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 2014


Every Step Counts
for Success
SITRAK
SITRAK

CONTENTS

HIGHLIGHTS

	2014	2013	Increase/(Decrease)	
				%
Operating results (RMB million)				
Turnover	**32,809**	30,410	2,399	7.9
Operating profit	**1,154**	988	166	16.8
Profit attributable to equity holders of the Company	**408**	271	137	50.6
Profitability (%)				
Gross profit margin	**16.9**	16.7	0.2	1.2
Operating profit margin	**3.5**	3.2	0.3	9.4
Net profit margin	**1.8**	1.4	0.4	28.6
Liquidity				
Current ratio (time)	**1.4**	1.2	0.2	16.7
Inventory turnover (days)	**96.2**	110.7	(14.5)	(13.1)
Trade receivable turnover (days)	**136.9**	154.7	(17.8)	(11.5)
Trade payable turnover (days)	**123.5**	106.6	16.9	15.9
Sales volume (units)				
HDTs				
— Domestic	**77,674**	71,789	5,885	8.2
— Export (including affiliated export)	**25,001**	24,581	420	1.7
Total	**102,675**	96,370	6,305	6.5
LDTs	**52,361**	41,436	10,925	26.4
Buses	**1,386**	1,381	5	0.4
Per share data				
Earnings per share - basic (RMB)	**0.15**	0.10	0.05	50.0
Dividend per share (HKD)	**0.06**	0.04	0.02	50.0
Share information (as at 31 December)				
Number of issued shares (million)	**2,761**	2,761	—	—
Market capitalisation (RMB million)	**9,431**	9,443	(12)	(0.1)

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
"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
"HDT(s)"	heavy duty truck(s) and medium-heavy duty truck(s)
"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
"LDT(s)"	light duty truck(s)

"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"MAN Group"	MAN SE and its subsidiaries
"MAN SE"	MAN SE, a company incorporated under the laws of Germany, the shares of which are listed on the German 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
"PBOC"	The Peoples' Bank of China
"Period"	the year ended 31 December 2014
"Predecessor 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
"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)"	the ordinary share(s) in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s) from time to time
"Shenzhen Stock Exchange"	Shenzhen Stock Exchange in the PRC
"Sinotruk Finance"	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
"Subsidiary"	a subsidiary for the time being of the Company within the meaning of the New Companies Ordinance whether incorporated in Hong Kong or elsewhere and "Subsidiaries" shall be construed accordingly
"%"	per cent

BOARD OF DIRECTORS

Executive Directors:

Mr. Ma Chunji *(Chairman)*
Mr. Cai Dong *(President)*
Mr. Tong Jingen
Mr. Wang Shanpo
Mr. Kong Xiangquan
Mr. Liu Wei
Mr. Liu Peimin
Mr. Franz Neundlinger

Non-executive Directors:

Dr. Georg Pachta-Reyhofen
Mr. Anders Olof Nielsen
Mr. Jörg Astalosch

Independent Non-executive Directors:

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

EXECUTIVE COMMITTEE

Mr. Ma Chunji *(Chairman)*
Mr. Cai Dong
Mr. Tong Jingen
Mr. Wang Shanpo
Mr. Kong Xiangquan
Mr. Liu Wei
Mr. Liu Peimin
Mr. Franz Neundlinger

STRATEGY AND INVESTMENT COMMITTEE

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

REMUNERATION COMMITTEE

Mr. Chen Zheng *(Chairman)*
Dr. Lin Zhijun
Mr. Yang Weicheng
Mr. Tong Jingen
Mr. Liu Wei

AUDIT COMMITTEE

Dr. Lin Zhijun *(Chairman)*
Dr. Ouyang Minggao
Mr. Chen Zheng

INCENTIVE SCHEME INDEPENDENT BOARD COMMITTEE

Dr. Lin Zhijun
Dr. Ouyang Minggao
Mr. 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

Mr. Tong Jingen
Mr. 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 CODE

Equity: 3808.hk

INVESTOR RELATIONS

Securities Department

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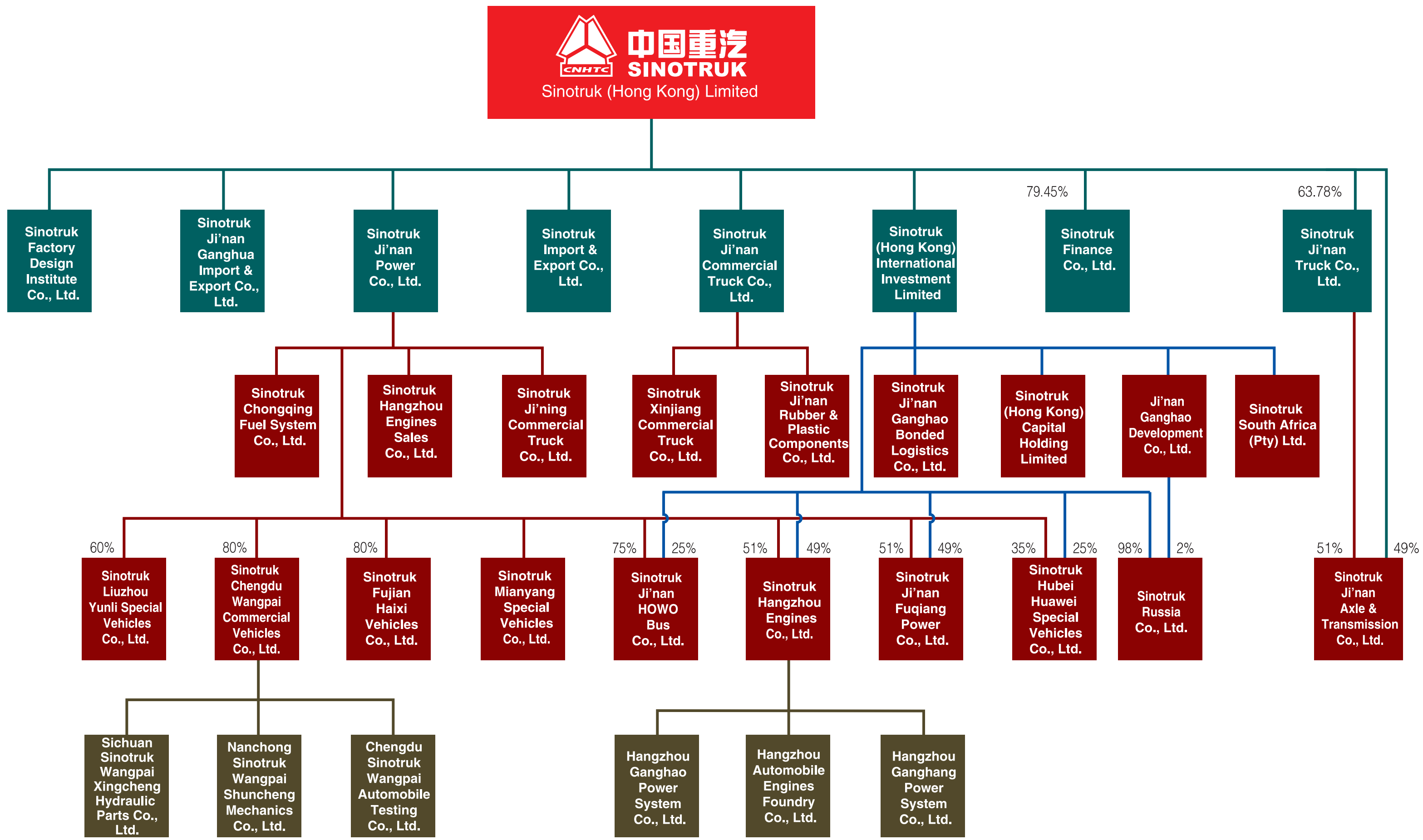
Email: securities@sinotrukhk.com

PUBLIC RELATIONS CONSULTANT

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

Organisation Structure

As at 31 December 2014



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

Business

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

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

Operations

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

(i) Heavy Duty Trucks Segment

Sales of HDTs contribute the largest portion of the Group's revenue. Its major products series include SITRAK, HOWO-T7H, HOWO-A7, HOWO, Haoyun, Sitaier King, Sitaier 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 LDT products mainly include HOWO, Huanghe, Fuluo, and Wangpai "7 series" products, which production bases are located at Ji'nan, Chengdu and Fujian, the PRC. The Group's HOWO buses products, which are produced at Ji'nan, the PRC, cover diesel buses, natural gas buses, trolley buses and school buses to meet different customer demands.

(iii) Engines Segment

The Group is one of the few HDT manufacturers in China that has the ability to produce HDT engines. Although most of the engines produced by the Group are for internal usage, the Group also sells industrial and construction machinery engines to independent third parties. In addition, the Group produces other HDT key parts and components, such as gearboxes and various types of casting and forging. The 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 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 17 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 HDT 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 2014 annual revenue of approximately Euro 14.3 billion for year 2014 and about 55,903 employees worldwide as at 31 December 2014.

CHAIRMAN'S STATEMENT

CHAIRMAN
Ma Chunji

Dear Shareholders,

On behalf of the Board, I am pleased to present the Group's annual report for the year ended 31 December 2014, its prospects and strategies.

Business Review

China's economic growth slowed to 7.4% in 2014 as demand from overseas decreased, domestic investment growth moderated and the property sector entered cyclical adjustment. As a result, sales of heavy duty trucks in China in 2014 decreased as compared with that in 2013. According to the statistics from the CAAM, the annual sales volume of heavy duty trucks in 2014 decreased by 3.89% to 744,000 units as compared with that in 2013.

During the Period, sales of the Group's HDTs increased by 6.5% to 102,675 units; total revenue increased by 7.9% to RMB32,809 million; operating profit increased by 16.8% to RMB1,154 million; and profit attributable to shareholders increased by 50.6% to RMB408 million, as compared with those in 2013.

During the Period, the Group prioritized operational quality and efficiency, strengthened internal management, and improved risk management capabilities. The Group also reduced costs across the board, enhanced efficiency, continued the optimization of its product mix, and leveraged the internet to launch innovative promotional and marketing campaigns. This improved the Group's overall competiveness and stabilized its operations.

During the Period, the Group optimized its product mix by shifting its focus of heavy duty trucks to a full range of commercial vehicles including heavy duty trucks, medium-heavy duty trucks, light duty trucks, buses and specialty trucks and from dumper trucks to engineering, transportation, and municipal civil trucks. The Group also upgraded its technology by upgrading from the STEYR platform to the MAN platform. These improvements in product quality and technology have provided the Group with new competitive advantages.

During the Period, China's heavy duty truck industry was shifted towards mid-to-high end trucks. The Group's high-end SITRAK products were launched and immediately recognized for their superior quality and after-sale services. SITRAK provided domestic consumers with an alternative to imported heavy duty trucks. Sales of the Group's SITRAK products continue to increase as the logistics industry shifts towards a more efficient transportation model. New products from the Group's Series T line also saw a significant growth in 2014 with customer satisfaction significantly higher than that of comparable products. The successful launch of these new products further extended the reach and influence of the Group's products. The effect of adjustments to the product mix is obvious. The sales of tractors made breakthroughs, recorded over 30% increase year-over-year and accounted for a significant portion of total sales which becomes a growth engine of the Group.

During the Period, the Group successfully rolled out an internationalization strategy to expand its business overseas. With the global economic recovery remaining sluggish, the Group's main export markets (especially emerging markets) continue to experience slowdown in the economic growth, strict local regulations and turbulent politics. Despite these negative influences, the Group continued to increase export sales by enhancing its brand image and awareness, strengthening its distribution network, and implementing new marketing models. During the Period, the Group remained China's largest heavy duty truck exporter with exports (including affiliate exports) of 25,001 units.

Prospects

Looking forward, imbalance growth are expected to continue in the major economies of the world. With China's economy slowing under heavy pressure, the Chinese government is expected to adopt flexible macro-economic adjustment policies and push forward various reform measures intended to stabilize growth. Despite a complex and changing economic environment and uncertainties in the heavy duty truck industry, some multiple positive underlying economic factors and opportunities are expected and laid ahead, such as new urban construction, the development of inter-city logistics networks, the development of China's western regions, the construction of Silk Road Economic Belt and Maritime Silk Road, and the execution of infrastructure investment.

In response to a rapidly changing environment, the Group will implement effective measures to enhance its core competitiveness and ensure healthy and sustainable long-term development. The Group will continue to implement "Brand, Quality and Efficiency Enhancement Year" programs to achieve new breakthroughs, reduce costs and enhance efficiency to achieve higher profitability, implement its brand management strategy, optimize its market structure, and prioritize the improvement of product quality. On the sales and marketing side, the Group will implement innovative sales strategies, strengthen its marketing network to increase market share, strive for internationalization and further explore international markets to increase exports. The Group will also further expand the scope of its cooperation with the MAN Group.

Dividends

The Board has recommended a final dividend of HKD0.06 per Share for the financial year ended 31 December 2014.

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.

Chairman
Ma Chunji

26 March 2015

Market Overview

Market demand for HDTs in China declined slightly throughout the year as a result of the macro-economic downturn. In-line with China's "new normal" economic environment, the HDTs industry exhibited several new characteristics. Due to the slowdown in fixed asset investment and the mining industry, the market for engineering trucks and more specifically dumper trucks saw a severe contraction. The main positive factors affecting the HDTs demand were the increase in domestic consumption and the development of inter-city logistics networks as well as the increase in turnover of freight traffic. In addition, the implementation of the China National IV Emission Standard resulted in the technological upgrade of HDTs and increasing demand for logistic vehicles. Market demand gradually shifted towards high-powered, light-weight, mid-to-high-end, and intelligent trucks.

Review of Operations

During the Period, the Group optimized its product mix, market positioning and operational layout. All-round development of the full range of Group's commercial vehicles by focusing in HDTs with support of LDTs and buses continued. In response to market demand, the Group shifted its focus from "scale, speed and quantity" to "brand, quality and efficiency". Despite the decline in growth in China's HDTs industry, the Group and its parent company managed to see increases in both sales volume and market share with a significant improvement in efficiency indicators. Overall operations of the Group remained efficient and the performance of the Group's development strategies such as product mix adjustments and cost reductions was positive.

Heavy Duty Trucks Segment

During the Period, HDT sales volume increased to 102,675 units, representing an increase of 6.5% year-over-year ("**YOY**"). Revenue from the HDTs segment increased to RMB28,276 million, representing an increase of 7.9% YOY.

Domestic Business

The Group further reinforced its competitive strengths by launching a branding strategy to enhance its product technology, quality, marketing and services.

The Group saw major breakthroughs in the adjustment of its product portfolio. The proportion of tractor sales increased; the cargo trucks and special purpose vehicles equipped with MAN technology were launched and become another profit stream; construction vehicles such as dumper trucks and concrete mixers, and special purpose vehicles remained market leaders in their respective segments due to their high quality and advanced technology.

The Group is placing greater emphasis on product quality by implementing strict new product testing and certification procedures to ensure the successful launch of new products. SITRAK, a newly launched high-end HDT brand, has gained wide-spread market recognition with sales over 1,000 units during the Period. The T series of HDTs also increased in popularity among customers, with sales volumes increasing steadily to over 5,000 units during the Period. The successful introduction of new products will increase the Group's market influence and create new profit streams.

During the Period, the Group continued to improve its business mode and optimize its distribution channels. As at 31 December 2014, the Group had a total of 871 HDTs dealerships, including 261 4S centers, 162 SINOTRUK branded dealerships, 1,628 service centers providing high-quality after-sales services, and 150 refitting companies providing truck refitting services. The Group's sales network and product range were further improved during the Period.

International Business

The global economy recovery in 2014 remained weak as the economic conditions of different economic systems continued to diverge. China's export growth continued to slow down due to the weak global economic recovery, trade protectionism, and China's weakening low-cost advantages.

During the Period, performance of the Group's major export markets varied. Southeast Asia exhibited steady export growth while African markets remained stable. Other regions experienced various degrees of downturns due to political turmoil and trade protectionism. In view of this complex international market environment, the Group implemented measures proactively to promote its export business by enhancing its international brand image, consolidating and developing traditional markets, exploring emerging markets, improving its marketing network and after-sales services, and promoting overseas cooperation. During the Period, the Group exported (including affiliated exports) 25,001 HDTs, representing an increase of 1.7% YOY. Export revenue (including affiliated exports) was RMB7,247 million, representing an increase of 3.9% YOY.

As at 31 December 2014, the Group had 160 sales centers of primary distributors in over 70 countries and regions. The Group had also cooperated with overseas distributors to establish 365 service outlets and 358 parts and accessories stores.

Light Duty Trucks and Buses Segment

During the Period, sales of the Group's LDTs increased by 26.4% YOY to 52,361 units. Buses sales reached 1,386 units, representing an increase of 0.4% YOY. The segment revenue increased by 25.6% YOY to RMB3,605 million.

During the Period, the LDTs business progressed smoothly. HOWO LDTs gradually gained market recognition as a result of the Ji'nan LDTs division's continuous efforts to improve brand development, prioritize product quality, maintain mid-to-high end product positioning, adjust product portfolios, strengthen segmented market development and improve sales network. By utilizing the Group's mature vehicles consumer credit business modes and marketing strategies, the Group was able to provide customers with financing services which enhanced the product sales with a significant increase YOY. As the market continues to shift, Chengdu Wangpai adjusted its product portfolio by accelerating the launch of products equipped with MAN Group's engines and new energy engines, increasing network capacity building and promoting the Group's image. Sales of LDTs increased steadily while sales of new energy vehicles and special purpose vehicles grew rapidly. Chengdu Wangpai saw steady sales volume growth despite the industry-wide downturn. Fujian Haixi strengthened its marketing team and distribution network to promote the sales of new products and recorded some improvements.

During the Period, the Group's buses division witnessed growth in sales volume. The buses division increased investment in research and development and upgraded its product portfolio to mid-to-high-end platforms by focusing on new energy buses, school buses and buses equipped with MAN Group's technology. The Group continued to increase HOWO buses' brand awareness and actively optimized its distribution network. To improve product quality, the Group implemented strict quality control management during the entire production process, optimized production techniques, strengthened process management, and optimized procurement logistics systems. The division also strengthened its sales team and enhanced after-sales services by prompt reaction to customer demand. The Group increased exploration of new opportunities in traditional and international markets as well as launched programs to educate buyers in potential markets. The promotion of new energy buses increased bus sales. A total of 160 buses were exported in December 2014 to South America which has laid the foundation of the Group's expansion to other overseas markets.

As at 31 December 2014, the Group had a total of 801 LDTs dealerships (including 30 4S centers), 36 SINOTRUK branded dealerships, 1,585 service centers providing high quality after-sales services, 32 refitting companies, 43 bus dealerships and 45 bus after-sales service centers in the PRC.

Engines Segment

The Group is dedicated to the research and development of engine technology, implementing strict quality controls, improving product quality and providing customers with high-tech products that are reliable and fuel-efficient. In addition to satisfying the Group's own production demands, engines were also provided to related parties and other manufacturers of HDTs, buses and construction machinery.

During the Period, the sales volume of engines increased by 6.0% YOY to 109,434 units. Revenue (including components sales and inter-segment sales) increased by 4.8% YOY to RMB7,723 million. External sales accounted for 14.0% of the total revenue, representing a decrease of 2.5 percentage points from 16.5% last year.

The localization of MAN Group's engine technology continued to progress smoothly. Engines for heavy duty trucks and medium-heavy duty trucks have begun scaled production. By improving staff training and production techniques for MAN Group's engines and strengthening production quality control, the compatibility between engines and trucks and the quality and reliability of Chinese-made products have been approved. The Group will continue to implement tests and certification of engines on buses and other products in order to further expand the application of MAN Group's engine technology.

Technological Upgrade

During the Period, the Group's capital expenditure amounted to RMB707 million. Major investments were made in the construction of a national heavy duty truck engineering technology research centre, improvements in production techniques and quality control standards, and the enhancement of research, development and innovation capabilities.

Research and Development

The Group remains committed to its technology-focused strategy and will take full advantage of its research platforms, increase investment in the research and development of technology and strengthen its innovation capacity. By strengthening the cooperation with the MAN Group in the development of high quality engines, parts and components and trucks, the Group further enhanced its competitive strength. During the Period, the technology center has completed a total of 248 projects, ranging from the development of trucks, key parts and components, conduct of experiments and verification, trial production of vehicles and fine tuning.

As at 31 December 2014, the Group and its parent company participated in the formulation of 73 industry standards for China's HDTs and were granted with 3,045 patents, keeping the largest number of patents in the HDTs industry.

During the Period, the Group offered 2,168 product models that comply with the China's National IV or China's National V Emission Standards which cater to various customer needs.

Finance Segment

During the Period, external revenue of the finance segment of the Group was RMB382 million, representing an increase of RMB118 million or 44.7 % from RMB264 million in 2013. The increase in revenue was primarily due to the expansion of the consumer credit business, growth in interest income and increase in interest income on discounted bills receivable.

During the Period, the Group expanded the scope of its consumer credit business, taking full advantage of favorable national policies and its mature automobile financing service platform. The Group promoted automobile financing services such as consumer credit, finance leasing services and other various automobile consumer credit services to meet consumer demand for truck purchasing and hence boosted the Group's trucks sales. As at 31 December 2014, Sinotruk Finance has established 17 regional offices and extended its consumer credit business coverage to over 20 provinces; covering most parts of China and further improved its automobile consumer credit network. In 2014, the Group sold 6,169 trucks under automobile financing services, representing a YOY increase of 0.4%.

Significant Investments

In January 2014, Sinotruk (Hong Kong) International Investment Limited ("**International Investment Company**"), a wholly-owned subsidiary of the Company established a wholly-owned subsidiary in Hong Kong, Sinotruk (Hong Kong) Capital Holding Limited in order to prepare for the commencement of its business in Africa.

In March 2014, Sinotruk Ji'nan Power Co., Ltd. and Panzhihua Yunli Vehicles and Auto Parts Manufacturing Co., Ltd. (攀枝花運力汽車部件製造有限公司) established Sinotruk Panzhihua Mining Truck Co., Ltd, a joint venture with registered capital of RMB30 million. Sinotruk Ji'nan Power Co., Ltd. invested RMB9 million in exchange for 30% equity interest while Panzhihua Yunli Vehicles and Auto Parts Manufacturing Co., Ltd. invested RMB21 million in exchange for 70% equity interest in the company.

In December 2014, the Group entered into a contract with Shenyin and Wanguo Securities Co., Ltd. to purchase its approximately 0.6% equity interest in Sinotruk Finance. The Group will hold 80.1% equity interest in Sinotruk Finance following this transaction. Sinotruk Finance is currently applying for such shareholding changes with relevant government departments which is expected to be completed in 2015.

In December 2014, International Investment Company transferred its 49% equity interest in Sinotruk Ji'nan Axle & Transmission Co., Ltd. to the Company.

In addition, International Investment Company had established Sinotruk South Africa (Pty) Ltd. for the commencement of business in South Africa market.

Human Resources

As at 31 December 2014, the Group had a total of 26,190 employees. The Group matched its corporate development needs to innovate its human resources management methods, proactively attract senior executives and technical personnel and optimize the allocation of human resources so as to provide further intellectual support and human resources for the Group's continued sustainable development. The Group highly values its human resources including team building and talent development. Through open and fair recruitment, the Group recruited senior management and technical talent and further optimized its human resources structure and quality. Moreover, the Group continued to optimize performance assessment system for the promotion management of the employees', non-leadership staff appraisal system and compensation system to provide better incentives to employees. In addition, to the extent necessary to protect the Group's intellectual property rights and other vital competitive interests, qualified employees may enjoy certain retirement and non-compete compensations.

Business Strategies and Prospects

With economic volatility in both domestic and overseas markets and keen competition, the Group will continue to enhance its competitiveness, adjust its operational strategies in a timely manner, and adopt various measures to ensure sound and robust growth.

1. The Group will continue to adopt a brand strategy to promote SINOTRUK brand and increase its market influence. The Group will further optimize and adjust its product mix to meet the market demand.

2. The Group will develop an innovative sales and marketing strategy, set up new business policies and further optimize domestic marketing network to promote product sales. By fully utilizing the internet information platform, the Group will develop a new marketing and promotion program. The Group will pay greater attention to and improve the quality and effectiveness of the Group's marketing network, consolidate marketing resources and set specific marketing targets and effective marketing strategy to provide complete marketing and sales strategies. The Group will also promote its products based on different brands and different series and launch key products to the market on appropriate timing and market conditions. The Group will enhance the trainings to its sales staff and customer services teams for provision of better sales and after-sales services. The Group will provide innovative financing support and expand its consumer credit business with sound credit risk controls to boost product sales and therefore increase its market shares.

3. The Group will continue to implement its internationalization strategy to further develop its international markets. The Group will further promote its brand image and increase its brand awareness and influence. Moreover, the Group will further improve its overseas sales and marketing network by providing better spare parts supply and support services. The Group will strengthen its team building, improve quality of its sales team and put more efforts in exploring emerging markets. The Group will further explore overseas markets and strengthen its sales and marketing network including after-sales services in important markets. In addition, the Group will take full advantage of the strategic opportunities with the countries and regions in the Silk Road Economic Belt and the Maritime Silk Road. The Group will continue to strengthen its international financing support to increase exports. The Group will increase its efforts in traditionally weak markets and reinforce its competitiveness in traditionally strong markets to maintain SINOTRUK's leading global position. The Group will accelerate the export of LDTs and buses.

4. The Group will continue to carry out “Brand, Quality and Efficiency Year” exercises to continue its corporate transformation. The Group will strengthen its risk management capabilities and improve its performance so as to facilitate healthy and continued growth. The Group places product quality as its first priority, construct and implement a quality monitoring system to increase production quality control level and ability so as to improve product quality. The Group will focus on efficiency, enhance internal controls, adopt a lean administration, run costs reduction exercise, improve profitability, optimize capital structure, and reduce operating costs.

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

Turnover, gross profit and gross profit margin

For the year ended 31 December 2014, the Group’s turnover recorded at RMB32,809 million, compared with that of year 2013 of RMB30,410 million, representing an increase of RMB2,399 million or 7.9%. The increase in the turnover was primarily attributable to the growth in HDTs sales volume.

Gross profit for the year ended 31 December 2014 was RMB5,536 million, representing an increase of RMB445 million or 8.7% as compared to that of year 2013 of RMB5,091 million. Gross profit margin increased by 0.2 percentage point from 16.7% to 16.9% for year 2014. The increase in gross profit and gross profit margin was mainly due to the growth in HDTs sales volume and the result of the costs reduction and efficiency measures taken by the Group to reduce its procurement costs and controllable expenses.

Distribution costs

Distribution costs increased from RMB2,238 million for year 2013 to RMB2,280 million for year 2014, representing an increase of RMB42 million or 1.9% as compared to that of year 2013 in which the growth rate of distribution costs is lower than that of turnover. In year 2014, distribution costs accounted for 6.9% to the Group’s turnover and compared to year 2013 of 7.4%, representing a decrease of 0.5 percentage point. The decrease primarily resulted from the reduction in warranty costs which benefited from the strengthening of quality control.

Administrative expenses

Administrative expenses increased from RMB2,075 million for year 2013 to RMB2,406 million for year 2014, representing an increase of RMB331 million or 16.0% in which the growth rate of administrative expenses is higher than that of turnover. The administrative expenses accounted for 7.3% to the Group’s turnover in the year 2014 and compared to that of year 2013 of 6.8%, representing an increase of 0.5 percentage point. The increase was mainly due to the increase in the provision for bad debts in accordance with the increase in account receivables of the trade receivables under prudent provisioning policy, the increase in research and development cost and the increase in salaries and staff benefits.

Other gains – net

There was an increase in net other gains from RMB210 million for year 2013 to RMB305 million for year 2014, representing an increase of RMB95 million or 45.2%. The increase was mainly due to the change in foreign exchange from net losses to net gains.

Finance costs – net

Net finance costs decreased from RMB395 million for year 2013 to RMB350 million for year 2014, representing a decrease of RMB45 million or 11.4%. The decrease in net finance cost was due to the reduction of interest expenses as a result of decrease in borrowings scale.

Income tax expense

The income tax expense for year 2014 was RMB209 million, representing an increase of RMB56 million or 36.6% from that of year 2013 of RMB153 million. The increase was due to the increase in profit before income tax but certain increase was offset by the recognition of tax losses in deferred income tax.

Profit for the year and earnings per share

Profit for the year ended 31 December 2014 increased from RMB440 million for year 2013 to RMB595 million, representing an increase of RMB155 million or 35.2%. Profit attributable to equity holders of the Company increased from RMB271 million in year 2013 to RMB408 million in year 2014, representing an increase of RMB137 million or 50.6%. The basic earnings per share attributable to the equity holders of the Company increased from RMB0.10 in year 2013 to RMB0.15 in year 2014, representing an increase of 50.0%.

Trade and net financial service receivables

The Group's trade receivables include accounts receivable and notes receivable. As at 31 December 2014, the trade receivables decreased from RMB13,878 million to RMB10,499 million, representing a decrease of RMB3,379 million or 24.3%, of which accounts receivable was RMB6,849 million, representing an increase of RMB1,682 million or 32.6% from RMB5,167 million as at 31 December 2013 and notes receivable was RMB3,650 million, representing the decrease of RMB5,061 million or 58.1% from RMB8,711 million as at 31 December 2013. The trade receivables turnover was 136.9 days, a decrease of 11.5% 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 2014, the trade receivables aged not more than six months were RMB9,579 million or 91.2% to net trade receivables while it was 92.7% for the net trade receivables as at 31 December 2013.

As at 31 December 2014, the net financial services receivables increased from RMB1,611 million to RMB 1,773 million, representing an increase of RMB162 million or 10.1%. The finance segment of the Group has credit period of one to three years. In addition, 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 a monthly basis and assesses impairment loss by reference to their business, actual repayment information and others.

Cash flow

During the year ended 31 December 2014, net cash inflow from operating activities was about RMB5,681 million. Compared with the net cash inflow in year 2013 at RMB646 million, the increase in net cash inflow from operating activities was RMB5,035 million. It was mainly due to the increase of trade payables and bills payables and faster collection of trade receivables as the changes of cash collection rebate policies.

Net cash outflow from investing activities in the year 2014 was RMB406 million, an increase of cash outflow of RMB69 million as compared with cash outflow of RMB337 million in the year 2013. The increase was mainly due to purchase of financial products but its increase was partly offset by reduction of purchase of property, plant and equipment.

The cash outflow from financing activities in the year 2014 was RMB2,837 million, compared with the cash outflow in the year 2013 of RMB1,261 million, representing an increase of cash outflow of RMB1,576 million. The increase of cash outflow from financing activities was mainly due to the repayment of RMB bonds of the Company.

Liquidity and financial resources

As at 31 December 2014, the Group had cash and cash equivalents of RMB6,440 million and bank acceptance notes of RMB3,600 million. Cash and cash equivalents increased by RMB2,436 million and bank acceptance notes decreased by RMB5,076 million as compared with those of year 2013. The Group's total borrowings (including long-term and short-term borrowings and borrowings from the related parties) were about RMB7,262 million as at 31 December 2014. Its gearing ratio (total borrowings divided by total assets) was 16.4% (at 31 December 2013: 21.5%).

As at 31 December 2014, all borrowings were denominated in RMB (31 December 2013: 99.8% in RMB). Most of the borrowings are charged with reference to bank's preferential floating rates and were due within one year to three years. The current ratio (total current assets divided by total current liabilities) as at 31 December 2014 was 1.4 (31 December 2013: 1.2).

As at 31 December 2014, total available credit facilities of the Group amounted to RMB34,984 million, of which RMB6,788 million had been utilised. An aggregate amount of RMB1,218 million of restricted bank deposits was pledged to secure various credit facilities. In addition, Sinotruk Finance has made mandatory deposits of RMB1,117 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 2014, most of the Group's assets and liabilities were denominated in RMB. Cash and bank balances equivalent to approximately RMB214 million, accounts receivables and other receivables equivalent to approximately RMB1,611 million, accounts payable equivalent to approximately RMB610 million and amounts due to related parties equivalent to approximately RMB78 million, were denominated in currencies other than RMB.

Capital Structure

As at 31 December 2014, owner's equity was RMB21,246 million, representing an increase of RMB434 million or 2.1% when compared with RMB20,812 million at the end of year 2013.

As at 31 December 2014, the Company's market capitalisation was RMB9,431 million (calculated by the issued share capital of the Company: 2,760,993,339 Shares, closing price: HKD 4.33 per Share and at the exchange rate of 1: 0.78887 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 RMB127 million. There was no provision for legal claims as at 31 December 2014.

Executive Directors

Ma Chunji (馬純濟), aged 61, 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 CNHTC 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, 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 51, 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.

Tong Jingen (童金根), aged 52, 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 50, 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 48, 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.

Liu Wei (劉偉), aged 45, is our executive director. He has extensive experience in the commercial vehicle industry. Mr. Liu Wei graduated from the Wuhan Institute of Technology (武漢工學院) (now known as the Wuhan University of Technology (武漢理工大學)) in the People's Republic of China (the "PRC") and received a bachelor 's degree in engineering majoring in automotive internal combustion engineering in July 1991. In June 2009, he received a master 's degree in business administration from the School of Management of the Shandong University (山東大學管理學院) in the PRC. Since January 2010, Mr. Liu Wei serves as the head of the international sales division of the Company. Prior to joining the Company, Mr. Liu Wei served in various technical and management positions of CNHTC, the controlling shareholder of the Company including the chief of the products testing division, head of the vehicles inspection center, deputy head and head of the technology center from July 1991 to January 2010. He was a director of Sinotruk Ji'nan Truck Co., Ltd. (中國重汽集團濟南卡車股份有限公司) (a non-wholly owned subsidiary of the Company whose shares are listed on the Shenzhen Stock Exchange of the PRC) from August 2003 to June 2006 and a director of CNHTC from December 2012 to October 2014.

Liu Peimin (劉培民), aged 46, is our executive director. He has extensive experience in the vehicle industry. Mr. Liu Peimin received a bachelor 's degree in casting technology and equipment from the Taiyuan Institute of Machinery (太原機械學院) (now known as North University of China (中北大學)) in the PRC in June 1990. Mr. Liu Peimin serves as the operation controller of the Company since August 2012. Prior to joining the Company, Mr. Liu Peimin served in various management positions in China National Heavy Duty Truck Group Company (中國重型汽車集團公司), the predecessor of CNHTC ("**CNHTC Predecessor**") and CNHTC. He was the office manager of CNHTC Predecessor and the deputy factory manager of the Sichuan Automobile Factory (a subsidiary of CNHTC Predecessor) from July 1990 to July 1997 and the general manager of China National Heavy Duty Truck Group Sales Company (中國重型汽車集團銷售公司), a wholly-owned subsidiary of CNHTC from July 1997 to April 2001, the chairman of CNHTC Special Vehicle Limited (中國重汽集團專用汽車公司), a wholly-owned subsidiary of CNHTC from April 2001 to December 2009, the assistant to the general manager of CNHTC from December 2009 to August 2012. Mr. Liu Peimin was a director of CNHTC Predecessor from July 1997 to April 2001 and a director of CNHTC from April 2001 to October 2014.

Franz Neundlinger, aged 59, 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 59, 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 52, 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 42, is our non-executive Director. Mr. Astalosch is a member of the supervisory board of MAN Truck & Bus AG and heading the office of the chairman of the supervisory board of Volkswagen 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. From January 2012 to June 2014, Mr. Astalosch was the chief financial officer of MAN Truck & Bus AG. Since July 2014,he is a member of the supervisory board of MAN Truck & Bus AG and heading the office of the chairman of the supervisory board of Volkswagen AG.

Independent Non-executive Directors

Lin Zhijun (林志軍), aged 60, 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. Dr. Lin also received a master's degree (MSc in Accounting) from University of Saskatchewan, Canada 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 dean of School of Business of Macau University of Science and Technology. 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 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 two companies which securities are listed on the Stock Exchange, including China Everbright Limited (stock code: 0165) and Springland International Limited (stock code: 1700). He was independent non-executive director of Zhengzhou Coal Mining Machinery Group Company Limited (stock code: 0564) from February 2012 to April 2014.

Ouyang Minggao (歐陽明高), aged 56, 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 in the PRC 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 69, is our independent non-executive Director. Mr. Chen graduated from the Beijing University of Technology (北京工業大學) in the PRC 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 70, 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 68, 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, stock code: 600308) and a supervisor of Tsingtao Brewery Company Limited (a company listed on the Shanghai Stock Exchange, 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 52, 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 (孫治方經濟學獎) 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 50, 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

Corporate Governance Practice

The Board and senior management of the Company commit to maintain a high standard of corporate governance, to formulate good corporate governance practice for improvement of accountability and transparency in operations, and to strengthen the internal control system from time to time so as to ensure to meet with the expectations of the Shareholders. The Company has adopted the corporate governance codes as set out in Appendix 14 "Corporate Governance Code and Corporate Governance Report" to the Listing Rules as its own code of corporate governance (the "**CG Code**").

During the Period, the Company has been in compliance with the CG Code, save for the Company did not establish a nomination committee. According to article 81 of the Articles, 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.

Compliance of Rule 3.10A and 3.11 of the Listing Rules

Upon the appointment of Mr. Franz Neundlinger as an ED on 5 December 2013, the Board comprised 16 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 17 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 EDs are delegated with the responsibilities of the day-to-day management of the Group and making operational and business decisions within the control of and delegation framework of the Group. The NEDs (including INEDs) 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 2014, the Board had a total number of 17 Directors including eight EDs, three NEDs and six 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, providing strategic direction of the Group, and taking primary responsibility to ensure that good corporate governance practices and procedures are established. The President together with other EDs are responsible for the Company's daily operation and the effective implementation of corporate strategy and policies.

Executive Directors

As at 31 December 2014, there were eight EDs including Mr. Ma Chunji, Mr. Cai Dong, Mr. Tong Jingen, Mr. Wang Shanpo, Mr. Kong Xiangquan, Mr. Liu Wei, Mr. Liu Peimin and Mr. Franz Neundlinger.

Non-executive Directors

As at 31 December 2014, 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; 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. Each of the service contracts of the NEDs 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 2014, there were six INEDs including Dr. Lin Zhijun, Dr. Ouyang Minggao, Mr. Chen Zheng, Dr. Lu Bingheng, Mr. Yang Weicheng and Dr. Huang Shaoan.

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; 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; Dr. Huang Shaoan has entered into a service contract with the Company for a term of three years commenced from 27 March 2014. Each of the service contracts of the INEDs can be terminated by either party by giving not less than three months' prior written notice.

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**	**2014 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. Tong Jingen	4/4	3/3		2/2		1/1
Mr. Wang Shanpo	4/4	3/3	2/2			0/1
Mr. Kong Xiangquan	4/4	3/3				1/1
Mr. Liu Wei (Note 2)	2/2	0/0		0/0		0/0
Mr. Liu Peimin (Note 3)	2/2	0/0				0/0
Mr. Franz Neundlinger	4/4	3/3	2/2			0/1
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	3/3	1/1
Dr. Ouyang Minggao	4/4		2/2		2/3	0/1
Mr. Chen Zheng	4/4			2/2	3/3	1/1
Dr. Lu Bingheng	4/4		2/2			0/1
Mr. Yang Weicheng	4/4			2/2		0/1
Dr. Huang Shaoan	4/4		2/2			0/1
Former Directors						
Mr. Wei Zhihai (Note 4)	2/2	3/3		2/2		0/1
Mr. Wang Haotao (Note 5)	2/2	3/3	1/2			0/1

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

Note 2: Mr. Liu Wei was appointed as an ED, a member of the Executive Committee and a member of the Remuneration Committee with effect from 9 December 2014. During his tenure, two regular full Board meetings, no Executive Committee meeting, no Remuneration Committee meeting and no shareholders' meeting were held.

Note 3: Mr. Liu Peimin was appointed as an ED and a member of the Executive Committee with effect from 9 December 2014. During his tenure, two regular full Board meetings, no Executive Committee meeting and no shareholders' meeting were held.

Note 4: Mr. Wei Zhihai resigned as an ED, a member of the Executive Committee and a member of Remuneration Committee with effect from 9 December 2014. During his tenure, two regular full Board meetings, three Executive Committee meetings, two Remuneration Committee meetings and one shareholders' meeting were held.

Note 5: Mr. Wang Haotao resigned as an ED, a member of the Executive Committee and a member of Strategy and Investment Committee with effect from 9 December 2014. During his tenure, two regular full Board meetings, three Executive Committee meetings, two Strategy and Investment Committee meetings 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 2013 annual report of the Company and its related results announcements, circulars and documents, the call for the 2014 annual general meeting of the Company and the closure of register of members;

(2) the 2014 interim report of the Company and its related results announcements and documents;

(3) the review of the continuing connected transactions for the year 2013;

(4) the recommendation of the re-appointment of PricewaterhouseCoopers as the Company's auditor in the 2014 annual general meeting as recommended by the Audit Committee;

(5) the recommendation of the payment of the 2013 final dividend;

(6) the operational 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 the assessment of internal control report and the risk management report;

(9) the resignation of Mr. Wei Zhihai and Mr. Wang Haotao as EDs and the appointment of Mr. Liu Wei and Mr. Liu Peimin as EDs; and

10) the amendments of the terms of reference of the Audit Committee and the Remuneration Committee.

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 2014, the Executive Committee comprised eight members, namely, Mr. Ma Chunji, Mr. Cai Dong, Mr. Tong Jingen, Mr. Wang Shanpo, Mr. Kong Xiangquan, Mr. Liu Wei, Mr. Liu Peimin 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; and

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

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 2014, the Strategy and Investment Committee comprised seven members, namely, Mr. Ma Chunji, Mr. Cai Dong, Dr. Ouyang Minggao, Dr. Lu Bingheng, Dr. Huang Shaoan, Mr. Wang Shanpo and Mr. Neundlinger. Dr. Ouyang Minggao, Dr. Lu Bingheng and Dr. Huang Shaoan are INEDs while Mr. Ma Chunji, Mr. Cai Dong, 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 principles of technology upgrade and improvements in 2015 and their investment plans;

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

(3) the 2015 capital expenditure plan.

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 the Directors.

As at 31 December 2014, the Remuneration Committee comprised five members, namely, Mr. Chen Zheng, Dr. Lin Zhijun, Mr. Yang Weicheng, Mr. Tong Jingen and Mr. Liu Wei. Mr. Chen Zheng, Dr. Lin Zhijun and Mr. Yang Weicheng are INEDs while Mr. Tong Jingen and Mr. Liu Wei 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.

During the Period, the Remuneration Committee had convened two meetings to review, consider and approve the renumeration and appointment of INEDs and EDs.

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, the formulation of policies on the provision of non-audit services by the external auditor, the handling of any issues related to the resignation of auditor or the removal of such auditor and the communication with the external auditor on auditing matters. 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 2014, the Audit Committee comprised 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 three meetings and had discussed, reviewed and approved the following major agenda items:

(1) the 2014 annual audit plan of the Group;

(2) the briefing from the auditors in respect of the progress of the 2013 annual audit;

(3) the auditor's reports to the Audit Committee in respect of the 2013 annual audit and the 2014 interim review of the Group;

(4) the 2013 annual report and the 2014 interim report and their related preliminary results announcements;

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

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

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

(8) the internal control system of the Group.

Corporate Governance Functions

The Audit 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.

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

INCENTIVE SCHEME INDEPENDENT BOARD COMMITTEE

The ISIBC, which shall be comprised 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 been convened since its formation. A chairman will be elected among the members in its first meeting.

As at 31 December 2014, the ISIBC comprised three members, namely, Dr. Lin Zhijun, Dr. Ouyang Minggao and Mr. Chen Zheng. Dr. Lu Bingheng, Mr. Yang Weicheng and Dr. Huang Shaoan have not yet joined the ISIBC and will be appointed as members of the ISIBC if the committee holds a meeting.

NOMINATION, APPOINTMENT, RETIREMENT AND RE-ELECTION OF DIRECTORS

The Board is responsible for reviewing its structure, size, composition and 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

All Directors have kept abreast of their responsibilities as a director of the Company and of the conduct, business activities and development of the Company. Directors are continuously 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 2014, some Directors had attended a training seminar "New Companies Ordinance and its impact on Hong Kong registered companies and their Directors and Connected Transactions" conducted by Sidley Austin, the Company's legal advisers on Hong Kong laws and all other Directors had received such training materials. All the Directors have confirmed they had participated in continuous professional developments to develop and refresh their knowledge and skills as directors during the Period. In addition, during the Period, each of Mr. Liu Wei and Mr. Liu Peimin had attended a training on director's responsibilities provided by Sidley Austin in relation to their appointment as EDs.

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, EDs are also entitled to year-end bonus, which are depended on the market conditions, and performance of the Group and individual persons during the Period.

ACCOUNTABILITY AND AUDITING

The Directors are responsible for preparing the financial statements for the financial year ended 31 December 2014 to reflect a true and fair view of the Company's and the Group's financial conditions and results and cash flows during the year.

In preparing the financial statements for the year ended 31 December 2014, 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 2014 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 2014. 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:	14,227
For other services:	
the audit of internal control of certain subsidiaries	755
the taxation professional services	300
Total fee for other services	1,055
Auditors' remuneration	15,282

COMPANY SECRETARIES

The company secretaries of the Company are Mr. Tong Jingen (also an ED) 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.

CHANGES IN DIRECTORS' INFORMATION

Dr. Lin Zhijun, an INED, has been employed as the dean of School of Business of Macau University of Science and Technology from January 2015.

Mr. Jörg Astalosch, a NED, has resigned as the chief financial officer of MAN Truck & Bus AG. Since July 2014, he is a member of the supervisory board of MAN Truck & Bus AG and heading the office of the chairman of the supervisory board of Volkswagen AG.

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 2014 AGM at which the external auditors attended was convened on 22 May 2014. The Board encourages all the Shareholders to participate in the forthcoming 2015 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 2014.

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 HDTs, LDTs, 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 2014 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 pages 63 to 64 and note 23 to the consolidated financial statements respectively.

Dividends

The Board recommend the payment of a final dividend of HKD0.06 per Share for the year ended 31 December 2014 (the "**2014 Final Dividend**") with a sum of approximately HKD165,660,000, which is subject to shareholders' approval at the forthcoming 2015 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税法》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税法實施條例》, a Chinese-controlled offshore incorporated enterprise shall withhold and pay enterprise income tax for its non-PRC resident enterprise shareholders. As the withholding and payment obligation lies with the Company, the Company will withhold and pay enterprise income tax for its non-PRC resident enterprise shareholders to whom the Company pays the 2014 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 2014 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 2014 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 pages 63 to 64 and note 23 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's distributable reserves as at 31 December 2014, calculated under section 79B of the Companies Ordinance, were approximately RMB748,776,000.

CHARITABLE DONATION

The Group's total charitable donation for the Period amounted to approximately RMB3,872,000 (2013: RMB3,928,000).

BORROWINGS

Details of the Group's borrowings as at 31 December 2014 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 160.

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 EDs and senior management of the Company but not NEDs) (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 payment to the Company the amount equal to the aggregate market value of the underlying Shares of Scheme Shares granted as the consideration. All consideration paid by the Participants is non-refundable. Upon vesting, the 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 and up to 31 December 2014, no Scheme Shares have been 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 2014.

DIRECTORS

During the Period, the Directors were as follows:

Executive Directors:

Mr. Ma Chunji *(Chairman)*
Mr. Cai Dong *(President)*
Mr. Tong Jingen
Mr. Wang Shanpo
Mr. Kong Xiangquan
Mr. Liu Wei (appointed on 9 December 2014)
Mr. Liu Peimin (appointed on 9 December 2014)
Mr. Franz Neundlinger
Mr. Wei Zhihai (resigned on 9 December 2014)
Mr. Wang Haotao (resigned on 9 December 2014)

Non-executive Directors:

Dr. Georg Pachta-Reyhofen
Mr. Anders Olof Nielsen
Mr. Jörg Astalosch

Independent non-executive Directors:

Dr. Lin Zhijun
Dr. Ouyang Minggao
Mr. Chen Zheng
Dr. Lu Bingheng
Mr. Yang Weicheng
Dr. Huang Shaoan (appointed on 27 March 2014)

Pursuant to articles 83 and 84(1) of the Articles of Association, Mr. Ma Chunji, Mr. Kong Xiangquan, Mr. Liu Wei, Mr. Liu Peimin, Dr. Ouyang Minggao and Mr. Chen Zheng 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 was the chairman of CNHTC, Mr. Wang Haotao was the vice general manager and director of CNHTC, Dr. Georg Pachta-Reyhofen was the chief executive officer of MAN SE; Mr. Anders Olof Nielsen was the chief executive officer of MAN Truck & Bus AG; Mr. Jörg Astalosch was the chief financial officer of MAN Truck & Bus AG from January 2014 to June 2014 and was a member of the supervisory board of MAN Truck & Bus AG since July 2014; and Mr. Franz Neundlinger was employed by MAN Truck & Bus Österrecich AG. Save as the 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 pages 20 to 26.

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

As at 31 December 2014, 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 2014, 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 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	Position	Percentage of shareholding
Sinotruk (BVI) Limited (Note 1)	Beneficial owner	1,408,106,603	Long	51%
MAN Finance and Holding S.A. (Note 2)	Beneficial owner	690,248,336	Long	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. 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	Position	Percentage of equity interest held
Liuzhou Yunli Assets Investment and Guarantee Co., Ltd.	Beneficial owner	Sinotruk Liuzhou Yunli Special Vehicles Co., Ltd.	Long	40%
Yongan Fudi Investment Co., Ltd.	Beneficial owner	Sinotruk Fujian Haixi Vehicles Co., Ltd.	Long	20%
Chengdu Dachenggong Mechanics Co., Ltd.	Beneficial owner	Sinotruk Chengdu Wangpai Commercial Vehicles Co., Ltd.	Long	20%
Suizhou Huawei Investment Holdings Co., Ltd.	Beneficial owner	Sinotruk Hubei Huawei Special Vehicles Co., Ltd.	Long	40%

Save as disclosed above, as at 31 December 2014, 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 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 24 October 2012, the Company had entered into a facility agreement (“**RMB900 Million Facility Agreement**”) with Bank of China (Hong Kong) Limited (“**BOCHK**”) and other financial institutions for the borrowing of RMB900,000,000 for 24 months (the “**RMB900 Million Facility**”). The borrowing under the RMB900 Million Facility was fully repaid in October 2014. On 21 February 2014, the Company had entered into a facility agreement (the “**RMB1 Billion Facility Agreement**”, together with the RMB900 Million Facility Agreement, the “**Facility Agreements**”) with BOCHK and other financial institutions for the borrowing of RMB1,000,000,000 for 36 months (the “**RMB1 Billion Facility**”, together with the RMB900 Million Facility, the “**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 the 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	2.4%
– the five largest suppliers	10.7%

Sales

– the largest customer	2.4%
– the five largest customers	10.3%

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. 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 but excluding the Group) the Company (for itself and on behalf of its subsidiaries)
Term	:	three 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 2014	:	RMB204,000,000
Actual consideration for the year ended 31 December 2014	:	RMB97,572,000

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 but excluding the Group) the Company (for itself and on behalf of its subsidiaries)
Term	:	three 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 2014	:	RMB24,000,000
Actual consideration for the year ended 31 December 2014	:	RMB23,675,000

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 but excluding the Group) the Company (for itself and on behalf of its subsidiaries)
Term	:	three 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 2014	:	RMB13,000,000
Actual consideration for the year ended 31 December 2014	:	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	:	three 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 2014	:	RMB268,000,000
Actual consideration for the year ended 31 December 2014	:	RMB14,833,000

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 but excluding the Group) Sinotruk Finance, a non-wholly owned subsidiary of the Company
Term	:	three 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 2014	:	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 2014	:	Maximum day-end balance for deposits taking services: RMB455,873,000 Interest expenses: RMB3,254,000

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 but excluding the Group) Sinotruk Finance
Term	:	three 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 2014	:	Maximum day-end balance for bank bills discounting services: RMB300,000,000 Interest and fee income : RMB50,000,000
Actual consideration for the year ended 31 December 2014	:	Maximum day-end balance for bank bills discounting services: RMB300,000,000 Interest and fee income: RMB2,831,000

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.

7) Technology Services Agreement

Date of agreement	:	27 March 2014
Parties	:	CNHTC Datong Gear Co., Ltd. ("**Datong Gear**"), a wholly-owned subsidiary of CNHTC Sinotruk Ji'nan Power Co., Ltd. ("**Ji'nan Power**"), a wholly-owned subsidiary of the Company
Term	:	Period from 27 March 2014 to 31 December 2015
Objective	:	Datong Gear agreed to provide technology development services for the production and operation of gearbox including but not limited to providing new technology, production procedures and supply new products and materials in relation to gearbox technologies to Ji'nan Power
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
Annual cap for the year ended 31 December 2014	:	RMB29,500,000
Actual consideration for the year ended 31 December 2014	:	RMB27,194,000

Details of the transactions contemplated under Technology Services Agreement were disclosed in the Company's announcement dated 27 March 2014.

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 Ji'nan Power, a wholly-owned subsidiary of the Company, as licensee
Term	:	seven 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 up to 31 December 2014	:	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 but excluding the Group) the Company (for itself and on behalf of its subsidiaries)
Term	:	three 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 2014	:	RMB872,000,000
Actual consideration for the year ended 31 December 2014	:	RMB391,644,000

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 but excluding the Group) the Company (for itself and on behalf of its subsidiaries)
Term	:	three 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 2014	:	RMB2,448,000,000
Actual consideration for the year ended 31 December 2014	:	RMB1,344,992,000

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 but excluding the Group) the Company (for itself and on behalf of its subsidiaries)
Term	:	three 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 2014	:	RMB2,194,000,000
Actual consideration for the year ended 31 December 2014	:	RMB370,078,000

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 but excluding the Group) the Company (for itself and on behalf of its subsidiaries)
Term	:	three 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 2014	:	RMB2,410,000,000
Actual consideration for the year ended 31 December 2014	:	RMB649,518,000

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 INEDs) have reviewed the continuing connected transactions of the Company and confirmed that they were:

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

ii. on normal commercial terms; and

iii. entered into in accordance with the relevant agreements governing 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.56 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 2014 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, 26 March 2015

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 159, which comprise the consolidated and company statement of financial position as at 31 December 2014, 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 80 of schedule 11 to 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 2014 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, 26 March 2015

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2014
(All amounts in RMB thousands unless otherwise stated)

	Note	2014	2013
Turnover	5	**32,809,402**	30,409,787
Cost of sales	6	**(27,273,250)**	(25,318,995)
Gross profit		**5,536,152**	5,090,792
Distribution costs	6	**(2,280,186)**	(2,237,779)
Administrative expenses	6	**(2,406,100)**	(2,075,425)
Other gains – net	7	**304,607**	209,958
Operating profit		**1,154,473**	987,546
Finance income		**77,598**	83,715
Finance costs		**(427,843)**	(478,968)
Finance costs – net	9	**(350,245)**	(395,253)
Profit before income tax		**804,228**	592,293
Income tax expense	10	**(209,269)**	(152,738)
Profit for the year		**594,959**	439,555
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss			
Remeasurements of termination and post-employment benefits		**(5,730)**	(5,410)
Items that may be reclassified to profit or loss			
Losses on currency translation		**(7,866)**	(17,909)
Total comprehensive income for the year		**581,363**	416,236

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2014
(All amounts in RMB thousands unless otherwise stated)

	Note	2014	2013
Profit attributable to:			
– Equity holders of the Company		**408,032**	271,387
– Non-controlling interests		**186,927**	168,168
		594,959	439,555
Total comprehensive income attributable to:			
– Equity holders of the Company		**394,436**	248,068
– Non-controlling interests		**186,927**	168,168
		581,363	416,236
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	**0.15**	0.10

The notes on pages 66 to 159 are an integral part of these consolidated financial statements.

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014
(All amounts in RMB thousands unless otherwise stated)

	Note	31 December 2014	31 December 2013
ASSETS			
Non-current assets			
Land use rights	15	**1,764,228**	1,545,785
Property, plant and equipment	16	**11,756,288**	12,681,507
Investment properties	17	**188,974**	180,023
Intangible assets	18	**643,289**	672,195
Goodwill		**3,868**	3,868
Deferred income tax assets	25	**1,081,522**	952,781
Investment in associates		**8,967**	2,319
Trade receivables and other receivables	20	**522,453**	423,897
		15,969,589	16,462,375
Current assets			
Inventories	19	**6,577,334**	7,803,963
Trade receivables, other receivables and other current assets	20	**12,833,842**	16,124,932
Financial assets at fair value through profit or loss	21	**111,179**	1,236
Amounts due from related parties	34(b)	**25,333**	16,512
Cash and bank balances	22	**8,775,515**	5,288,229
		28,323,203	29,234,872
Total assets		**44,292,792**	45,697,247
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital: nominal value	23	—	261,489
Other statutory capital reserves	23	—	16,455,535
Share capital and other statutory capital reserves	23	**16,717,024**	16,717,024
Other reserves	23	**(1,322,434)**	(1,465,041)
Retained earnings:			
– Proposed final dividend	14	**131,110**	87,481
– Others		**3,645,178**	3,524,672
		19,170,878	18,864,136
Non-controlling interests		**2,075,501**	1,948,236
Total equity		**21,246,379**	20,812,372

Consolidated Statement of Financial Position

As at 31 December 2014
(All amounts in RMB thousands unless otherwise stated)

	Note	**31 December 2014**	31 December 2013
LIABILITIES			
Non-current liabilities			
Borrowings	24	**2,412,465**	753,400
Deferred income tax liabilities	25	**28,918**	29,870
Termination and post-employment benefits	27	**17,020**	21,470
Deferred income	29	**243,246**	294,914
Long-term payable		**—**	4,920
Amounts due to related parties	34(b)	**—**	85,268
		2,701,649	1,189,842
Current liabilities			
Trade payables, other payables and other current liabilities	26	**14,556,737**	13,810,802
Current income tax liabilities		**65,895**	60,353
Borrowings	24	**4,813,985**	9,019,237
Amounts due to related parties	34(b)	**555,447**	448,276
Provisions for other liabilities	28	**352,700**	356,365
		20,344,764	23,695,033
Total liabilities		**23,046,413**	24,884,875
Total equity and liabilities		**44,292,792**	45,697,247
Net current assets		**7,978,439**	5,539,839
Total assets less current liabilities		**23,948,028**	22,002,214

Director *Director*

The notes on pages 66 to 159 are an integral part of these consolidated financial statements.

COMPANY STATEMENT OF FINANCIAL POSITION

As at 31 December 2014
(All amounts in RMB thousands unless otherwise stated)

	Note	31 December 2014	31 December 2013
ASSETS			
Non-current assets			
Land use rights	15	**16,327**	16,346
Property, plant and equipment	16	**535**	567
Deferred income tax assets	25	**28,095**	—
Investments in subsidiaries	33 (a)	**16,372,159**	15,864,376
Amounts due from subsidiaries	33 (b)	**2,600,000**	—
		19,017,116	15,881,289
Current assets			
Amounts due from subsidiaries	33 (b)	**94,851**	4,044,245
Dividends receivable		**1,116,303**	1,050,380
Trade receivables, other receivables and other current assets	20	**58,877**	1,522
Cash and bank balances	22	**95,826**	131,511
		1,365,857	5,227,658
Total assets		**20,382,973**	21,108,947
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital: nominal value	23	—	261,489
Other statutory capital reserves	23	—	16,455,535
Share capital and other statutory capital reserves	23	**16,717,024**	16,717,024
Retained earnings:			
– Proposed final dividend	14	**131,110**	87,481
– Others		**617,666**	543,069
Total equity		**17,465,800**	17,347,574

As at 31 December 2014
(All amounts in RMB thousands unless otherwise stated)

	Note	31 December 2014	31 December 2013
LIABILITIES			
Non-current liabilities			
Borrowings	24	**1,585,765**	—
Current liabilities			
Amounts due to subsidiaries	33 (c)	**541,138**	276
Trade and other payables		**40,320**	68,369
Borrowings	24	**749,950**	3,692,728
		1,331,408	3,761,373
Total liabilities		**2,917,173**	3,761,373
Total equity and liabilities		**20,382,973**	21,108,947
Net current assets		**34,449**	1,466,285
Total assets less current liabilities		**19,051,565**	17,347,574

Director *Director*

The notes on pages 66 to 159 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014
(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 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

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014
(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 2014	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
Profit for the year	—	—	—	—	—	—	—	—	—	408,032	408,032	186,927	594,959
Other comprehensive income													
Remeasurements of termination and post-employment benefits	—	—	—	—	—	—	—	—	—	(5,730)	(5,730)	—	(5,730)
Losses on currency translation	—	—	—	—	—	—	—	—	(7,866)	—	(7,866)	—	(7,866)
Total other comprehensive income for the year	—	—	—	—	—	—	—	—	(7,866)	(5,730)	(13,596)	—	(13,596)
Transactions with owners in their capacity as owners													
Transition to no-par value regime on 3 March 2014	16,455,535	(16,444,600)	(10,935)	—	—	—	—	—	—	—	—	—	—
Dividends of the Company relating to 2013, paid	—	—	—	—	—	—	—	—	—	(87,694)	(87,694)	—	(87,694)
Dividends of subsidiaries to non-controlling shareholders	—	—	—	—	—	—	—	—	—	—	—	(59,662)	(59,662)
Total transactions with owners	16,455,535	(16,444,600)	(10,935)	—	—	—	—	—	—	(87,694)	(87,694)	(59,662)	(147,356)
Appropriation to reserves	—	—	—	—	—	150,473	—	—	—	(150,473)	—	—	—
Balance as at 31 December 2014	16,717,024	—	—	(3,672,258)	1,053	1,183,389	104,294	1,144,582	(83,494)	3,776,288	19,170,878	2,075,501	21,246,379

The notes on pages 66 to 159 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014
(All amounts in RMB thousands unless otherwise stated)

	Note	2014	2013
Cash flows from operating activities			
Cash generated from operations	30(a)	**6,539,775**	1,282,973
Interest paid		**(516,880)**	(442,022)
Income tax paid		**(342,263)**	(194,774)
Net cash generated from operating activities		**5,680,632**	646,177
Cash flows from investing activities			
Acquisition of an associate		**(9,000)**	—
Prepaid operating lease payments for land use rights		**(7,449)**	(5,307)
Purchase of property, plant and equipment		**(368,629)**	(442,330)
Proceeds from disposals of property, plant and equipment	30(b)	**843**	1,971
Purchase of intangible assets		**(1,523)**	(1,549)
Purchase of financial assets at fair value through profit or loss		**(122,285)**	—
Purchase of held-to-maturity investment		**(3,002,000)**	—
Proceeds from disposal of held-to-maturity investment		**3,028,772**	—
Prepayment of purchase of non-controlling interests		**(7,678)**	—
Interest received		**53,406**	74,998
Decrease in fixed deposits		**29,120**	34,880
Net cash used in investing activities		**(406,423)**	(337,337)
Cash flows from financing activities			
Increase in restricted bank deposits		**(150,000)**	—
Proceeds from borrowings		**11,940,099**	7,899,375
Repayments of borrowings		**(12,686,286)**	(9,097,973)
Repayments of RMB bonds		**(1,800,000)**	—
Dividends paid to the equity shareholders of the Company		**(87,694)**	(33,034)
Dividends paid to non-controlling interests		**(52,885)**	(29,466)
Net cash used in financing activities		**(2,836,766)**	(1,261,098)
Net increase/(decrease) in cash and cash equivalents		**2,437,443**	(952,258)
Cash and cash equivalents at beginning of the year	22(c)	**4,004,329**	4,974,962
Exchange losses on cash		**(1,641)**	(18,375)
Cash and cash equivalents at end of the year	22(c)	**6,440,131**	4,004,329

The notes on pages 66 to 159 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"). 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.

In accordance with the transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong) ("New Companies Ordinance"), "Accounts and Audit" as set out in sections 76 to 87 of Schedule 11 to the New Companies Ordinance, the consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Chapter 32 of the law of Hong Kong) for this financial year and the comparative period.

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

2. Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

Changes in accounting policy and disclosures

(1) New and amended standards adopted by the Group

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2014 and relevant to the Group:

- Amendment to HKAS 32, 'Financial instruments: Presentation' on asset and liability offsetting is effective for annual periods beginning on or after 1 January 2014. The main change resulting from these amendments to the application guidance in HKAS 32, 'Financial instruments: Presentation', and clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. The amendment has no significant impact on the Group's financial statements.

- Amendments to HKFRS 10, 12 and HKAS 27 on consolidation for investment entities is effective for annual periods beginning on or after 1 January 2014. These amendments mean that many funds and similar entities will be exempt from consolidating most of their subsidiaries. Instead, they will measure them at fair value through profit or loss. The amendments give an exception to entities that meet an 'investment entity' definition and which display particular characteristics. Changes have also been made HKFRS 12 to introduce disclosures that an investment entity needs to make. The amendment has no significant impact on the Group's financial statements.

- Amendments to HKAS 36, 'Impairment of assets', on the recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of cash generating units ("CGU") which had been included in HKAS 36 by the issue of HKFRS 13. It also enhanced the disclosures of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

- Amendments to HKAS 39, 'Financial Instruments: Recognition and Measurement' - 'Novation of derivatives and the continuation of hedge accounting', is effective for annual periods beginning on or after 1 January 2014. This amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument to a central counterparty meets specified criteria. The Group has applied the amendment and there has been no significant impact on the Group's financial statements as a result.

- HK (IFRIC) 21, 'Levies', sets out the accounting for an obligation to pay a levy if that liability is within the scope of HKAS 37 'Provisions'. The interpretation addresses what the obligating event is that gives rise to the payment a levy and when a liability should be recognised. The Group is not currently subjected to significant levies so the impact on the Group is not material.

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)

- Annual improvements 2012, include changes from the 2010-2012 cycle of the annual improvements project, that affect 7 standards, only the below are effective for relevant transactions on or after 1 July 2014:

    - HKFRS2, 'Share-based payment', clarifies the definition of a 'vesting condition' and separately defines 'performance condition' and 'service condition'.

    - HKFRS3, 'Business combinations' and consequential amendments to HKFRS9 'Financial instruments', HKAS37 'Provisions, contingent liabilities and contingent assets', and HKAS39 'Financial instruments – Recognition and measurement'.

    - The standard is amended to clarify that an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity, on the basis of the definitions in HKAS 32, 'Financial instruments: Presentation'. All non-equity contingent consideration, both financial and non-financial, is measured at fair value at each reporting date, with changes in fair value recognised in profit and loss.

Other standards, amendments and interpretations which are effective for the financial year beginning on 1 January 2014 are not material to 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 financial year beginning on 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 for financial year beginning on
Amendments to HKAS 19	Defined benefits plans	1 July 2014
Annual improvements 2012	Annual improvements to HKFRSs 2010-2012 cycle	1 July 2014
Annual improvements 2013	Annual improvements to HKFRSs 2011-2013 cycle	1 July 2014
HKFRS 14	Regulatory Deferral Accounts	1 January 2016
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations	1 January 2016
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation	1 January 2016
Amendments to HKAS 16 and HKAS 41	Agriculture: bearer plants	1 January 2016
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	1 January 2016
Amendment to HKAS 27	Equity method in separate financial statements	1 January 2016
Annual improvements 2014	Annual improvements to HKFRSs 2012-2014 cycle	1 January 2016
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: applying the consolidation exception	1 January 2016
Amendments to HKAS 1	Disclosure initiative	1 January 2016
HKFRS15	Revenue from Contracts with Customers	1 January 2017
HKFRS 9	Financial Instruments	1 January 2018

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

2. Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

Changes in accounting policy and disclosures (Continued)

(3) New Companies Ordinance

In addition, the requirements of Part 9 "Accounts and Audit" of the New Companies Ordinance come into operation as from the Company's first financial year commencing on or after 3 March 2014 in accordance with section 358 of that ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the New Companies Ordinance. So far it has concluded that the impact is unlikely to be significant and only the presentation and the disclosure of information in the consolidated financial statements will be affected.

(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

An associate is an entity 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. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

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 income statement.

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

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

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 of 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 financial position 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. Currency translation differences arising are recognised in other comprehensive income.

(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	5-8 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 recognized. 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 recognized 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 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. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2. Summary of significant accounting policies (Continued)

(j) Financial assets (Continued)

(iv) Impairment of financial assets

(1) Assets carried at amortised cost

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)

(j) Financial assets (Continued)

(iv) Impairment of financial assets (Continued)

(2) Assets classified as available for sale

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.

For debt securities, if any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated statement of comprehensive income.

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in the consolidated statement of comprehensive income on equity instruments are not reversed through the consolidated statement of comprehensive income.

(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.

2. Summary of significant accounting policies (Continued)

(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 on 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

General and specific 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.

(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.

2. Summary of significant accounting policies (Continued)

(r) Current and deferred income tax (Continued)

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 entity. 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 service 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.

The current service cost of the defined benefit plan, recognised in the consolidated statement of comprehensive income in employee benefit expense, except where included in the cost of an asset, reflects the increase in the defined benefit obligation results from employee service in the current year, benefit changes, curtailments and settlements.

Past-service costs are recognised immediately in income.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the consolidated statement of comprehensive income.

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.

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.

2. Summary of significant accounting policies (Continued)

(s) Employee benefits (Continued)

(i) Pension obligations (Continued)

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.

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.

(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.

2. Summary of significant accounting policies (Continued)

(v) Revenue recognition (Continued)

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 the Group 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.

(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.

2. Summary of significant accounting policies (Continued)

(v) Revenue recognition (Continued)

(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.

(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.

2. Summary of significant accounting policies (Continued)

(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.

(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.

2. Summary of significant accounting policies (Continued)

(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.

3. Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(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 Notes 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 2014, 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 RMB60,915,000 (2013: RMB70,405,000) lower/higher, mainly as a result of foreign exchange losses/gains on translation of USD-denominated trade and other receivables, cash and bank balance, borrowings and trade payables.

As at 31 December 2014, 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 RMB2,575,000 (2013: RMB5,746,000) 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 2014, 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 RMB4,664,000 (2013: RMB1,971,000) 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 Notes 22, and 24 respectively.

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

As at 31 December 2014, if the interest rates on bank borrowings had been 150 basis points higher/lower than the average coupon interest rate of 4.76% (2013: 4.82%) per annum with all other variables held constant, profit before income tax for the year would have been RMB76,422,000 (2013: RMB68,328,000) 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 1 year. 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)

(d) 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	Total
As at 31 December 2014				
Borrowings	4,813,985	826,700	1,585,765	7,226,450
Interests payments on borrowings (a)	193,310	107,413	30,154	330,877
Trade and other payables	13,080,612	—	—	13,080,612
Amounts due to related parties	541,390	—	—	541,390
	18,629,297	934,113	1,615,919	21,179,329
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 payable	—	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

(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 equivalent. Total capital is calculated as total equity as shown in the consolidated statement of financial position plus net debt.

	As at 31 December 2014	As at 31 December 2013
Total borrowings (Note 24)	**7,226,450**	9,772,637
Borrowings due to related parties (Note 34(b))	**36,000**	36,000
Less: fixed deposits (Note 22(a))	**—**	(29,120)
Less: Security for impawned bank loan (Note 22(b))	**(150,000)**	—
Less: cash and cash equivalents (Note 22(c))	**(6,440,131)**	(4,004,329)
Net debt	**672,319**	5,775,188
Total equity	**21,246,379**	20,812,372
Total capital	**21,918,698**	26,587,560
Gearing ratio	**3%**	22%

The decrease in the gearing ratio is resulted from decrease in borrowings and increase in cash and cash equivalents.

(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 2014 and 2013.

	Level 1	Level 2	Level 3	Total
As at 31 December 2014				
Assets				
Financial assets at fair value through profit or loss	**111,179**	—	—	**111,179**
Total	**111,179**	—	—	**111,179**
As at 31 December 2013				
Assets				
Financial assets at fair value through profit or loss	1,236	—	—	1,236
Total	1,236	—	—	1,236

(All amounts in RMB thousands unless otherwise stated)

3. Financial risk management (Continued)

3.4 Financial instruments by category

	As at 31 December 2014		
	Loans and receivables	Assets at fair value through profit and loss	Total
Assets			
Receivables and other current assets excluding prepayments	12,768,390	—	12,768,390
Amounts due from related parties excluding prepayments	3,587	—	3,587
Financial assets at fair value through profit or loss	—	111,179	111,179
Cash and bank balances	8,775,515	—	8,775,515
Total	21,547,492	111,179	21,658,671

	As at 31 December 2014
	Financial liabilities at amortised cost
Liabilities	
Borrowings	7,226,450
Trade and other payables excluding non-financial liabilities	13,080,612
Amounts due to related parties excluding advances from customers	541,390
Total	20,848,452

(All amounts in RMB thousands unless otherwise stated)

3. Financial risk management (Continued)

3.4 Financial instruments by category (Continued)

	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

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 subsidiaries 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, buses 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 2014, the Group's market capitalisation of RMB9,431 million approximately, which is lower than the Group's net assets value of RMB21,246 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 comprising all executive directors to execute its decisions. The Executive Committee reviews the Group's internal reporting in order to assess performance and allocate resources. The Executive Committee has determined the operating segments based on these reports.

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

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 2014 and 2013 as follows:

	Year ended 31 December 2014					
	Heavy duty trucks	Light duty trucks & buses	Engines	Finance	Elimination	Total
External segment revenue						
Sales of goods	27,612,353	3,509,981	1,049,603	—	—	32,171,937
Provision of financing services	—	—	—	301,156	—	301,156
Rendering of services	298,932	7,512	29,865	—	—	336,309
Total	27,911,285	3,517,493	1,079,468	301,156	—	32,809,402
Inter-segment revenue	364,785	87,233	6,643,250	80,933	(7,176,201)	—
Segment revenue	28,276,070	3,604,726	7,722,718	382,089	(7,176,201)	32,809,402
Operating profit/(losses) before unallocated expenses	625,790	(251,953)	434,457	200,074	164,264	1,172,632
Unallocated expenses						(18,159)
Operating profit						1,154,473
Finance costs – net						(350,245)
Profit before income tax						804,228
Income tax expense						(209,269)
Profit for the year						594,959

(All amounts in RMB thousands unless otherwise stated)

5. Segment information (Continued)

The segment results for the year ended 31 December 2014 and 2013 are as follows: (Continued)

	Year ended 31 December 2013					
	Heavy duty trucks	Light duty trucks & 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/(losses) 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

(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 2014 and 2013 are as follows:

	Year ended 31 December 2014					
	Heavy duty trucks	Light duty trucks & buses	Engines	Finance	Unallocated	Total
Depreciation	488,003	83,659	647,223	824	47	1,219,756
Amortisation of intangible assets and land use rights	55,128	7,148	136,534	69	19	198,898

	Year ended 31 December 2013					
	Heavy duty trucks	Light duty trucks & 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

The segment assets and liabilities as at 31 December 2014 and 2013 and capital expenditure for the year then ended are as follows:

	As at 31 December 2014					
	Heavy duty trucks	Light duty trucks & buses	Engines	Finance	Unallocated	Total
Segment assets	28,521,535	3,237,356	11,657,660	11,385,105	4,614,150	59,415,806
Elimination						(15,123,014)
Total assets						44,292,792
Segment liabilities	11,766,202	2,718,824	2,776,726	9,993,912	7,361,583	34,617,247
Elimination						(11,570,834)
Total liabilities						23,046,413
Segment capital expenditure	381,382	191,684	133,536	186	15	706,803

(All amounts in RMB thousands unless otherwise stated)

5. Segment information (Continued)

Reconciled to entity assets and liabilities as follows:

	As at 31 December 2014	
	Assets	Liabilities
Segment assets/liabilities after elimination	39,678,642	15,684,830
Unallocated:		
Deferred tax assets/liabilities	1,081,522	28,918
Current tax assets/liabilities	91,047	65,895
Current borrowings	—	4,813,985
Non-current borrowings	—	2,412,465
Other assets/liabilities of the Company	3,441,581	40,320
Total	44,292,792	23,046,413

	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

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

	2014	2013
Turnover		
Mainland China	26,249,202	24,881,188
Overseas	6,560,200	5,528,599
	32,809,402	30,409,787

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

	2014	2013
Total assets		
Mainland China	37,232,586	37,204,393
Overseas	7,060,206	8,492,854
	44,292,792	45,697,247

(All amounts in RMB thousands unless otherwise stated)

5. Segment information (Continued)

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

	2014	2013
Non-current assets other than deferred income tax assets		
Mainland China	14,655,261	15,285,198
Overseas	232,806	224,396
	14,888,067	15,509,594

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

	2014	2013
Capital expenditure		
Mainland China	706,707	1,266,231
Overseas	96	50
	706,803	1,266,281

(All amounts in RMB thousands unless otherwise stated)

6. Expenses by nature

	2014	2013
Materials costs (Note 19)	**23,642,448**	22,359,809
Employee benefit expenses (Note 8)	**2,786,620**	2,428,714
Warranty expenses (Note 28)	**735,570**	720,371
Utilities expenses	**727,029**	681,951
Maintenance costs	**267,841**	192,211
Subcontracting costs	**260,425**	217,969
Amortisation of land use rights (Note 15)	**34,513**	36,951
Depreciation of property, plant and equipment (Note 16)	**1,219,756**	1,022,058
Amortisation of intangible assets (Note 18)	**164,385**	142,806
Transportation expenses	**874,755**	940,044
Advertising costs	**91,250**	94,486
Travel and office expenses	**224,154**	225,157
Transaction taxes	**144,313**	141,112
Write-down of inventories to net realisable value (Note 19)	**104,155**	192,454
Auditors' remuneration	**15,282**	13,438
Provision for impairment of trade and other receivables (Note 20(b))	**201,893**	62,867
Rental expenses	**51,059**	53,845
Other charges	**414,088**	105,956
Total	**31,959,536**	29,632,199
Representing:		
Cost of sales	**27,273,250**	25,318,995
Distribution costs	**2,280,186**	2,237,779
Administrative expenses	**2,406,100**	2,075,425
Total	**31,959,536**	29,632,199

(All amounts in RMB thousands unless otherwise stated)

7. Other gains – net

	2014	2013
Losses from financial assets at fair value through profit or loss (Note 30(a))	(12,342)	(241)
Disposal of scraps	64,833	63,598
Government grants (a)	179,432	222,231
Fair value gains/(losses) on investment properties (Note 17)	8,331	(20,746)
(Losses)/gains on disposals of property, plant and equipment (Note 30(a))	(8,452)	5,354
Rental income	15,642	15,334
Losses on investment in associates	(2,352)	(2,245)
Foreign exchange gains/(losses) - net	28,904	(72,519)
Others	30,611	(808)
Total	304,607	209,958

(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

	2014	2013
Salaries, wages and bonuses	2,197,903	1,863,706
Contributions to pension plans	297,515	236,207
Termination benefits (Note 27(a))	450	460
Post-employment benefits (Note 27(b))	250	220
Medical insurance plan (Note 27(c))	50	50
Housing benefits	116,033	109,120
Other welfare expenses	174,419	218,951
Total (Note 6)	2,786,620	2,428,714

(All amounts in RMB thousands unless otherwise stated)

9. Finance costs – net

	2014	2013
Interest expense:		
– Bank borrowings and bonds wholly repayable within 5 years	**407,121**	506,401
– Discount of notes receivable	**29,587**	14,342
	436,708	520,743
Less: amount capitalized in construction in progress (Note16(b))	**(8,865)**	(41,775)
Finance costs	**427,843**	478,968
Finance income:		
– Interest income from bank deposits	**(77,598)**	(83,715)
Finance costs - net	**350,245**	395,253

10. Taxation

(a) Income tax expense

The Company, Sinotruk (Hong Kong) International Investment Limited and Sinotruk (Hong Kong) Capital Holding Limited are subject to Hong Kong profits tax at the rate of 16.5% (2013: 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% (2013: 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 and their application for renewal of the status of the High New Tech Enterprises have been approved by local tax bureaus. 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 (2013: 15%).

(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. 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 (2013: 15%).

Sinotruk Russia Co., Ltd. is subject to a corporate income tax rate of 20% according to Tax Code of the Russian Federation (2013: 20%).

The remaining subsidiaries are subject to the PRC corporate income tax, which has been calculated based on the corporate income tax rate of 25% (2013: 25%).

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

	2014	2013
Current tax:		
– Hong Kong profits tax	**2,920**	5,068
– PRC corporate income tax	**336,042**	238,432
Total current tax	**338,962**	243,500
Deferred tax (Note 25(b))	**(129,693)**	(90,762)
Income tax expense	**209,269**	152,738

(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:

	2014	2013
Profit before income tax	804,228	592,293
Tax calculated at tax rates applicable to profits of the respective entities	201,057	148,073
Tax effects of :		
Preferential tax of certain subsidiaries	(53,993)	(38,456)
Expenses not deductible for tax purposes	42,608	22,083
Tax losses for which no deferred tax assets were recognised	31,464	32,887
Additional allowance for research and development expenditures	(41,726)	(31,106)
Re-measurement of deferred tax resulted from recognisation changes of tax losses of certain subsidiaries	29,859	19,257
Income tax expense	209,269	152,738

As at 31 December 2014, the Group has unrecognised tax losses of approximately RMB745,130,000 (2013: RMB413,060,000) which can be carried forward against future taxable income and will expire within 5 years.

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

Certain of the 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 of the 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.

(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") for the year ended 31 December 2014 is set out below:

	Fees, salaries and bonuses	Other benefits	Employer's contribution to pension scheme	Total
Mr. Ma Chunji	650	34	22	706
Mr. Cai Dong	630	38	24	692
Mr. Tong Jingen	520	38	24	582
Mr. Wang Shanpo	520	38	24	582
Mr. Kong Xiangquan	520	38	24	582
Mr. Liu Wei (a)	520	38	24	582
Mr. Liu Peimin (a)	520	41	23	584
Mr. Franz Neundlinger	551	—	—	551
Dr. Georg Pachta-Reyhofen	180	—	—	180
Mr. Anders Olof Nielsen	180	—	—	180
Mr. Jörg Astalosch	180	—	—	180
Dr. Lin Zhijun	180	—	—	180
Dr. Ouyang Minggao	180	—	—	180
Mr. Chen Zheng	180	—	—	180
Dr. Lu Bingheng	180	—	—	180
Mr. Yang Weicheng	180	—	—	180
Dr. Huang Shaoan (b)	137	—	—	137
Mr. Wei Zhihai (c)	520	24	13	557
Mr. Wang Haotao (c)	520	38	24	582

(a) Mr. Liu Wei and Mr. Liu Peimin were appointed as Directors on 9 December 2014 and their remuneration includes their emoluments for other positions in the Group.

(b) Dr. Huang Shaoan was appointed as Director on 27 March 2014.

(c) Mr. Wei Zhihai and Mr. Wang Haotao resigned with effect from 9 December 2014.

(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 for the year ended 31 December 2013 is set out below:

	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. 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. Wei Zhihai	600	22	12	634
Mr. Wang Haotao	580	36	22	638
Mr. Gao Dinggui	413	26	17	456
Dr. Shao Qihui	70	—	—	70
Dr. Hu Zhenghuan	70	—	—	70
Mr. Li Xianyun	70	—	—	70

During the year 2014 and 2013, 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 2014 include four (2013: four) Directors whose emoluments have been included in Note (a) above. The emoluments payable to the remaining individual during the year are as follows:

	2014	2013
Basic salaries, housing allowances and other allowances	**1,099**	1,074

(c) Senior management by band

The emoluments fell within the following bands:

	Number of employees	
	2014	2013
Emolument bands (in HK dollars)		
HKD1,000,000 – HKD1,500,000	**1**	1
HKD500,000 – HKD1,000,000	**10**	8
HKD0 – HKD500,000	**9**	12

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 RMB205,920,000 (2013: RMB249,661,000).

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

	2014	2013
Operating profit for the year in the Company's financial statements	**61,593**	2,707
Final dividends from subsidiaries attributable to the profits of the previous financial years, approved during the year	**144,327**	246,954
Profit attributable to equity holders dealt with in the Company's financial statements (Note 23 (b))	**205,920**	249,661

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.

	2014	2013
Profit attributable to equity holders of the Company	408,032	271,387
Weighted average number of ordinary shares in issue (thousands)	2,760,993	2,760,993
Basic earnings per share (RMB per share)	0.15	0.10

Diluted earnings per share equals to basic earnings per share for the years ended 31 December 2014 and 2013 as there are no dilutive potential shares existed during the years.

14. Dividends

(a) At a meeting held on 26 March 2015, the board of directors ("Board") proposed a final dividend in respect of the year ended 31 December 2014 of HKD0.06 (2013: HKD0.04) per ordinary share representing total dividend at approximately HKD165,660,000 (2013: HKD110,440,000) or approximately RMB131,110,000 (2013: approximately RMB87,481,000). 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 approximately RMB2,995,000 in respect of the final dividend for the year 2013 (withholding corporate income tax for the final dividend for the year 2012: approximately RMB1,144,000) for its non-PRC resident enterprise shareholders and paid all withholding corporate income tax during the year ended 31 December 2014.

(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 35 to 870 years.

The locations are as follows:

	Group		Company	
	2014	2013	**2014**	2013
In Hong Kong				
– Leases over 50 years	**16,327**	16,346	**16,327**	16,346
– Leases between 10 to 50 years	**23,108**	23,504	**—**	—
In Mainland China				
– Leases between 10 to 50 years	**1,724,793**	1,505,935	**—**	—
	1,764,228	1,545,785	**16,327**	16,346

The movements for land use rights are as follows:

	Group		Company	
	2014	2013	**2014**	2013
Opening net book amount	**1,545,785**	1,464,106	**16,346**	16,365
Transfer from property, plant and equipment (Note 16)	**245,507**	106,750	**—**	—
Transfer from investment properties (Note17)	**—**	6,573	**—**	—
Additions	**7,449**	5,307	**—**	—
Amortization charge (Note 6)	**(34,513)**	(36,951)	**(19)**	(19)
Closing net book amount	**1,764,228**	1,545,785	**16,327**	16,346

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

(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 2013						
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
Year ended 31 December 2014						
Opening net book amount	4,331,545	5,980,628	145,984	127,847	2,095,503	12,681,507
Additions	27,012	11,899	15,703	5,043	638,174	697,831
Transfers	546,365	691,801	10,698	24,946	(1,273,810)	—
Transfer to land use rights (Note 15)	—	—	—	—	(245,507)	(245,507)
Transfer to intangible assets (Note 18)	—	—	—	—	(133,956)	(133,956)
Disposals (Note 30(b))	(3,043)	(16,285)	(134)	(4,369)	—	(23,831)
Depreciation charge (Note 6)	(217,697)	(953,000)	(26,376)	(22,683)	—	(1,219,756)
Closing net book amount	4,684,182	5,715,043	145,875	130,784	1,080,404	11,756,288
As at 31 December 2014						
Cost	5,787,862	10,810,401	366,335	261,615	1,080,404	18,306,617
Accumulated depreciation	(1,103,680)	(5,095,358)	(220,460)	(130,831)	—	(6,550,329)
Net book amount	4,684,182	5,715,043	145,875	130,784	1,080,404	11,756,288

(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 2013			
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
Year ended 31 December 2014			
Opening net book amount	**552**	**15**	**567**
Additions	**—**	**15**	**15**
Depreciation charge	**(41)**	**(6)**	**(47)**
Closing net book amount	**511**	**24**	**535**
As at 31 December 2014			
Cost	**813**	**48**	**861**
Accumulated depreciation	**(302)**	**(24)**	**(326)**
Net book amount	**511**	**24**	**535**

(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	
	2014	2013	**2014**	2013
Cost of sales	**1,024,294**	856,712	**—**	—
Distribution costs	**3,618**	3,559	**—**	—
Administrative expenses	**191,844**	161,787	**47**	46
	1,219,756	1,022,058	**47**	46

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

	Group		Company	
	2014	2013	**2014**	2013
Borrowing costs capitalized	**8,865**	41,775	**—**	—
Average capitalization rate	**4.74%**	5.30%	**—**	—

(c) As at 31 December 2014, the Group was in the process of applying the certificates of ownership for the buildings, with net book amount of approximately RMB110,579,000 (2013: RMB119,570,000).

(All amounts in RMB thousands unless otherwise stated)

17. Investment properties – Group

	2014	2013
As at 1 January	180,023	214,754
Transfer to property, plant and equipment (Note 16)	—	(1,211)
Transfer to land use rights (Note 15)	—	(6,573)
Fair value gains/(losses) (Note 7)	8,331	(20,746)
Translation differences	620	(6,201)
As at 31 December	188,974	180,023

The information of the investment properties as at 31 December 2014 is set out below:

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

During year 2013, the information of the investment properties transferred to property, plant and equipment and land use right is set out below:

Illumination 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:

	2014	2013
Rental income	5,952	5,415

(All amounts in RMB thousands unless otherwise stated)

17. Investment properties – Group (Continued)

The investment properties are located in Hong Kong and held on leases over 50 years and revalued as at 31 December 2014 on an open market value.

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 2014 and 2013. 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

Description	Fair value measurements at 31 December 2014 using		
	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	—	188,974	—

Fair value hierarchy

Description	Fair value measurements at 31 December 2013 using		
	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 2013			
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
Year ended 31 December 2014			
Opening net book amount	**636,471**	**35,724**	**672,195**
Additions	**—**	**1,523**	**1,523**
Transfer from property, plant and equipment (Note 16)	**128,356**	**5,600**	**133,956**
Amortisation charge (Note 6)	**(158,672)**	**(5,713)**	**(164,385)**
Closing net book amount	**606,155**	**37,134**	**643,289**
At 31 December 2014			
Cost	**1,281,918**	**65,371**	**1,347,289**
Accumulated amortisation	**(675,763)**	**(28,237)**	**(704,000)**
Net book amount	**606,155**	**37,134**	**643,289**

(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 RMB965,141,000 (2013: RMB722,470,000).

(All amounts in RMB thousands unless otherwise stated)

19. Inventories – Group

	2014	2013
Raw materials	1,597,477	1,493,336
Work in progress	659,362	629,647
Finished goods - engines, parts and components	873,626	885,215
Finished goods - trucks and buses	3,793,900	5,191,813
	6,924,365	8,200,011
Less: write-down of inventories to net realisable value	(347,031)	(396,048)
	6,577,334	7,803,963

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

	2014	2013
Materials costs (Note 6)	23,642,448	22,359,809
Write-down of inventories to net realizable value (Note 6)	104,155	192,454
	23,746,603	22,552,263
Representing:		
Cost of sales	23,476,217	22,540,363
Administrative expenses	270,386	11,900
	23,746,603	22,552,263

(a) As at 31 December 2014 and 2013, no inventory was pledged as security of bank borrowings.

(All amounts in RMB thousands unless otherwise stated)

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

	Group		Company	
	2014	2013	**2014**	2013
Non-current				
Accounts receivable	**75,850**	25,018	—	—
Loans and receivables from financing services	**453,404**	404,955	—	—
Less: Provision for impairment of loans and receivables from financing services	**(6,801)**	(6,076)	—	—
Loans and receivables from financing services - net	**446,603**	398,879	—	—
Trade receivables and other receivables	**522,453**	423,897	—	—
Current				
Accounts receivable	**7,099,231**	5,368,913	**51,158**	1,188
Less: Provision for impairment of accounts receivable	**(326,445)**	(227,583)	—	—
Accounts receivable - net	**6,772,786**	5,141,330	**51,158**	1,188
Notes receivable				
– Bank acceptance notes	**3,600,291**	8,675,848	—	—
– Commercial acceptance notes	**50,230**	35,611	—	—
Notes receivable - total	**3,650,521**	8,711,459	—	—
Trade receivables - net	**10,423,307**	13,852,789	**51,158**	1,188
Loans and receivables from financing services	**1,352,304**	1,232,793	—	—
Less: Provision for impairment from financing services	**(26,082)**	(20,584)	—	—
Loans and receivables from financing services - net	**1,326,222**	1,212,209	—	—

(All amounts in RMB thousands unless otherwise stated)

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

	Group		Company	
	2014	2013	**2014**	2013
Other receivables	**459,031**	371,708	—	—
Less: Provision for impairment of other receivables	**(7,581)**	(4,603)	—	—
Other receivables - net	**451,450**	367,105	—	—
Interest receivables	**44,958**	20,766	—	293
Receivables and other current assets before prepaid items	**12,245,937**	15,452,869	**51,158**	1,481
Prepayments	**237,100**	271,070	**7,719**	41
Prepaid taxes other than income tax	**259,758**	318,789	—	—
Prepaid income taxes	**91,047**	82,204	—	—
Trade receivables, other receivables and other current assets - net	**12,833,842**	16,124,932	**58,877**	1,522

(a) As at 31 December 2014 and 2013, 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 and other current assets are as follows:

	Group	
	2014	2013
Opening amount	**258,846**	196,026
Provision for impairment of receivables (Note 6)	**201,893**	62,867
Receivables written off during the year as uncollectible	**(93,830)**	(47)
Closing amount	**366,909**	258,846

The Group's provision for impairment of receivables of approximately RMB201,893,000 (2013: RMB62,867,000) 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	
	2014	2013
Less than 3 months	**7,992,719**	7,523,947
3 months to 6 months	**1,585,902**	5,343,327
6 months to 12 months	**166,756**	136,570
1 year to 2 years	**391,190**	828,416
2 years to 3 years	**362,509**	41,843
Over 3 years	**81**	3,704
	10,499,157	13,877,807

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 2014, accounts receivable of the Group of approximately RMB1,266,409,000 (2013: RMB1,019,416,000) were secured by certain letters of credit issued by overseas third parties. No provision is provided against these receivables as at 31 December 2014 and 2013.

(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	
	2014	2013
Bank acceptance notes issued by related parties	**308,080**	2,130
Bank acceptance notes issued by third parties	**3,292,211**	8,673,718
Commercial acceptance notes issued by third parties	**50,230**	35,611
	3,650,521	8,711,459

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

	2014	2013
Bank acceptance notes		
CNHTC Qingdao Heavy Industry Co., Ltd.	**303,080**	2,130
CNHTC Datong Gear Co., Ltd.	**3,100**	—
CNHTC Taian Wuyue Special Truck Co., Ltd.	**1,900**	—
	308,080	2,130

(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 were secured by the vehicle together with guarantees provided by these dealers and its relevant parties.

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

	Group	
	2014	2013
Less than 3 months	**258,543**	400,502
3 months to 6 months	**316,913**	336,987
6 months to 12 months	**750,766**	474,720
1 year to 2 years	**365,333**	387,865
2 years to 3 years	**81,270**	11,014
	1,772,825	1,611,088

(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, other receivables, loans and receivables from financing services and interest receivables into the following:

a) Group 1 – Bank acceptance notes and interest receivables for which the repayment are guaranteed by banks;

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

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

	2014	2013
Group 1	3,637,492	8,696,614
Group 2	50,230	35,611
Group 3	7,521,226	5,363,346
	11,208,948	14,095,571

(ii) As at 31 December 2014, no accounts receivable, notes receivable, loans and receivables from financing services, other receivables and interest receivables were past due but not impaired (2013: Nil).

(iii) Impaired receivables

As at 31 December 2014, receivables that were impaired are analysed below:

	2014	2013
Trade and other receivables	1,926,351	2,040,041
Less: Provision for impairment	(366,909)	(258,846)
	1,559,442	1,781,195

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

(All amounts in RMB thousands unless otherwise stated)

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

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

	2014	2013
RMB	**11,157,144**	14,923,919
USD	**1,560,064**	834,057
EURO	**50,198**	114,772
HKD	**839**	4,018
AUD	**116**	—
TWD	**29**	—
	12,768,390	15,876,766

(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

	2014	2013
Listed securities		
– equity securities		
RMB	**1,487**	840
HKD	**109,692**	396
	111,179	1,236

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	
	2014	2013	**2014**	2013
Fixed deposits (a)	**—**	29,120	**—**	29,120
Restricted bank deposits (b)	**2,335,384**	1,254,780	**—**	—
Cash and cash equivalents (c)	**6,440,131**	4,004,329	**95,826**	102,391
	8,775,515	5,288,229	**95,826**	131,511

(a) Fixed deposits

As at 31 December 2014, the Group did not place any over three-month fixed deposits (2013: RMB29,120,000).

(b) Restricted bank deposits

The breakdown of restricted cash by nature as at 31 December 2014 and 2013 is as follows:

	Group	
	2014	2013
Deposits for issuing bank acceptance notes	**810,345**	411,840
Deposits for issuing commercial acceptance notes	**12,000**	—
Deposits for issuing letters of credit	**207,052**	261,299
Mandatory reserve deposits (i)	**1,117,311**	546,070
Security for impawned bank loan	**150,000**	—
Security for consumer credit	**37,766**	35,571
Other restricted bank deposits	**910**	—
	2,335,384	1,254,780

(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	
	2014	2013	**2014**	2013
Cash on hand	**200**	254	**2**	6
Time deposits with initial terms of over three months (i)	**748,737**	561,191	**—**	—
Current bank deposits (ii)	**5,691,194**	3,442,884	**95,824**	102,385
Cash and cash equivalents	**6,440,131**	4,004,329	**95,826**	102,391

(i) The weighted average effective interest rate on these time deposits with initial terms of over three months was 4.40% per annum (2013: 2.96%). As these time deposits can be drawn on demand and available within short time frame without penalty, the Directors are of the view that such time deposits are qualified as demand deposits and classified as cash and cash equivalents.

(ii) The weighted average effective interest rate on current bank deposits was 0.58% per annum (2013: 0.47%).

(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:

i) Group 1 – Major international banks; and

ii) Group 2 – Large China reputable banks

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

	Group		Company	
	2014	2013	**2014**	2013
Group 1	**19,787**	80,341	**15,308**	2,834
Group 2	**6,420,144**	3,923,734	**80,516**	99,551
	6,439,931	4,004,075	**95,824**	102,385

(d) Cash and bank balances are dominated in:

	Group		Company	
	2014	2013	**2014**	2013
Denominated in:				
– RMB	**8,561,424**	4,299,067	**23,630**	77,809
– USD	**198,521**	944,358	**67,845**	20,031
– HKD	**6,740**	39,853	**4,345**	33,665
– EURO	**7,680**	2,995	**4**	4
– GBP	**327**	420	**—**	—
– Others	**823**	1,536	**2**	2
	8,775,515	5,288,229	**95,826**	131,511

23. Equity

(a) Share capital

	31 December 2014		31 December 2013	
	Number of shares (thousands)	HKD'000	Number of shares (thousands)	HKD'000
Authorised: (i)				
Ordinary shares of par value (2014: Nil, 2013: HKD0.1 each) (ii)	—	—	100,000,000	10,000,000

Ordinary shares, issued and fully paid:

	Number of shares
Balance at 1 January 2014 and at 31 December 2014	**2,760,993,339**
Balance at 1 January 2013 and at 31 December 2013	2,760,993,339

(i) Under the New Companies Ordinance, which commenced operation on 3 March 2014, the concept of authorised share capital no longer exists.

(ii) In accordance with section 135 of the New Companies Ordinance, the Company's shares no longer have a par or nominal value with effect from 3 March 2014. There is no impact on the number of shares in issue or the relative entitlement of any of the members as a result of this transition.

(All amounts in RMB thousands unless otherwise stated)

23. Equity (Continued)

(b) The company's equity movement

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 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
As at 1 January 2014	**261,489**	**16,444,600**	**10,935**	**630,550**	**17,347,574**
Total comprehensive income for the year (Note 12)	—	—	—	**205,920**	**205,920**
Transition to no-par value regime on 3 March 2014 (i)	**16,455,535**	**(16,444,600)**	**(10,935)**	—	—
Dividends relating to year 2013, paid	—	—	—	**(87,694)**	**(87,694)**
As at 31 December 2014	**16,717,024**	—	—	**748,776**	**17,465,800**

(i) In accordance with the transitional provisions set out in section 37 of Schedule 11 to New Companies Ordinance, on 3 March 2014, any amount standing to the credit of the share premium and capital redemption reserve account have become part of the Company's share capital.

(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.

(All amounts in RMB thousands unless otherwise stated)

23. Equity (Continued)

(c) Notes to the Group's reserves (Continued)

(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.

(d) Material non-controlling interests

As at 31 December 2014, the total non-controlling interests is RMB2,075,501,000 (2013: RMB1,948,236,000), of which RMB1,365,347,000 (2013: RMB1,204,677,000) is attributed by Sinotruk Ji'nan Truck Co., Ltd. The non-controlling interests in respect of each of 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.

Summarised statement of financial position

	2014	2013
Current		
Assets	11,847,376	11,136,086
Liabilities	(8,382,606)	(8,299,773)
Total current net assets	3,464,770	2,836,313
Non-current		
Assets	1,104,825	1,189,686
Liabilities	(800,000)	(700,000)
Total non-current net assets	304,825	489,686
Net assets	3,769,595	3,325,999

(All amounts in RMB thousands unless otherwise stated)

23. Equity (Continued)

(d) Material non-controlling interests (Continued)

Summarised statement of comprehensive income

	2014	2013
Revenue	23,359,730	20,902,882
Profit before income tax	657,079	353,156
Income tax expense	(100,238)	(78,119)
Post-tax profit from continuing operations and total comprehensive income	556,841	275,037
Total comprehensive income allocated to non-controlling interests	201,688	99,618
Dividends paid to non-controlling interests	41,017	4,557

Summarised statement of cash flows

	2014	2013
Cash flows from operating activities		
Cash generated from/(used in) operations	648,425	(161,863)
Interest paid	(164,601)	(146,166)
Income tax paid	(128,233)	(86,837)
Net cash generated from/(used in) operating activities	355,591	(394,866)
Net cash generated from investing activities	247,481	102,192
Net cash (used in)/generated from financing activities	(562,011)	350,601
Net increase in cash and cash equivalents	41,061	57,927
Cash and cash equivalents at beginning of the year	425,778	367,851
Cash and cash equivalents at end of the year	466,839	425,778

(All amounts in RMB thousands unless otherwise stated)

24. Borrowings – Group and Company

	Group		Company	
	2014	2013	**2014**	2013
Non-current				
Long-term bank borrowings - unsecured	**2,412,465**	753,400	**1,585,765**	—
Current				
Long-term bank borrowings, current portion - unsecured	**726,700**	2,722,812	**—**	1,896,111
RMB bonds - unsecured(a)	**—**	1,796,617	**—**	1,796,617
	726,700	4,519,429	**—**	3,692,728
Short-term bank borrowings				
– secured (b)	**500,000**	—	**—**	—
– unsecured	**3,587,285**	4,499,808	**749,950**	—
	4,087,285	4,499,808	**749,950**	—
	4,813,985	9,019,237	**749,950**	3,692,728
Total borrowings	**7,226,450**	9,772,637	**2,335,715**	3,692,728

(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 semi-annually and had been fully repaid upon maturity date.

(b) As at 31 December 2014, bank borrowings of approximately RMB500,000,000 were secured by certain bank acceptance of the Group with carrying value of approximately RMB412,489,000 and RMB150,000,000 bank deposits (2013: Nil).

(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	
	2014	2013	**2014**	2013
Within 1 year	**4,813,985**	9,019,237	**749,950**	3,692,728
Between 1 and 2 years	**826,700**	726,700	**—**	—
Between 2 and 5 years	**1,585,765**	26,700	**1,585,765**	—
Wholly repayable within 5 years	**7,226,450**	9,772,637	**2,335,715**	3,692,728

As at 31 December 2014 and 2013, 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	
	2014	2013	**2014**	2013
RMB	**7,226,450**	9,748,559	**2,335,715**	3,692,728
USD	**—**	24,078	**—**	—
	7,226,450	9,772,637	**2,335,715**	3,692,728

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

	Group		Company	
	2014	2013	**2014**	2013
Bank Borrowings	**4.76%**	4.82%	**4.11%**	4.63%

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 date of statement of financial position are as follows:

	Group		Company	
	2014	2013	**2014**	2013
Within 6 months	**3,425,241**	4,743,699	**749,950**	1,896,111
Between 6 and 12 months	**1,388,744**	4,275,538	**—**	1,796,617
Between 1 and 5 years	**2,412,465**	753,400	**1,585,765**	—
	7,226,450	9,772,637	**2,335,715**	3,692,728

(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:

	2014	2013
Carrying amount	**2,412,465**	753,400
Fair value	**2,380,191**	745,923

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:

	2014	2013
Floating rate		
– expiring within one year	**3,303,031**	2,778,000

(All amounts in RMB thousands unless otherwise stated)

25. Deferred income tax – Group and Company

(a) The amounts are as follows:

	Group		Company	
	2014	2013	**2014**	2013
Deferred tax assets:				
– Deferred tax assets to be recovered after more than 12 months	**557,467**	421,273	**1,907**	—
– Deferred tax assets to be recovered within 12 months	**524,055**	531,508	**26,188**	—
	1,081,522	952,781	**28,095**	—
Deferred tax liabilities:				
– Deferred tax liabilities to be recovered after more than 12 months	**(28,918)**	(29,870)	**—**	—
Deferred tax assets – net	**1,052,604**	922,911	**—**	—

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

	Group		Company	
	2014	2013	**2014**	2013
As at 1 January	**922,911**	832,149	**—**	—
Credited to the consolidated statement of comprehensive income (Note 10(a))	**129,693**	90,762	**28,095**	—
As at 31 December	**1,052,604**	922,911	**28,095**	—

(All amounts in RMB thousands unless otherwise stated)

25. Deferred income tax – Group and Company (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:

	Group									Company
Deferred tax assets	Provisions for receivable and inventories	Pensions and other post-retirement benefits	Unrealised profit	Accrued expenses and provisions	Change of tax status	Deferred income	Tax losses	Others	Total	Tax losses
As at 1 January 2013	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	—
Credited/(charged) to consolidated statement of comprehensive income	**8,356**	**(1,074)**	**(22,825)**	**33,094**	**(15,259)**	**(24,408)**	**157,487**	**(6,630)**	**128,741**	**28,095**
As at 31 December 2014	**150,031**	**3,462**	**121,858**	**204,096**	**87,846**	**38,941**	**442,051**	**33,237**	**1,081,522**	**28,095**

	Group		
Deferred tax liabilities	**Accelerated tax depreciation**	**Fair value adjustment arising from business combination**	**Total**
As at 1 January 2013	(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)
Credited to consolidated statement of comprehensive income	**221**	**731**	**952**
As at 31 December 2014	**(3,443)**	**(25,475)**	**(28,918)**

(All amounts in RMB thousands unless otherwise stated)

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

	2014	2013
Trade and bills payables	10,116,689	8,346,626
Advances from customers	1,029,313	1,706,698
Accrued expenses	622,382	367,212
Staff welfare and salaries payable	228,848	226,174
Taxes liabilities other than income tax	217,964	83,062
Other payables	2,341,541	3,081,030
	14,556,737	13,810,802

As at 31 December 2014 and 2013, the ageing analysis of the trade and bills payables was as follows:

	2014	2013
Less than 3 months	8,294,348	4,710,497
3 months to 6 months	1,683,625	3,561,271
6 months to 12 months	117,025	44,450
1 year to 2 years	11,953	25,843
2 years to 3 years	6,151	2,082
Over 3 years	3,587	2,483
	10,116,689	8,346,626

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

	2014	2013
RMB	11,848,523	11,050,037
USD	540,232	370,319
HKD	63,090	4,454
EURO	6,385	2,846
	12,458,230	11,427,656

(All amounts in RMB thousands unless otherwise stated)

27. Termination and post-employment benefits – Group

	2014	2013
Termination benefits (a)	9,440	13,510
Post-employment benefits (b)	6,430	6,470
Post-employment medical insurance plan (c)	1,150	1,490
	17,020	21,470

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

	2014	2013
Termination benefits, included in staff costs (Note 8)	450	460
Remeasurements of termination benefits recognised in other comprehensive income	5,090	3,560

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

	2014	2013
Present value of benefit plans	6,430	6,470
Unrecognised actuarial losses	—	—
Liability in the consolidated statement of financial position	6,430	6,470

(All amounts in RMB thousands unless otherwise stated)

27. Termination and post-employment benefits - Group

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

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

	2014	2013
As at 1 January	6,470	5,810
Total expenses (interest cost) (Note 8)	250	220
Remeasurements of post-employment benefits recognised in other comprehensive income	530	1,280
Benefits paid	(820)	(840)
As at 31 December	6,430	6,470

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

	2014	2013
Present value of benefit plan	1,150	1,490
Unrecognised actuarial losses	—	—
Liability in the consolidated statement of financial position	1,150	1,490

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

	2014	2013
As at 1 January	1,490	1,490
Total expenses (interest expense) (Note 8)	50	50
Remeasurements of medical insurance plan recognised in other comprehensive income	110	570
Benefits paid	(500)	(620)
As at 31 December	1,150	1,490

(All amounts in RMB thousands unless otherwise stated)

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

(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:

	2014	2013
Post-employment benefits and medical insurance plan discount rate	**3.50%**	4.50%
Average salary increase rate	**10% to 12%**	10% to 12%

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

28. Provisions for other liabilities – Group

	Products warranties
As at 1 January 2013	304,193
Additional provision (Note 6)	720,371
Untilised during the year	(668,199)
As at 31 December 2013	356,365
Additional provision (Note 6)	**735,570**
Untilised during the year	**(739,235)**
As at 31 December 2014	**352,700**

29. Deferred income – Group

As at 31 December 2014, deferred income represented government subsidies as the amount of RMB243,246,000 (2013: RMB294,914,000).

(All amounts in RMB thousands unless otherwise stated)

30. Notes to the consolidated statement of cash flows

(a) Cash generated from operations

	2014	2013
Profit before income tax	804,228	592,293
Adjustments for:		
– Provision for impairment of trade and other receivables (Note 6 and Note 20(b))	201,893	62,867
– Depreciation (Note 6 and Note 16)	1,219,756	1,022,058
– Amortisation (Note 15 and Note 18)	198,898	179,757
– Write-down inventories to net realisable value (Note 6 and Note 19)	104,155	192,454
– Losses/(gains) on disposals of property, plant and equipment (Note 7 and Note 30(b))	8,452	(5,354)
– Losses on financial assets at fair value through profit or loss (Note 7)	12,342	241
– Investment income from held-to-maturity investments	(26,772)	—
– Fair value (gains)/losses on investment properties (Note 7 and Note17)	(8,331)	20,746
– Losses on investments in associates (Note 7)	2,352	2,245
– Interest income (Note 9)	(77,598)	(83,715)
– Interest expense (Note 9)	427,843	478,968
– Recognisation of deferred income	(75,768)	(117,220)
– Foreign exchange (gains)/losses on operating activities	(25,423)	6,012
	2,766,027	2,351,352
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation):		
– Inventories	1,122,474	(435,886)
– Trade and other receivables and amounts due from related parties	2,735,561	(2,829,806)
– Restricted bank deposits	(930,604)	(360,565)
– Trade and other payables, amounts due to related parties and other liabilities	836,062	2,494,475
– Receipt of government grant	24,100	17,751
– Provisions for other liabilities	(3,665)	52,172
– Termination and post-employment benefits	(10,180)	(6,520)
Cash generated from operations	6,539,775	1,282,973

(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:

	2014	2013
Net book amount (Note 16)	23,831	19,448
(Losses)/gains on disposals of property, plant and equipment (Note 30 (a))	(8,452)	5,354
Net-off with payables	(14,536)	(22,831)
Proceeds from disposals of property, plant and equipment	843	1,971

(c) Major non-cash transactions

For the year ended 31 December 2014, the Group endorsed bank acceptance notes to the suppliers for purchase of property, plant and equipment amounting to approximately RMB 255,343,000 (2013: approximately RMB 520,416,000).

31. Contingencies and guarantees

The Directors are of the opinion that there is no material liability 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 statement of financial position date but not yet incurred is as follows:

	2014	2013
Property, plant and equipment	442,144	657,957

(b) Operating lease commitments – As a lessee

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

	2014	2013
No later than 1 year	34,852	32,403
Later than 1 year and no later than 2 years	3,939	22,468
Later than 2 years and no later than 5 years	1,807	693
Later than 5 years	—	10
	40,598	55,574

(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:

	2014	2013
No later than 1 year	3,141	6,868
Later than 1 year and no later than 2 years	435	3,115
Later than 2 years and no later than 5 years	568	959
Later than 5 years	4	5
	4,148	10,947

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

(a) Investments in subsidiaries

	2014	2013
Investments, at cost:		
Listed investments	1,926,283	1,926,283
Unlisted investments	14,445,876	13,938,093
	16,372,159	15,864,376
Market value of listed investments	5,532,098	3,060,310

As at 31 December 2014, the Company had direct or indirect interest in the following subsidiaries:

Company Name	Country/place and date of incorporation and place of operations (i)	Type of legal entity	Issued/paid in capital (in million)	Interest held	Principal activities
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	RMB 419.43	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	RMB 6,713.08	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	RMB 1,871.29	100%	Manufacture and sales of trucks and spare parts
Sinotruk Import & Export Co., Ltd. (中國重汽集團進出口有限公司)	PRC/ 9 November 2001	Limited liability company	RMB 555	100%	Import and export of trucks and spare parts
Sinotruk Ji'nan Ganghua Import & Export Co., Ltd. (中國重汽集團濟南港華進出口有限公司)	PRC/ 23 December 2005	Limited liability company	RMB 206	100%	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	RMB 10.5	100%	Construction design and technical consulting service

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

(a) Investments in subsidiaries (Continued)

Company Name	Country/place and date of incorporation and place of operations (i)	Type of legal entity	Issued/paid in capital (in million)	Interest held	Principal activities
Directly held:					
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	HKD 3,266.92	100%	Consultations and strategic planning in respect of automobile market, import and export trading, asset operations and investment holdings
Sinotruk Finance Co., Ltd. (中國重汽財務有限公司)	PRC/ 4 October 1987	Limited liability company	RMB 1,033.56	79.45%	Taking deposits, facilitating borrowings, discounting notes, providing entrusted loan, entrusted investment and customer credit
Sinotruk Ji'nan Axle & Transmission Co., Ltd. (中國重汽集團濟南橋箱有限公司)	PRC/ 26 December 2005	Limited liability company	RMB 646.74	49% and indirectly held 32.53%	Manufacture and sales of trucks and axle and transmission parts
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	RMB 338.49	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	RMB 1,931	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	RMB 60	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	USD 81.15	100%	Manufacture and reproduction of engines
Sinotruk Liuzhou Yunli Special Vehicles Co., Ltd. (中國重汽集團柳州運力專用汽車有限公司)	PRC/ 11 April 1989	Limited liability company	RMB 103	60%	Refit and sales of heavy duty trucks
Ji'nan Ganghao Development Co., Ltd. (濟南港豪發展有限公司)	PRC/ 11 April 2008	Limited liability company	HKD 1,503.7	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	HKD 60	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	HKD 140	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	RMB 62.77	60%	Refit and sales of heavy duty 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 and place of operations (i)	Type of legal entity	Issued/paid in capital (in million)	Interest held	Principal activities
Indirectly held:					
Sinotruk Mianyang Special Vehicles Co., Ltd. (中國重汽集團綿陽專用汽車有限公司)	PRC/ 26 June 2009	Limited liability company	RMB 50	100%	Manufacture and reproduction of spare parts; sales of trucks
Sinotruk Ji'nan HOWO Bus Co., Ltd. (中國重汽集團濟南豪沃客車有限公司)	PRC/ 23 February 2010	Limited liability company	RMB 180	100%	Manufacture and sales of bus, bus chassis and bus auto parts
Sinotruk Ji'ning Commercial Truck Co., Ltd. (中國重汽集團濟寧商用車有限公司)	PRC/ 10 January 2005	Limited liability company	RMB 300	100%	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	USD 16	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 Maych 2007	Limited liability company	RMB 800	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	RMB 5.1	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	RMB 5	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	RMB 2	80%	Sales of spare parts and vehicle inspection

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

(a) Investments in subsidiaries (Continued)

Company Name	Country/place and date of incorporation and place of operations (i)	Type of legal entity	Issued/paid in capital (in million)	Interest held	Principal activities
Indirectly held:					
Sinotruk Fujian Haixi Vehicles Co., Ltd. (中國重汽集團福建海西汽車有限公司)	PRC/ 24 November 2010	Limited liability company	RMB 200	80%	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	RMB 50	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	RMB 40	100%	Research, development, manufacture and sales of spare parts (excluding engines) and trucks; after-sales service of trucks; import and export
Sinotruk Ji'nan Rubber & Plastic Components Co., Ltd. (中國重汽集團濟南橡塑件有限公司)	PRC/ 15 December 2011	Limited liability company	RMB 240	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
Sinotruk Hong Kong Capital Holding Limited (中國重汽(香港)投資控股有限公司)	Hong Kong/ 10 December 2013	Limited liability company	1.00HKD	100%	Consultations and strategic planning in respect of automobile market, import and export trading, asset operations and investment holdings
Sinotruk South Africa (Pty) Ltd. (中國重汽南非有限公司)	South Africa/ 1 June 2012	Limited liability company	1.00ZAR	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.

(All amounts in RMB thousands unless otherwise stated)

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

(b) Amounts due from subsidiaries

	2014	2013
Non-current		
Loans to subsidiary (i)	2,600,000	—
Current		
Loans to subsidiaries, current portion (i)	—	3,940,000
Interest receivable	94,851	51,445
Deposits (ii)	—	45,938
Prepayment	—	6,628
Other receivables	—	234
	94,851	4,044,245
Total	2,694,851	4,044,245

(i) As at 31 December 2014, the loans to a subsidiary, Sinotruk Ji'nan Commercial Truck Co., Ltd., at the amount of RMB2,600,000,000 were unsecured, with effective interest rates between 5.00% and 6.15%, denominated in RMB and repayable in 2020.

(ii) As at 31 December 2014, the Company had no deposit (2013: RMB 45,938,000) as current deposits at Sinotruk Finance Co., Ltd. which had 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 to provide financial services to the Group or CNHTC Group's customers regarding their purchases from the Group or CNHTC Group.

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

(c) Amounts due to subsidiaries

	2014	2013
Trade payables	57,618	—
Other payables	483,520	276
	541,138	276

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., 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")) and Sinotruk Panzhihua Mining Truck Co., Ltd. (中國重汽集團攀枝花礦用車有限公司) ("Panzhihua Mining Truck") are associated companies of the Group.

The Directors consider that the major related parties are CNHTC Group, MAN Group, Baotou Xinhongchang, Panzhihua Mining Truck, 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

		2014	2013
Transactions with related parties			
(i)	CNHTC Group		
	Sales of trucks	391,644	158,480
	Purchases of trucks	1,344,992	1,251,177
	Sales of spare parts	370,078	510,292
	Purchases of spare parts	649,518	588,898
	Supply of auxilliary production services	3,788	1,640
	Purchases of general services	97,572	95,909
	Rental income	7,801	7,801
	Rental expenses	23,675	23,827
	Purchases of construction and project management services	14,833	13,683
	Provision for construction supervision design services	4,218	4,348
	Purchases of technology services	27,194	—
	Interest expenses for deposits taking services	3,254	3,991
	Interest and fee income from bank bills discounting and entrustment loans	2,831	—
	Sales of fixed assets	130	2,919
	Purchases of fixed assets	9,246	8,625
	Interest expenses	1,788	822
		2,952,562	2,672,412
(ii)	MAN Group		
	Purchases of spare parts	1,350	3,182
	Purchases of technology license agreement	—	1,481
	Sales of spare parts	355	—
		1,705	4,663
(iii)	Baotou Xinhongchang		
	Purchases of trucks	9,502	17,419
(iv)	Key management		
	Salaries and other short-term benefits	8,298	7,113
	Post-employment benefits	383	287
		8,681	7,400

(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

	2014	2013
Amounts due from related parties		
(i) CNHTC Group		
Trade receivables	3,587	13,788
Prepayments	21,029	2,724
	24,616	16,512
(ii) MAN Group		
Prepayments	717	—
	25,333	16,512

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

	2014	2013
RMB	24,616	16,512
EURO	717	—
	25,333	16,512

(All amounts in RMB thousands unless otherwise stated)

34. Related party transactions (Continued)

(b) Balances with related parties (Continued)

Amounts due to related parties

	2014	2013
Non-current		
(i) MAN Group		
Long-term payables under technology license agreement	—	85,268
Current		
(i) CNHTC Group		
Trade payables	10,866	24,488
Other payables	6,529	6,388
Advances from customers	14,057	11,584
Deposits taking	409,999	285,504
Borrowings	36,000	36,000
	477,451	363,964
(ii) MAN Group		
Long-term payables under technology license agreement		
- current portion	77,996	84,312
	555,447	448,276

As at 31 December 2014 and 2013, 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 2014 and 2013, long-term payables to related parties were unsecured, interest free and due within 5 years. As at 31 December 2014 and 2013, deposits taking and borrowings from related parties were unsecured, bearing interest at rate of 6.00% (2013: 6.00%) and due within one year.

(All amounts in RMB thousands unless otherwise stated)

34. Related party transactions (Continued)

(b) Balances with related parties (Continued)

As at 31 December 2014 and 2013, trade receivables due from related parties were not past due or impaired.

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

	2014	2013
RMB	477,451	363,964
EURO	77,996	169,580
	555,447	533,544

Balances with Other State-owned Enterprises

As at 31 December 2014 and 2013, 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 26 March 2015.

OPERATING RESULTS

	For the year ended 31 December				
	2010 RMB'000	2011 RMB'000	2012 RMB'000	2013 RMB'000	**2014** **RMB'000**
Turnover	39,656,160	36,603,546	27,888,431	30,409,787	**32,809,402**
Profit before income tax	2,054,248	1,465,967	320,438	592,293	**804,228**
Income tax expense	(324,733)	(297,645)	(148,957)	(152,738)	**(209,269)**
Profit for the year	1,729,515	1,168,322	171,481	439,555	**594,959**
Attributed to:					
Equity holders of the Company	1,480,745	1,002,177	122,969	271,387	**408,032**
Non-controlling interests	248,770	166,145	48,512	168,168	**186,927**
Profit for the year	1,729,515	1,168,322	171,481	439,555	**594,959**

ASSETS, LIABILITIES AND EQUITY

	As at 31 December				
	2010 RMB'000	2011 RMB'000	2012 RMB'000	2013 RMB'000	**2014** **RMB'000**
Total assets	53,909,618	51,993,325	43,749,563	45,697,247	**44,292,792**
Total liabilities	34,149,547	31,424,725	23,294,451	24,884,875	**23,046,413**
Total equity:					
Equity holders of the Company	18,127,378	18,749,639	18,649,102	18,864,136	**19,170,878**
Non-controlling interests	1,632,693	1,818,961	1,806,010	1,948,236	**2,075,501**
	19,760,071	20,568,600	20,455,112	20,812,372	**21,246,379**

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 year of 2010 have been restated.

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