uncollectible	**(47)**	(5,284)
Closing amount	**258,846**	196,026

The Group's provision for impairment of receivables of approximately RMB62,867,000 (2012: RMB67,480,000) is included in administrative expenses in the consolidated statement of comprehensive income.

(All amounts in RMB thousands unless otherwise stated)

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

(c) The ageing analysis of trade receivables – net at respective dates of statement of financial position are as follows:

	Group	
	2013	2012
Less than 3 months	**7,523,947**	8,228,007
3 months to 6 months	**5,343,327**	2,770,116
6 months to 12 months	**136,570**	312,205
1 year to 2 years	**828,416**	340,188
2 years to 3 years	**41,843**	58,743
Over 3 years	**3,704**	3,887
	13,877,807	11,713,146

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 acceptance notes with a tenure of usually 3 to 6 months, which represents the credit terms granted to the customers who pay by acceptance notes. Credit terms in the range within 6 months are granted to those customers with good payment history.

As at 31 December 2013, accounts receivable of the Group of approximately RMB1,019,416,000 (2012: RMB1,171,812,000) were secured by certain letters of credit issued by overseas third parties. No provision is provided against these receivables as at 31 December 2013 and 31 December 2012.

(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)

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

(e) The notes receivable are analysed as follows:

	Group	
	2013	2012
Bank acceptance notes issued by related parties	**2,130**	3,350
Bank acceptance notes issued by third parties	**8,673,718**	6,222,210
Commercial acceptance notes issued by third parties	**35,611**	32,000
	8,711,459	6,257,560

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

	2013	2012
Bank acceptance notes		
CNHTC Qingdao Heavy Industry Co., Ltd.	**2,130**	1,850
CNHTC Datong Gear Co., Ltd.	**—**	1,300
CNHTC Taian Wuyue Special Truck Co., Ltd.	**—**	200
	2,130	3,350

(f) Loans and receivables from financing services represented loans granted by Sinotruk Finance Co., Ltd, a subsidiary of the Company, which is involved in the provision of financing services, to individuals and entities when they purchased commercial vehicles of the Group from dealers at an interest rate of 6%-8.96% per annum. These loans and receivables from financing services are secured by the vehicles together with guarantees provided by these dealers and the relevant parties.

Loans and receivables from financing services – net at respective dates of statement of financial position are due in the following periods:

	Group	
	2013	2012
Less than 3 months	**400,502**	318,917
3 months to 6 months	**336,987**	281,220
6 months to 12 months	**474,720**	424,400
1 year to 2 years	**387,865**	330,512
2 years to 3 years	**11,014**	12,640
Over 3 years	**—**	411
	1,611,088	1,368,100

(All amounts in RMB thousands unless otherwise stated)

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

(g) The credit quality of the accounts receivable, notes receivable, loans and receivables from financing services, other receivables and interest receivables is as follows:

(i) Accounts receivable, notes receivable, loans and receivables from financing services, 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, loans and receivables from financing services, 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, loans receivables from financing services, other receivables and amounts due from customers or other counter parties with no defaults in the past.

	2013	2012
Group 1	**8,696,614**	6,237,609
Group 2	**35,611**	32,000
Group 3	**5,363,346**	6,375,182
	14,095,571	12,644,791

(ii) As at 31 December 2013, no accounts receivable, notes receivable, loans and receivables from financing services, other receivables and interest receivables were past due but not impaired (2012: Nil).

(All amounts in RMB thousands unless otherwise stated)

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

(g) The credit quality of the accounts receivable, notes receivable, loans and receivables from financing services, other receivables and interest receivables is as follows: (Continued)

(iii) Impaired receivables

As at 31 December 2013, receivables that were impaired are analysed below:

	2013	2012
Receivables	2,040,041	939,753
Less: Provision for impairment	(258,846)	(196,026)
	1,781,195	743,727

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.

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

	2013	2012
RMB	14,923,919	12,001,547
USD	834,057	1,167,988
EURO	114,772	218,144
HKD	4,018	839
	15,876,766	13,388,518

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

21. Financial assets at fair value through profit or loss – Group

	2013	2012
Listed securities		
– equity securities	1,236	1,489

Changes in fair values of financial assets at fair value through profit or loss are recorded in 'other gains – 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)

22. Cash and bank balances – Group and Company

	Group		Company	
	31 December 2013	31 December 2012	**31 December 2013**	31 December 2012
Fixed deposits (Note a)	**29,120**	64,000	**29,120**	64,000
Restricted cash (Note b)	**1,254,780**	894,215	**–**	–
Cash and cash equivalents (Note c)	**4,004,329**	4,974,962	**102,391**	155,304
	5,288,229	5,933,177	**131,511**	219,304

(a) Fixed deposits

As at 31 December 2013, the Company placed over three-month fixed deposits in reputable PRC bank in Hong Kong with amount of RMB29,120,000 (2012: RMB64,000,000).

(b) Restricted cash

The breakdown of restricted cash by nature as at 31 December 2013 and 2012 is as follows:

	Group	
	2013	2012
Deposits for issuing bank acceptance notes	**411,840**	224,254
Deposits for issuing letters of credit	**261,299**	175,816
Mandatory reserve deposits (i)	**546,070**	473,810
Security for consumer credit	**35,571**	20,335
	1,254,780	894,215

(i) 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.

(All amounts in RMB thousands unless otherwise stated)

22. Cash and bank balances – Group and Company (Continued)

(c) Cash and cash equivalents

	Group		Company	
	2013	2012	**2013**	2012
Cash on hand	**254**	249	**6**	3
Time deposits with initial term of over three months (i)	**561,191**	978,000	**—**	—
Current bank deposits (ii)	**3,442,884**	3,996,713	**102,385**	155,301
Cash and cash equivalents	**4,004,329**	4,974,962	**102,391**	155,304

(i) The weighted average effective interest rate on these time deposits with initial term of over three months was 2.96% per annum (2012: 2.79%). As these time deposits can be drawn on demand and available within short time frame without penalty, the Directors are of the view that these time deposits are qualified as demand deposits and classified as cash and cash equivalents.

(ii) The weighted average effective interest rate on current bank deposits was 0.47% per annum (2012: 0.82%).

(iii) 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)

22. Cash and bank balances – Group and Company (Continued)

(c) Cash and cash equivalents (Continued)

(iv) Credit quality of cash at bank

The Group categorises its cash at bank into the following:

— Group 1 – Major international banks; and

— Group 2 – Large China reputable banks

The management considered the credit risks in respect of bank deposits with financial institutions 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	
	2013	2012	**2013**	2012
Group 1	**80,341**	67,826	**2,834**	—
Group 2	**3,923,734**	4,906,887	**99,551**	155,301
	4,004,075	4,974,713	**102,385**	155,301

(d) Cash and bank balances are dominated in:

	Group		Company	
	2013	2012	**2013**	2012
Denominated in:				
– RMB	**4,299,067**	5,722,437	**77,809**	217,916
– USD	**944,358**	99,997	**20,031**	—
– HKD	**39,853**	103,187	**33,665**	1,382
– EURO	**2,995**	3,657	**4**	4
– GBP	**420**	3,893	**—**	—
– others	**1,536**	6	**2**	2
	5,288,229	5,933,177	**131,511**	219,304

(All amounts in RMB thousands unless otherwise stated)

23. Equity

(a) Share capital

Authorised and issued share capital

The total authorised number of ordinary shares of the Company is 100,000 million shares with par value of HKD0.10 per share.

Ordinary share, issued and fully paid

	2013		2012	
	Numbers of Share	Amount	Numbers of Share	Amount
As at 1 January and at 31 December	**2,760,993,339**	**261,489**	2,760,993,339	261,489

(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 equity during the year are set out below:

	Share capital	Share premium	Capital redemption reserve	Retained earnings	Total
As at 1 January 2012	261,489	16,444,600	10,935	502,669	17,219,693
Total comprehensive income for the year (Note 12)	—	—	—	136,346	136,346
Dividends relating to year 2011, paid	—	—	—	(225,092)	(225,092)
As at 31 December 2012	261,489	16,444,600	10,935	413,923	17,130,947
As at 1 January 2013	**261,489**	**16,444,600**	**10,935**	**413,923**	**17,130,947**
Total comprehensive income for the year (Note 12)	—	—	—	**249,661**	**249,661**
Dividends relating to year 2012, paid	—	—	—	**(33,034)**	**(33,034)**
As at 31 December 2013	**261,489**	**16,444,600**	**10,935**	**630,550**	**17,347,574**

23. Equity (Continued)

(c) Notes to the Group's reserves

(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 reserves 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 purchase of subsidiary as a business combination under common control subsequent to the Reorganisation.

(All amounts in RMB thousands unless otherwise stated)

23. Equity (Continued)

(d) Material non-controlling interest

As at 31 December 2013, the total non-controlling interest is RMB1,948,236,000, of which RMB1,204,677,000 is contributed from Sinotruk Ji'nan Truck Co., Ltd.. The non-controlling interests in respect of each of other non-wholly owned subsidiaries are not material. Besides the dividends paid to non-controlling interests, there was no transactions with non-controlling interests during the year.

Summarised financial information on subsidiaries with material non-controlling interests

Set out below are the summarised financial information of Sinotruk Ji'nan Truck Co., Ltd. that has non-controlling interests that are material to the Group.

The financial information is extracted from the financial statements of Sinotruk Ji'nan Truck Co., Ltd., which are prepared under Chinese Accounting Standards.

Summarised statement of financial position

	2013	2012
Current		
Assets	11,418,673	9,863,151
Liabilities	(8,414,054)	(6,376,953)
Total current net assets	3,004,619	3,486,198
Non-current		
Assets	1,602,353	1,757,813
Liabilities	(866,415)	(1,753,804)
Total non-current net assets	735,938	4,009
Net assets	3,740,557	3,490,207

Summarised statement of comprehensive income

	2013	2012
Revenue	20,902,882	18,936,742
Profit before income tax	341,260	116,926
Income tax expense	(78,328)	(12,160)
Post-tax profit from continuing operations and total comprehensive income	262,932	104,766
Total comprehensive income allocated to non-controlling interests	95,234	37,946
Dividends paid to non-controlling interests	4,557	25,826

(All amounts in RMB thousands unless otherwise stated)

23. Equity (Continued)

(d) Material non-controlling interest (Continued)

Summarised statement of cash flows

	2013	2012
Cash flows from operating activities		
Cash (used in) generated from operations	(161,863)	1,053,564
Interest paid	(146,166)	(228,071)
Income tax paid	(86,837)	(35,865)
Net cash (used in)/generated from operating activities	(394,866)	789,628
Net cash generated from (used in) investing activities	102,192	(38,732)
Net cash generated from/(used in) financing activities	350,601	(1,760,880)
Net increase/(decrease) in cash and cash equivalents	57,927	(1,009,984)
Cash and cash equivalents at beginning of the year	367,851	1,377,835
Cash and cash equivalents at end of the year	425,778	367,851

(All amounts in RMB thousands unless otherwise stated)

24. Borrowings – Group and Company

	Group		Company	
	2013	2012	**2013**	2012
Non-current				
Long-term bank borrowings - unsecured	**753,400**	3,827,829	—	2,147,730
RMB bonds - unsecured (a)	—	1,791,159	—	1,791,159
	753,400	5,618,988	—	3,938,889
Current				
Long-term bank borrowings, current portion - unsecured	**2,722,812**	1,366,700	**1,896,111**	540,000
RMB bonds - unsecured (a)	**1,796,617**	—	**1,796,617**	—
	4,519,429	1,366,700	**3,692,728**	540,000
Short-term bank borrowings				
– secured (b)	—	800,000	—	—
– unsecured	**4,499,808**	3,221,547	—	—
	4,499,808	4,021,547	—	—
	9,019,237	5,388,247	**3,692,728**	540,000
Total borrowings	**9,772,637**	11,007,235	**3,692,728**	4,478,889

(a) On 1 August 2012, the Company issued RMB1,800,000,000 bonds, due in August 2014. The bonds were unsecured and carried an effective interest rate of 5.3% per annum, with the interest being payable semiannually.

(b) As at 31 December 2013, there were no secured bank borrowings. As at 31 December 2012, bank borrowings of approximately RMB800,000,000 were secured by certain inventories (Note 19).

(All amounts in RMB thousands unless otherwise stated)

24. Borrowings – Group and Company (Continued)

(c) The Group's and the Company's borrowings are repayable as follows:

	Group		Company	
	2013	2012	**2013**	2012
Within 1 year	**9,019,237**	5,388,247	**3,692,728**	540,000
Between 1 and 2 years	**726,700**	5,538,888	**—**	3,938,889
Between 2 and 5 years	**26,700**	80,100	**—**	—
Wholly repayable within 5 years	**9,772,637**	11,007,235	**3,692,728**	4,478,889

As at 31 December 2013 and 2012, there were no any borrowings wholly repayable after 5 years.

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

	Group		Company	
	2013	2012	**2013**	2012
RMB	**9,748,559**	11,007,235	**3,692,728**	4,478,889
USD	**24,078**	—	**—**	—
	9,772,637	11,007,235	**3,692,728**	4,478,889

(e) The average coupon rates at the respective dates of statement of financial position are set out as follows:

	Group		Company	
	2013	2012	**2013**	2012
Bank Borrowings – RMB	**4.82%**	5.64%	**4.63%**	4.60%

Interest rates of the bank borrowings denominated in RMB are reset periodically by reference to the primary rates announced by PBOC or prevailing market interest rates.

(All amounts in RMB thousands unless otherwise stated)

24. Borrowings – Group and Company (Continued)

(f) The exposure of the Group's and the Company's borrowings to interest-rate changes and contractual repricing dates at the respective dates of statement of financial position are as follows:

	Group		Company	
	2013	2012	**2013**	2012
Within 6 months	**4,743,699**	6,315,976	**1,896,111**	2,687,730
Between 6 and 12 months	**4,275,538**	920,000	**1,796,617**	—
Between 1 and 5 years	**753,400**	3,771,259	**—**	1,791,159
	9,772,637	11,007,235	**3,692,728**	4,478,889

(g) 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:

	2013	2012
Carrying amount	**753,400**	5,618,988
Fair value	**745,923**	5,534,604

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 dates of statement of financial position.

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

	2013	2012
Floating rate		
– expiring within one year	**2,778,000**	3,562,994

(All amounts in RMB thousands unless otherwise stated)

25. Deferred income tax – Group

(a) The amounts are as follows:

	2013	2012
Deferred tax assets:		
– Deferred tax assets to be recovered after more than 12 months	421,273	496,843
– Deferred tax assets to be recovered within 12 months	531,508	384,113
	952,781	880,956
Deferred tax liabilities:		
– Deferred tax liabilities to be recovered after more than 12 months	(29,870)	(34,851)
– Deferred tax liabilities to be recovered within 12 months	—	(13,956)
	(29,870)	(48,807)
Deferred tax assets – net	922,911	832,149

(b) The gross movements on the deferred income tax assets – net are as follows:

	2013	2012
As at 1 January	832,149	777,483
Credited to the consolidated statement of comprehensive income (Note 10(a))	90,762	54,666
As at 31 December	922,911	832,149

(All amounts in RMB thousands unless otherwise stated)

25. 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	Provisions for receivables and inventories	Pensions and other post-retirement benefits	Unrealised profit	Accrued expenses and provisions	Change of tax status	Deferred income	Tax losses	Others	Total
As at 1 January 2012	97,685	6,740	196,819	215,086	112,895	102,054	77,506	11,386	820,171
Credited /(charged) to consolidated statement of comprehensive income	4,099	(858)	(51,542)	(43,015)	(9,790)	(9,745)	170,879	757	60,785
As at 31 December 2012	101,784	5,882	145,277	172,071	103,105	92,309	248,385	12,143	880,956
Credited /(charged) to consolidated statement of comprehensive income	39,891	(1,346)	(594)	(1,069)	—	(28,960)	36,179	27,724	71,825
As at 31 December 2013	141,675	4,536	144,683	171,002	103,105	63,349	284,564	39,867	952,781

Deferred tax liabilities	Accelerated tax depreciation	Fair value adjustment arising from business combination	Total
As at 1 January 2012	(1,668)	(41,020)	(42,688)
Charged to consolidated statement of comprehensive income	(2,729)	(3,390)	(6,119)
As at 31 December 2012	(4,397)	(44,410)	(48,807)
Credited to consolidated statement of comprehensive income	733	18,204	18,937
As at 31 December 2013	(3,664)	(26,206)	(29,870)

(All amounts in RMB thousands unless otherwise stated)

26. Trade payables, other payables and other current liabilities – Group

	2013	2012
Trade and bills payables	**8,346,626**	6,445,515
Advances from customers	**1,706,698**	1,319,853
Accrued expenses	**367,212**	416,395
Staff welfare and salaries payable	**226,174**	194,907
Taxes liabilities other than income tax	**83,062**	151,477
Other payables	**3,081,030**	2,190,649
	13,810,802	10,718,796

As at 31 December 2013 and 2012, the ageing analysis of the trade and bills payables was as follows:

	2013	2012
Less than 3 months	**4,710,497**	5,168,978
3 months to 6 months	**3,561,271**	1,231,132
6 months to 12 months	**44,450**	25,297
1 year to 2 years	**25,843**	13,032
2 years to 3 years	**2,082**	5,595
Over 3 years	**2,483**	1,481
	8,346,626	6,445,515

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

	2013	2012
RMB	**11,050,037**	8,390,134
USD	**370,319**	236,992
HKD	**4,454**	1,047
EURO	**2,846**	7,054
GBP	**—**	937
	11,427,656	8,636,164

(All amounts in RMB thousands unless otherwise stated)

27. Termination and post-employment benefits – Group

	2013	2012
Termination benefits (a)	**13,510**	15,280
Post-employment benefits (b)	**6,470**	5,810
Post-employment medical insurance plan (c)	**1,490**	1,490
	21,470	22,580

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

	2013	2012
Termination benefits, included in staff costs (Note 8)	**460**	550
Remeasurements of termination benefits recognised in other comprehensive income	**3,560**	—

(b) The amounts of post-employment benefits recognised in the consolidated statement of financial position are determined as follows:

	2013	2012
Present value of benefit plans	**6,470**	7,450
Unrecognised actuarial losses	**—**	(1,640)
Liability in the consolidated statement of financial position	**6,470**	5,810

The movement of post-employment benefits recognised in the consolidated statement of financial position is as follows:

	2013	2012
As at 1 January	**5,810**	6,390
Total expenses (interest cost) (Note 8)	**220**	210
Remeasurements of post-employment benefits recognised in other comprehensive income	**1,280**	—
Benefits paid	**(840)**	(790)
As at 31 December	**6,470**	5,810

(All amounts in RMB thousands unless otherwise stated)

27. Termination and post-employment benefits – Group (Continued)

(c) The amounts of medical insurance plan recognised in the consolidated statement of financial position are determined as follows:

	2013	2012
Present value of benefit plan	**1,490**	1,980
Unrecognised actuarial losses	**—**	(490)
Liability in the consolidated statement of financial position	**1,490**	1,490

The movement of medical insurance plan recognised in the consolidated statement of financial position is as follows:

	2013	2012
As at 1 January	**1,490**	2,090
Total expenses (interest expense) (Note 8)	**50**	110
Remeasurements of medical insurance plan recognised in other comprehensive income	**570**	—
Benefits paid	**(620)**	(710)
As at 31 December	**1,490**	1,490

(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:

	2013	2012
Post-employment benefits and medical insurance plan discount rate	**4.50%**	3.25%
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)

28. Provisions for other liabilities – Group

	Products warranties
As at 1 January 2012	478,274
Additional provision (Note 6)	680,051
Untilised during the year	(854,132)
As at 31 December 2012	304,193
Additional provision (Note 6)	**720,371**
Untilised during the year	**(668,199)**
As at 31 December 2013	**356,365**

29. Deferred income – Group

As at 31 December 2013, deferred income represented government subsidies as the amount of RMB294,914,000 (2012: RMB394,383,000).

(All amounts in RMB thousands unless otherwise stated)

30. Notes to the consolidated statement of cash flows

(a) Cash generated from operations

	2013	2012
Profit before income tax	592,293	320,438
Adjustments for:		
– Provision for impairment of trade and other receivables (Note 6 and Note 20(b))	62,867	67,480
– Depreciation (Note 6 and Note 16)	1,022,058	828,668
– Amortisation (Note 15 and Note 18)	179,757	166,903
– Write-down inventories to net realisable value (Note 6 and Note 19)	192,454	89,636
– (Gains)/losses on disposals of property, plant and equipment (Note 7 and Note (b))	(5,354)	10,107
– Losses on disposals of investment properties (Note 7)	—	8,865
– Losses on financial assets at fair value through profit or loss (Note 7)	241	176
– Fair value losses/(gains) on investment properties (Note 7 and Note 17)	20,746	(25,977)
– Losses on investment in an associate (Note 7)	2,245	1,661
– Interest income (Note 9)	(83,715)	(114,676)
– Interest expense (Note 9)	478,968	631,840
– Amortisation of deferred income	(117,220)	(290,600)
– Foreign exchange losses/(gains) on operating activities	6,012	(755)
	2,351,352	1,692,105
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation):		
– Inventories	(435,886)	2,542,569
– Trade and other receivables and amounts due from related parties	(2,829,806)	(8,407)
– Restricted cash	(360,565)	840,034
– Trade and other payables, amounts due to related parties and other liabilities	2,494,475	(3,153,000)
– Receipt of government grants	17,751	304,115
– Provisions for other liabilities	52,172	(174,081)
– Termination and post-employment benefits	(6,520)	(8,230)
Cash generated from operations	1,282,973	1,730,990

(All amounts in RMB thousands unless otherwise stated)

30. 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:

	2013	2012
Net book amount (Note 16)	19,448	13,094
Gains/(losses) on disposals of property, plant and equipment (Note 7 and Note (a))	5,354	(10,107)
Net-off with payables	(22,831)	(193)
Proceeds from disposals of property, plant and equipment	1,971	2,794

(c) Major non-cash transactions

For the year ended 31 December 2013, the Group endorsed bank acceptance notes to the suppliers for purchase of property, plant and equipment amounting to approximately RMB520,416,000 (2012: approximately RMB1,509,793,000).

31. Contingencies and guarantees

The Directors are of the opinion that there is no material contingent liabilities in respect of legal claims. The provision for guarantees of products warranties has been disclosed in Note 28.

(All amounts in RMB thousands unless otherwise stated)

32. Commitments

(a) Capital commitments

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

	2013	2012
Property, plant and equipment	**657,957**	1,932,306

(b) Operating lease commitments – As a lessee

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

	2013	2012
No later than 1 year	**32,403**	45,661
Later than 1 year and no later than 2 years	**22,468**	34,970
Later than 2 years and no later than 5 years	**693**	22,968
Later than 5 years	**10**	177
	55,574	103,776

(c) Lease payments receivable – As a lessor

The future aggregate minimum lease payments receivable under non-cancellable operating leases in respect of investment properties, warehouses, plants and other assets are as follows:

	2013	2012
No later than 1 year	**6,868**	3,910
Later than 1 year and no later than 2 years	**3,115**	3,436
Later than 2 years and no later than 5 years	**959**	6,072
Later than 5 years	**5**	1,684
	10,947	15,102

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

(a) Investments in subsidiaries

	2013	2012
Investments, at cost:		
Listed investments	1,926,283	1,926,283
Unlisted investments	13,938,093	13,936,674
	15,864,376	15,862,957
Market value of listed investments	3,060,310	3,431,930

As at 31 December 2013, the Company had direct or indirect interest in the following subsidiaries:

Company Name	Country/place and date of incorporation	Type of legal entity	Issued/paid in capital (in million)	Interest held	Principal activities
Directly held:					
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	RMB419.43	63.78%	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	RMB6,713.08	100%	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	RMB1,871.29	100%	Manufacture and sales oftrucks 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	RMB555	100%	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	RMB206	100%	Import and export of heavy duty trucks
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	RMB10.5	100%	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/ 6 August 2004	Limited liability company	HKD3,266.92	100%	Consultations and strategic planning in respect of automobile market, import and export trading, asset operations and investment holdings

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

(a) Investments in subsidiaries (Continued)

Company Name	Country/place and date of incorporation	Type of legal entity	Issued/paid in capital (in million)	Interest held	Principal activities
Directly held (Continued):					
Sinotruk Finance Co., Ltd. (中國重汽財務有限公司)	PRC/ 4 October 1987	Limited liability company	RMB1,033.56	79.45%	Taking deposits, facilitating borrowings, discounting notes, providing entrusted loan, entrusted investment and customer credit
Indirectly held:					
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	RMB338.49	100%	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	RMB1,931	100%	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	RMB60	100%	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	USD81.15	100%	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	RMB646.74	81.53%	Manufacture and sales of trucks and axle and transmission parts
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	RMB103	60%	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	HKD1,503.7	100%	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	HKD60	100%	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	HKD140	100%	Manufacture and reproduction of engines
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	RMB62.77	60%	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	RMB50	100%	Manufacture and reproduction of spare parts; sales of trucks

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

(a) Investments in subsidiaries (Continued)

Company Name	Country/place and date of incorporation	Type of legal entity	Issued/paid in capital (in million)	Interest held	Principal activities
Indirectly held (Continued):					
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	RMB180	100%	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	RMB300	100%	Manufacture and sales of trucks and spare parts
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	USD16	100%	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	RMB800	80%	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	RMB5.1	80%	Manufacture and sales of spare parts, steels, hardware 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	RMB5	80%	Manufacture and sales of spare parts, general machinery components, coal machinery, hard ware, chemicals, electromechanical equipment and metals
Chengdu Sinotruk Wangpai Automobile Testing Co., Ltd. (成都重汽王牌汽車檢測有限公司)	PRC/ 22 August 2006	Limited liability company	RMB2	80%	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	RMB200	80%	Manufacture and sales of trucks and spare parts and related information consulting
Sinotruk Hangzhou Engines Sales Co., Ltd. (中國重汽集團杭州發動機銷售有限公司)	PRC/ 14 December 2011	Limited liability company	RMB50	100%	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)	PRC/ 29 July 2011	Limited liability company	RMB40	100%	Research, development, manufacture and sales of spare parts (excluding engines) and trucks; after-sales service of trucks; import and export

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

(a) Investments in subsidiaries (Continued)

Company Name	Country/place and date of incorporation	Type of legal entity	Issued/paid in capital (in million)	Interest held	Principal activities
Indirectly held (Continued):					
Sinotruk Ji'nan Rubber & Plastic Components Co., Ltd. (中國重汽集團濟南橡塑件有限公司)	PRC/ 15 December 2011	Limited liability company	RMB240	100%	Research, development, manufacture, sales and consulting of spare parts, engineering machinery and rubber products; maintenance and lease of machinery equipment
Sinotruk Russia Co., Ltd. (中國重汽俄羅斯有限公司)	Russia/ 30 April 2013	Limited liability company	RUB15	100%	Retail and wholesale of trucks and spare parts; agency of sales of motor vehicle and spare parts; after-sales service of trucks, cars and other motor vehicles

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

(b) Amounts due from subsidiaries

	2013	2012
Non-current		
Loans to subsidiaries (i)	—	3,940,000
Current		
Loans to subsidiaries, current portion (i)	3,940,000	540,000
Interest receivable	51,445	60,502
Deposits (ii)	45,938	13
Prepayment	6,628	—
Other receivables	234	—
	4,044,245	600,515

(i) As at 31 December 2013, the loan to a subsidiary, Sinotruk Ji'nan Power Co., Ltd., at the amount of RMB2,680,000,000 is unsecured, with effective interest rate of 6.15%, denominated in RMB and repayable on 25 October 2014. The loan to a subsidiary, Sinotruk Ji'nan Commercial Truck Co., Ltd., at the amount of RMB1,260,000,000 is unsecured, with effective interest rate of 4.85%, denominated in RMB and repayable on 28 February 2014.

In February 2014, the loan to Sinotruk Ji'nan Commercial Truck Co., Ltd. at the amount of RMB1,260,000,000 was renewed and repayable in February 2020.

(All amounts in RMB thousands unless otherwise stated)

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

(b) Amounts due from subsidiaries (Continued)

(ii) As at 31 December 2013, the Company had deposited at the aggregate amount of RMB45,938,000 (2012: RMB13,000) 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 CNHTC and its subsidiaries other than the Group ("CNHTC Group") and the 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

	2013	2012
Other payables	276	125

34. Related party transactions

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

The Group is an associated company of MAN Finance and Holding S.A. (formerly known as MAN Finance and Holding S.à.r.l.), a wholly subsidiary of MAN SE. MAN SE and its subsidiaries is referred as MAN Group.

Sinotruk Baotou Xinhongchang Special Vehicles Co., Ltd. (中國重汽集團包頭新宏昌專用車有限公司) ("Baotou Xinhongchang") is an associated company of the Group.

The directors consider that the major related parties are CNHTC Group, MAN Group, Baotou Xinhongchang, key management personnel of the Company and CNHTC as well as their close family members, and other PRC government-related entities ("Other State-owned Enterprises").

(All amounts in RMB thousands unless otherwise stated)

34. Related party transactions (Continued)

(a) Significant related party transactions

		2013	2012
Transactions with related parties			
(i)	CNHTC Group		
	Sales of trucks	158,480	141,390
	Purchases of trucks	1,251,177	997,134
	Sales of spare parts	510,292	454,026
	Purchases of spare parts	588,898	559,146
	Supply of auxilliary production services	1,640	5,134
	Purchases of general services	95,909	100,650
	Rental income	7,801	10,325
	Rental expenses	23,827	14,627
	Purchases of construction and project management services	13,683	106,776
	Provision for construction supervision design services	4,348	10,990
	Aggregate of interest expenses for deposits taking services	3,991	2,490
	Sales of fixed assets	2,919	447
	Purchases of fixed assets	8,625	1,174
	Interest expenses	822	—
		2,672,412	2,404,309
(ii)	MAN Group		
	Purchases of trucks	—	1,342
	Purchases of spare parts	3,182	5,232
	Purchases of technology license agreement	1,481	2,981
		4,663	9,555
(iii)	Baotou Xinhongchang		
	Purchases of trucks	17,419	49,529
(iv)	Key management		
	Salaries and other short-term benefits	7,113	5,357
	Post-employment benefits	287	74
		7,400	5,431

(All amounts in RMB thousands unless otherwise stated)

34. Related party transactions (Continued)

(a) Significant related party transactions (Continued)

(v) Other State-owned Enterprises

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

(b) Balances with related parties

	2013	2012
Amounts due from related parties		
(i) CNHTC Group		
Trade receivables	13,788	9,228
Prepayments	2,724	—
Other receivables	—	57
	16,512	9,285
(ii) MAN Group		
Prepayments	—	1,898
Other receivables	—	1,511
	—	3,409
	16,512	12,694

The carrying amounts due from related parties are denominated in the following currencies:

	2013	2012
RMB	16,512	9,285
EURO	—	3,409
	16,512	12,694

(All amounts in RMB thousands unless otherwise stated)

34. Related party transactions (Continued)

(b) Balances with related parties (Continued)

Amounts due to related parties

		2013	2012
Non-current			
(i)	MAN Group		
	Long-term payables under technology license agreement	85,268	170,069
Current			
(i)	CNHTC Group		
	Trade payables	24,488	12,066
	Other payables	6,388	10,679
	Advances from customers	11,584	2,308
	Deposits taking	285,504	488,931
	Borrowings	36,000	—
		363,964	513,984
(ii)	MAN Group		
	Long-term payables under technology license agreement	84,312	84,624
(iii)	Baotou Xinhongchang		
	Trade payables	—	349
	Other payables	—	500
	Advances from customers	—	480
		—	1,329
		448,276	599,937

As at 31 December 2013 and 2012, except for the long-term payables, deposits taking and borrowings, amounts due from/to related parties were all unsecured, interest free and due within one year. As at 31 December 2013 and 2012, long-term payables to related parties were unsecured, interest free and due within 5 years. As at 31 December 2013 and 2012, deposits taking and borrowings from related parties were unsecured, bearing interest at rates mutually agreed and due within one year.

As at 31 December 2013 and 2012, trade receivables due from related parties were not past due or impaired.

(All amounts in RMB thousands unless otherwise stated)

34. Related party transactions (Continued)

(b) Balances with related parties (Continued)

The carrying amounts due to related parties are denominated in the following currencies:

	2013	2012
RMB	363,964	515,313
EURO	169,580	254,693
	533,544	770,006

Balances with Other State-owned Enterprises

As at 31 December 2013 and 2012, majority of the Group's bank balances and borrowings are with state-owned banks.

35. Approval of accounts

These consolidated financial statements have been approved for issue by the Board on 27 March 2014.

Five Years Financial Summary

OPERATING RESULTS

	For the year ended 31 December				
	2009 RMB'000	2010 RMB'000	2011 RMB'000	2012 RMB'000	**2013 RMB'000**
Turnover	27,900,781	39,656,160	36,603,546	27,888,431	**30,409,787**
Profit before income tax	1,309,022	2,054,248	1,465,967	320,438	**592,293**
Income tax expense	(292,973)	(324,733)	(297,645)	(148,957)	**(152,738)**
Profit for the year	1,016,049	1,729,515	1,168,322	171,481	**439,555**
Attributed to:					
Equity holders of the Company	836,759	1,480,745	1,002,177	122,969	**271,387**
Non-controlling interests	179,290	248,770	166,145	48,512	**168,168**
Profit for the year	1,016,049	1,729,515	1,168,322	171,481	**439,555**

ASSETS, LIABILITIES AND EQUITY

	As at 31 December				
	2009 RMB'000	2010 RMB'000	2011 RMB'000	2012 RMB'000	**2013 RMB'000**
Total assets	39,374,871	53,909,618	51,993,325	43,749,563	**45,697,247**
Total liabilities	21,198,022	34,149,547	31,424,725	23,294,451	**24,884,875**
Total equity	18,176,849	19,760,071	20,568,600	20,455,112	**20,812,372**
Attributed to:					
Equity holders of the Company	16,893,017	18,127,378	18,749,639	18,649,102	**18,864,136**
Non-controlling interests	1,283,832	1,632,693	1,818,961	1,806,010	**1,948,236**
Total equity	18,176,849	19,760,071	20,568,600	20,455,112	**20,812,372**

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.

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