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 2015

CONTENTS

中国重汽
SINOTRUK

HIGHLIGHTS

	2015	2014	Increase/(Decrease)	
				%
Operating results (RMB million)				
Revenue	28,305	32,809	(4,504)	(13.7)
Operating profit	772	1,157	(385)	(33.3)
Profit attributable to owners of the Company	206	408	(202)	(49.5)
Profitability (%)				
Gross profit margin	17.8	16.9	0.9	5.3
Operating profit margin	2.7	3.5	(0.8)	(22.9)
Net profit margin	1.1	1.8	(0.7)	(38.9)
Liquidity				
Current ratio (time)	1.5	1.4	0.1	7.1
Inventory turnover (days)	101.3	96.2	5.1	5.3
Trade receivable turnover (days)	137.1	136.9	0.2	0.1
Trade payable turnover (days)	156.3	123.5	32.8	26.6
Sales volume (units)				
HDTs				
— Domestic	54,959	77,674	(22,715)	(29.2)
— Export (including affiliated export)	27,000	25,001	1,999	8.0
Total	81,959	102,675	(20,716)	(20.2)
LDTs	54,906	52,361	2,545	4.9
Buses	1,968	1,386	582	42.0
Trucks sold under consumer credit	4,699	6,169	(1,470)	(23.8)
Per share data				
Earnings per share - basic (RMB)	0.07	0.15	(0.08)	(53.3)
Dividend per share (HKD)	0.03	0.06	(0.03)	(50.0)
Share information (as at 31 December)				
Number of issued shares (million)	2,761	2,761	—	—
Market capitalisation (RMB million)	7,101	9,431	(2,330)	(24.7)

DEFINITIONS

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, modified or otherwise adopted from time to time
"Audit Committee"	the audit committee of the Company
"Board"	the board of Directors
"CAAM"	China Association of Automobile Manufacturers
"China" or "PRC"	the People's Republic of China, and for the purpose of this annual report, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"CNHTC" or "Parent Company"	中國重型汽車集團有限公司(China National Heavy Duty Truck Group Company Limited), a state-owned enterprise organized under the laws of the PRC with limited liability, being the ultimate holding company of the Company and the controlling shareholder (as defined in the Listing Rules) of the Company
"CNHTC Group"	CNHTC and its subsidiaries other than the Group
"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
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
"Director(s)"	the director(s) of the Company
"ED(s)"	the executive Director(s)
"Executive Committee"	the executive committee of the Company
"Ferdinand Porsche"	Ferdinand Porsche Familien-Privatstiftung, a corporation incorporated under the laws of Austria, being the beneficiary owner of 25% of the entired issued share capital of the Company plus 1 Share
"Ferdinand Porsche Group"	Ferdinand Porsche and its subsidiaries including Volkswagen AG and MAN SE
"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
"HOWO Auto Finance Company"	山東豪沃汽車金融有限公司 (ShanDong HOWO Auto Finance Co., Ltd., formerly known as Shandong HOWO Auto Finance Co., Ltd.), a company incorporated under the laws of the PRC with limited liability, being a non-wholly owned subsidiary of the Company
"INED(s)"	the independent non-executive Director(s)
"ISIBC"	the incentive scheme independent board committee of the Company
"Ji'nan Truck Company"	中國重汽集團濟南卡車股份有限公司(Sinotruk Ji'nan Truck Co., Ltd.), a joint stock company incorporated under the laws of the PRC with limited liability, being a non-wholly owned subsidiary of the Company and the shares of which are listed on the Shenzhen Stock Exchange (stock code: 000951)
"LDT(s)"	light duty truck(s)
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"MAN Group"	MAN SE and its subsidiaries
"MAN SE"	MAN SE, a company incorporated under the laws of Germany, being a non-wholly owned subsidiary of Ferdinand Porsche and the shares of which are listed on the German Stock Exchange in Germany (stock code: ISIN DE 0005937007, WKN 593700)
"NED(s)"	the non-executive Director(s)
"PBOC"	The Peoples' Bank of China
"Period"	the year ended 31 December 2015
"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 Company"	中國重汽財務有限公司(Sinotruk Finance Co., Ltd.), a company incorporated under the laws of the PRC with limited liability, being a non-wholly owned subsidiary of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Strategy and Investment Committee"	the strategy and investment committee of the Company
"Subsidiary"	a subsidiary for the time being of the Company within the meaning of the Companies Ordinance whether incorporated in Hong Kong or elsewhere and "Subsidiaries" shall be construed accordingly
"Volkswagen AG"	Volkswagen AG, a company incorporated under the laws of Germany, being a non-wholly owned subsidiary of Ferdinand Porsche and an intermediate holding company of MAN SE and the shares of which are listed on German Stock Exchange (stock code: ISIN DE0007664005, WKN 766400)
"Volkswagen Group"	Volkswagen AG and its subsidiaries, including MAN Group
"%"	per cent

CORPORATE INFORMATION

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:

Mr. Andreas Hermann Renschler
Mr. Joachim Gerhard Drees
Mr. Anders Olof Nielsen

Independent Non-executive Directors:

Dr. Lin Zhijun
Mr. Chen Zheng
Mr. Yang Weicheng
Dr. Wang Dengfeng
Mr. Zhao Hang

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
Mr. Wang Shanpo
Mr. Franz Neundlinger
Mr. Zhao Hang

REMUNERATION COMMITTEE

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

AUDIT COMMITTEE

Dr. Lin Zhijun *(Chairman)*
Mr. Chen Zheng
Dr. Wang Dengfeng

HEAD QUARTER

Sinotruk Science and Technology Building
No. 777 Huaao Road
Gaoxin District
Ji'nan City
Shandong Province
PRC
Postal code: 250101

REGISTERED OFFICE IN HONG KONG

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

COMPANY 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

Ropes & Gray

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

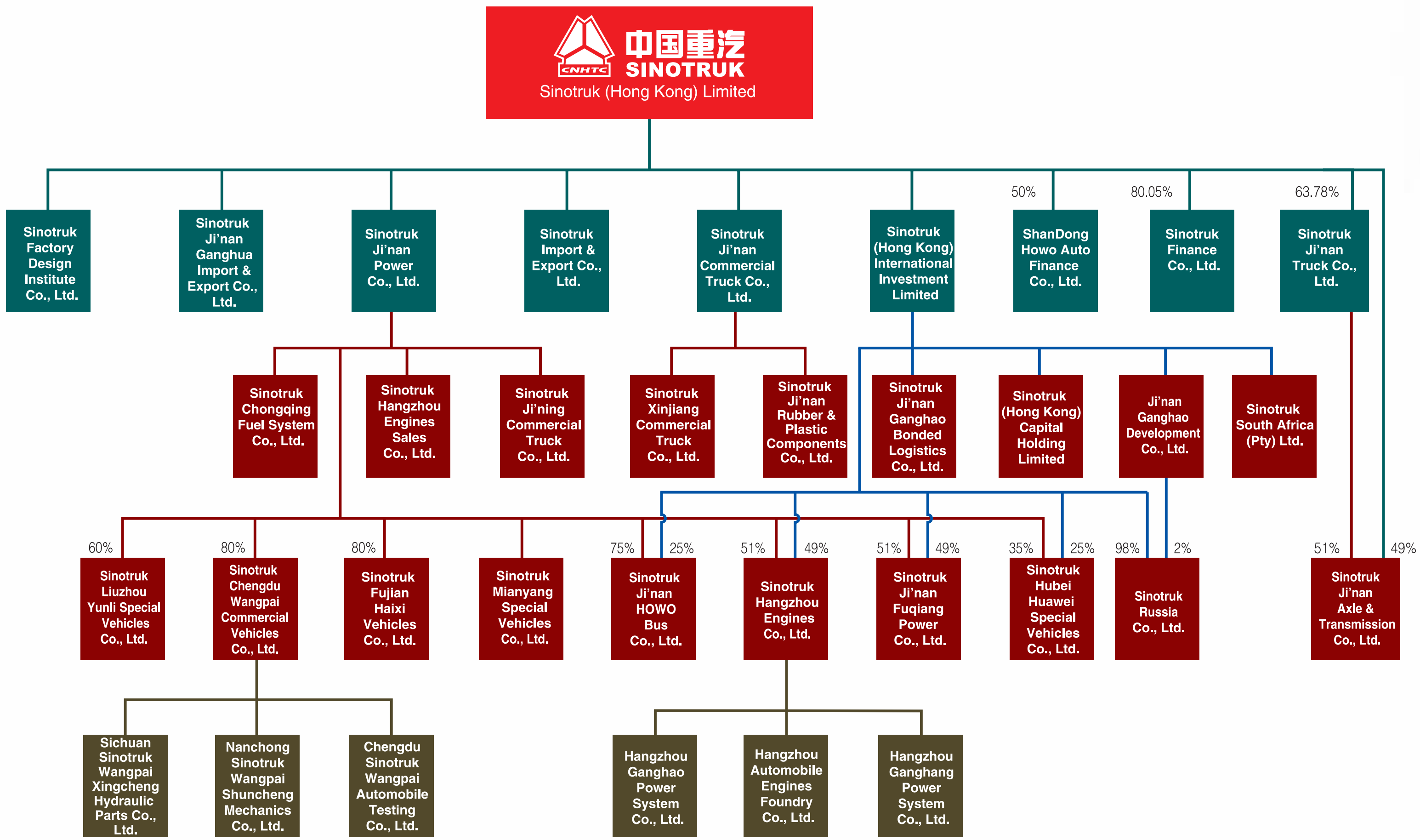
PRC: Tel (86) 531 5806 2545
Fax (86) 531 5806 2545
Hong Kong: Tel (852) 3102 3808
Fax (852) 3102 3812
Email: securities@sinotrukhk.com

PUBLIC RELATIONS CONSULTANT

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

Organisation Structure

As at 31 December 2015



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

THE GROUP

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

(iv) Finance Segment

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

SUBSTANTIAL SHAREHOLDERS

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

MA CHUNJI
Chairman

Dear Shareholders,

On behalf of the Board, I am pleased to present the Group's annual report for the year ended 31 December 2015, its prospects and strategies.

Business Review

China continued to experience an economic slowdown trend from 2014 in 2015. As domestic demand and demand from overseas declined and domestic investment growth moderated, China's GDP growth saw consecutive quarterly drops and grew only 6.9% for the year. As a result, sales of heavy duty trucks in China decreased year-on-year ("**YOY**"). According to the statistics from CAAM, the annual total sales volume of heavy duty trucks in 2015 decreased by 26.0% YOY to 551,000 units as compared with that in 2014.

During the Period, sales of the Group's HDTs, LTDs and bus decreased by 20.2% YOY to 81,959 units, increased by 4.9% YOY to 54,906 units and increased by 42.0% to 1,968 units respectively; total revenue decreased by 13.7% YOY to RMB28,305 million; operating profit decreased 33.3% YOY to RMB772 million; and profit attributable to shareholders decreased by 49.5% YOY to RMB 206 million.

During the Period, the Group implemented countermeasures against unfavorable market conditions, continued to promote "Brand, Quality, and Efficiency Enhancement Year" programs, and enhance the vitality of its innovation and development. The Group also prioritized operational quality and efficiency, pursued management innovations, continued the optimization of its product mix, and improved product quality and technologies. This further improved the Group's overall competiveness and stabilized its operations.

During the Period, the Group saw great results with its product mix adjustment. The Group achieved greater share in heavy duty trucks market and increase sales of light duty trucks and buses. With its superior quality and after-sales service, products with MAN technology became more widely recognized and recorded increased sales. During the year, the Group successfully completed its upgrade from the STEYR platform to the MAN platform, and products with MAN technology grew to be mainstream products in the Group's products. While the Group maintained its absolute advantage in the engineering truck market, tractors also grew in popularity and its proportion in total sales increased. Also, through market segmentation and adoption of innovative marketing techniques, the Group saw rapid growth in its light duty trucks business, in particular, Ji'nan light duty trucks division reporting a sales increase of over 35%, despite the industry-wide downturn. Concurrently, leveraging on clean energy policy of PRC government supports, the Group's buses division remained committed to the development of new energy buses. The sales of new energy buses made breakthroughs, accounting for 95% of all bus products. Overall, the Group established a stronger and better reputation for its different series of products and made them more competitive in the markets, all of which has laid a solid foundation for future development of the Group.

During the Period, the Group made vigorous efforts to implement its internationalization strategy, enhance its brand image and awareness, and implement new marketing models. Although the Group's main export markets experienced slowing economic growth, changes in regulations and political turbulence, the Group's overseas expansion initiatives was fruitful with export sales accounting for a more significant portion of total sales and becoming a growth engine for the Group. During the Period, the Group remained China's largest heavy duty truck exporter with exports (including affiliate exports) of 27,000 units, representing an increase of 8.0% YOY.

In 2015, the Group founded HOWO Auto Finance Company, the first auto financial services company in the heavy duty truck industry in Shandong Province, the PRC. The Group provides professional financial services to the Groups' customers, further enhancing the Group's competitiveness in the auto financial services sector.

During the Period, in response to the trend of "Internet+", the Group upgraded its information platform and utilized new technologies such as mobile Internet, the Internet of Things, and big data management to develop a comprehensive services platform for the entire industry value chain. At its business conference in December 2015, the Group had launched its e-commerce platform, "Smart Sinotruk" (「智慧重汽」), the first of its kind in the commercial vehicle industry. The implementation of "Smart Sinotruk" will help deliver quality services with improved efficiency and facilitate data mining and analysis, paving the way for improvements in marketing and product upgrade, all of which will further boost the Group's sales.

Prospects

Looking forward, a heightened volatility and great uncertainty in the global economy are expected. With China's economy under considerable downward pressure, the Chinese government is expected to implement a flexible macroeconomic policies and ensure that its economy is stable and operating in a reasonable range. Despite a complex and changing economic environment and uncertainties in the heavy duty truck industry, the Group believes that there are multiple positive underlying economic factors and opportunities that lay ahead, such as the acceleration of urbanization, the advancement of e-commerce, modern logistics, the opportunities of the launch of infrastructure investment projects brought by the "One Belt, One Road" initiative, etc. The Group estimates that the demand in the heavy duty truck industry will stabilize in 2016 with further adjustment of product structure.

In response to such an 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 improve its product quality and manufacturing efficiency, launch campaigns designed to inspire innovation and product upgrades, and achieve breakthroughs in automation, marketization and

internationalization. The Group will further optimize its product mix featuring transportation trucks, municipal civil trucks and tractors as the first, second and third priority respectively. To increase its exports, the Group will develop a global mindset and explore various models of international cooperation from time to time. Furthermore, the Group will seek to enter into joint ventures or cooperation with leading global peers, adopt cutting-edge manufacturing technologies and environmental technologies to remain as an industry leader in research and development, energy conservation and environmental protection aspects in PRC and reach global advance technology and manufacturing standards. The Group will utilize new technologies and concepts such as the Internet of Things, "Internet +", and big data management and strive for innovation in its R&D, manufacturing, marketing and after-sale service. Determined to be a leading global company, the Group will focus on corporate innovation and improve both its operations management and employee competence.

Dividends

The Board has recommended a final dividend of HKD0.03 per Share for the financial year ended 31 December 2015.

Appreciation

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

Chairman
Ma Chunji

31 March 2016

Market Overview

Truck Market

The world economy witnessed sluggish recovery in 2015, which led to low external demand. China's economic growth continued to slow down and annual GDP growth dipped to 6.9%, as a result of domestic overcapacity, overstocked inventories and investment growth decline. Affected by the overall national economy, the PRC heavy duty trucks industry exhibited a declining trend as monthly sales of heavy duty trucks in the PRC market slid throughout the year and the market demand of heavy duty trucks remained low. According to the statistics from the CAAM, sales of heavy duty trucks declined 26.0% year-on-year to approximately 551,000 units, sales of light duty trucks declined 6.3% YOY to approximately 1,559,000 units, sales of buses declined 1.9% YOY to approximately 595,000 units.

Market competition intensified as overall demand shrank and the heavy duty trucks industry called for de-stocking. Due to the slowdown of growth in fixed asset investment and the mining industry, construction vehicles segment, mainly consisted of tipper trucks, suffered sluggish demand. The main positive factor affecting heavy duty trucks demand was the increase in turnover of freight traffic, which was driven by the increase in domestic consumption and the development of intercity logistics networks leading to a stronger demand of tractors on the road. Due to technological upgrades on heavy duty trucks and increasing demand for logistic vehicles, market demand for heavy duty trucks gradually shifted towards trucks which are high-powered, light-weight, mid-to-high-end and equipped with intelligence capabilities.

Financing Market

The PRC government had implemented easing monetary policy in 2015 and PBOC lowered loan interest rates several times. Consumption loan interest rates dropped following the changes of the loan interest rates. According to the publication of PBOC, the consumption loans monthly increased 1.0% to 2.2% in 2015.

Review of Operations

During the Period, the Group's efforts to optimize its product mix were evident as its product positioning and production layout further improved and became more scientific. Trucks equipped with MAN technology and tractor products both experienced increased proportion of total sales and improved market position. The technology of HDTs products of the Group reached international advanced level, while the LDTs and buses segment of the Group expanded rapidly. Adhering to the changes in the economic conditions and market demand, the Group continued to adjust its operations, improved its enterprise innovation ability, enhanced its internal controls, and boosted product quality and quality control so as to increase economic benefits and maintain steady operations.

Heavy Duty Trucks Segment

During the Period, HDT sales volume was 81,959 units, representing a decrease of 20.2% YOY. Revenue from the HDTs segment decreased to RMB22,990 million, representing a decrease of 18.7% YOY. The ratio of the volume of affiliated export to total volume of sales of HDTs was 32.9%, representing an increase of 8.6 percentage points compared with that of 2014. The segment profit to segment revenue was 1.7%, representing a decrease of 0.5 percentage points compared with that of 2014.

Domestic Business

By leveraging on its own research technology and further developing MAN technology which the Group has adopted, the technology and quality of the Group's new products continue to improve, which leads to the Group's enhanced ability to respond to changes in markets' demands and competitiveness. Trucks equipped with MAN technology maintained consistent growth and drove the Group's overall sales, especially sales of tractors and cargo trucks. The Group had reinforced and developed its leading position for core products and also enhanced sales in previous less competitive products which significantly increased the Group's market competitiveness and market share.

During the year, the Group's construction vehicles continued to maintain its absolute predominance in the PRC market while sales of tractors defied a general downward trend and increased its proportion among the Group's product portfolio. The huge potential of the sales growth in urban vehicles had become a new growth driver for the Group. The market recognition of the Group's medium-heavy duty trucks brand - 「豪瀚」 ("Hohan") increased and the volume of its sales was also doubled. During the Period, benefiting from product portfolio adjustment and the promotion of MAN-technology equipped products, the combined market share of the Group and CNHTC Group reached 17.94% in 2015, representing an increase of 1.64 percentage points YOY, despite the declining sales of the Group caused by the unfavorable industry trends.

During the Period, the Group continuously introduced progressive innovations to its business model and optimized its distribution network. As at 31 December 2015, the Group had a total of 1,293 HDTs dealerships, including 220 4S centers and 143 SINOTRUK branded dealerships, 1,474 service centers providing high quality after-sales services, and 207 refitting companies to provide truck refitting services to HDTs. The distribution network for the Group's entire product range was further improved.

International Business

In 2015, world economy was volatile and erratic, while global economic recovery was sluggish. International trade volume declined and China's export growth continued to slow down because of the decrease in global demand, periodic downturn in bulk commodities trading, growing financial risks and various geopolitical factors.

During the Period, the Group made remarkable progress in exploring overseas markets, and exports continued to grow at a steady pace. The Vietnamese market, which experienced explosive vehicle import growth from China since the changes of its regulations, has significantly boosted the Group's sales in Southeast Asia market. Benefitting from the gradual improvement of its regional networks, the African market recorded stable sales growth. Certain countries, such as Russia, suffered

notable economic decline as bulk commodity market demand declined, and oil and mineral prices witnessed a sharp fall. Consequently, HDTs in those countries suffered shrinking demand and a significant drop in sales. Other regions experienced various degrees of downturns due to trade protectionism, political turmoil and other unfavorable reasons. However, following the improvement of the technology and quality of the Group's products, the Group was able to gain a foothold in the New Zealand market, making a new record for the export of Sinotruk products into a developed country.

In view of the complicated international market environment, the Group is committed to taking advantage of the "One Belt and One Road" policy and intensifying its foray into international markets. The Group will continue to establish its international brand image, promote new products and technologies, and strengthen its international distribution channels and set up more overseas spare parts center to support its international market expansion. The Group is also committed to creating more innovative marketing models in global markets and providing consumers with financing solutions. The Group is working on building and enhancing its marketing network to improve its after-sales services and promote its export business. During the Period, the Group exported (including affiliated exports) 27,000 HDTs, representing an increase of 8.0% YOY. Export revenue (including affiliated exports) was RMB7,847 million, representing an increase of 8.3% YOY. The Group maintained its leading position in overseas exports in the domestic heavy duty trucks industry.

As at 31 December 2015, the Group had a total of 169 dealerships, including 61 4S centers, 235 service centers, 225 parts and accessory stores, and an international market network consisting of 11 overseas KD production plants, which covers developing countries and emerging economies in Africa, the Middle East, Central and South Americas, Central Asia, Russia and Southeast Asia, as well as developed regions, such as Hong Kong and Taiwan.

Light Duty Trucks and Buses Segment

During the Period, sales of the Group's LDTs increased by 4.9% YOY to 54,906 units. Bus sales reached 1,968 units, representing an increase of 42.0% YOY. The segment revenue increased by 30.9% YOY to RMB4,719 million. The segment losses to segment revenue was 0.2%, representing an improvement of 6.8 percentage points compared with that of 2014.

During the Period, the LDT business entered a positive development track. The Ji'nan LDTs division focused on brand development, maintained mid-to-high end product positioning, strengthened segmented market development, actively participated in international competition, continuously expanded its sales network and enhanced after-sales services. By utilizing the Group's experienced vehicles consumer financing model and marketing strategies, the Group provided customers with financing services to enhance product sales in domestic and overseas markets, and revenue achieved a significant increase. In addition, the Ji'nan LDTs division significantly improved its economic performance through continuous efforts in reducing costs and enhancing efficiency. Sinotruk Chengdu Wangpai Commercial Vehicles Co., Ltd. focused on improving product quality and meeting market demands by actively engaging in product research and development, and enriching its product portfolio to meet demands of different groups in different areas. By establishing a quick after-sales response mechanism, promoting comprehensive service concepts in the market, increasing quality of distribution network, promoting the Group's image and accelerating the launch and strengthening the promotion of products equipped with MAN Group's engines and new energy engines, sales of LDTs increased steadily. In addition, sales of new energy vehicles and special purpose vehicles grew rapidly as well as exports of trucks also increased significantly. Sinotruk Fujian Haixi Vehicles Co., Ltd. developed products that meet demands of different industries and markets, diversified its product portfolio, improved its product quality and promoted marketing innovations. By utilizing its geographical advantages in southeast coastal areas and Free Trade Zones, Sinotruk Fujian Haixi Vehicles Co., Ltd. strengthened its exploration of international markets and increased exports of products, and sales volume of brand 「豪曼」 ("Haoman") vehicles grew despite the market downturn.

During the Period, the Group's buses division witnessed growth in sales volume. The Group continuously improved the product quality of its buses, optimized its distribution network and further enhanced the quality of its after-sales services. The division also increased exploration of new opportunities in traditional and international markets to promote product sales. Through its proactive effort to take advantage of policy trends and market opportunities and rapid development of new energy buses, the Group achieved record sales volume and strong growth momentum of new energy buses.

As at 31 December 2015, the Group had a total of 1,020 LDTs dealerships (including 84 4S centers), 180 SINOTRUK branded dealerships, 1,736 service centers providing high quality after-sales services for LDTs, 47 refitting companies providing refitting related services to LDTs. In the PRC, the Group also had 21 bus dealerships and 55 after-sales service centers for bus.

Engines Segment

The Group is dedicated to the research and development of engine technology, benchmarking international requirements, implementing strict quality control, improving product quality, expanding the application of MAN Group's engines and providing customers with high-tech products that are reliable and fuel-efficient. The Group is continuously favored by customers for its advanced and high-quality Man technology engines and natural gas engines. Besides supplying for the Group's own production, the Group also sold engines to other manufacturers of HDTs, buses and construction machinery.

During the Period, the sales volume of engines decreased by 18.1% YOY to 89,590 units. Segment revenue decreased by 15.6% YOY to RMB6,518 million. External sales of the engines accounted for 11.5% of the total sales of the engines, representing a decrease of 2.5 percentage points from 14.0% last year. The segment profit to segment revenue was 2.7%, representing a decrease of 3.0 percentage points compared with that of 2014.

Technological Upgrade

During the Period, the Group's capital expenditure amounted to RMB724 million. Major investments were made in the construction of a national heavy duty truck engineering technology research center, 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 through taking full advantage of its research platforms, increasing investment in the research and development of technology, and strengthening its technological development and innovation capacity. By strengthening its cooperation with the MAN Group and other reputable international enterprises, the Group developed high quality engines, parts and components, and whole trucks, so as to further enhance its industrial competitive edge. During the Period, the Group's technology center has completed a total of 338 projects, ranging from the development of trucks, key parts and components, conduct of experiments and verification, to trial production of vehicles and fine tuning.

As at 31 December 2015, the Group and its parent company participated in the formulation of 85 industry standards for China's heavy duty trucks and were granted 3,717 patents, maintaining its first position in the heavy duty trucks industry as measured by the number of patents.

During the Period, the Group offered 2,733 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, revenue from the finance segment of the Group was RMB450 million, representing an increase of 17.8% YOY and its external revenue was RMB290 million, representing a decrease of 3.7% YOY. The decrease in external revenue was primarily due to the decrease of the sales of HTDs. The segment profit to segment revenue was 41.6%, representing a decrease of 10.8 percentage points compared with that of 2014.

During the Period, the Group established HOWO Auto Finance Company, adjusted original business scope of Sinotruk Finance Company and optimized the financial services system of these two companies for strengthening ability and capacity of the financial services. The scope of auto finance services of the Group was further enhanced and business was expanded. The Group continued to develop the innovative business model of boosting sales with financing services, taking full advantage of favorable national policies and its experienced automobile financing service platform. The Group promoted a range of automobile financing services such as consumer credit, finance leasing services to meet consumer demand for truck financing credit and purchasing, which boosted the Group's trucks sales. The Group also actively promoted profit growth by providing credit services to suppliers, hence further enhanced its profitability. As at 31 December 2015, Sinotruk Finance Company had established 19 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. During the Period, the Group sold 4,699 trucks under automobile financing services, representing a decrease of 23.8% YOY.

Environmental policy, efficiency, and legislation with material impact

As a responsible corporate, the Group guiding principle is to behave ethically and responsibly its daily operations.

The Group turned to research and development of environmental friendly and fuel efficient trucks, by reducing exhaust emissions, to create a better environment. The Group's products are compliant with the China's National IV or V Emission Standards. The Group's focus on designing green, environmental friendly, safe, and energy efficient model, such as the dregs truck with a full sealing covering which should be closed after loading to start the engine. This design can prevent dust pollution. In addition, the Group is developing natural gas bus and electric bus.

The Group arranged the employees to take physical check-up to improve their quality of life and to help them to live healthier lives. The Group is committed to prevent and reduce accidents. The Group has setup a safety and environmental protection department for security and environmental safety inspections and hidden safety matters treatment. Through this measure the Group can reduce the risk of accidents.

Striving for a better society the Group is increasing its awareness of the environment and reducing its impact on the natural environment. The Group is also committed to the reproduction of engines; and by waste recycling the Group continuously improve its energy performance. The Group is committed to comply with all relevant environmental laws and regulations related to the operation of its production bases.

The Group also participated in national disaster relief efforts and assumed social responsibility actively.

As far as the Board is aware, the Company has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Company.

Significant Investments

In February 2015, the Company completed the purchase 0.5962% equity interest in Sinotruk Finance Company from Shenyin and Wanguo Securities Co., Ltd.

In April 2015, the Company's indirect wholly-owned subsidiary, Sinotruk (Hong Kong) Capital Holding Limited, and an independent third-party, China-Africa Manufacturing Investment Co., Limited, jointly established Sinotruk (Hong Kong) Hongye Limited and subscribed its 65% equity interest in the amount of US$19.5 million, and its 35% equity interest in the amount of US$10.5 million, respectively. That company is a jointly controlled entity of the Company and is principally responsible for African trucks markets.

In June 2015, the Company, CNHTC and Shandong International Equity Trust Corporation entered into a capital contribution agreement for the formation of HOWO Auto Finance Company. The Company, CNHTC and Shandong International Equity Trust Corporation had contributed RMB250 million, RMB100 million and RMB150 million and hold 50%, 20% and 30% equity

of HOWO Auto Finance Company, respectively. HOWO Auto Finance Company is a subsidiary of the Company and principally participates in the automobile financing business.

In August 2015, the Group committed to inject RMB 1,190.3 million in Sinotruk Finance Company ("**2015 August Capital Increase**"), which increased its equity interest in Sinotruk Finance Company to 89.69%. The Group had made the payment of 2015 August Capital Increase in March 2016.

In September 2015, the Company agreed to purchase 2.7586% equity of Sinotruk Finance Company from Lingxian Rural Credit Cooperative Union and 0.3619% equity from Jingxian Rural Credit Cooperative Union (percentage is calculated before 2015 August Capital Increase). It is estimated to complete such purchases in the second quarter of 2016.

In October 2015, Sinotruk (Hong Kong) Capital Holding Limited and an independent third-party, Chengshan Group Co., Limited, jointly established Prinx (Cayman) Holdings Limited and Sinotruk (Hong Kong) Capital Holding Limited subscribed its 12.68% equity interest in the amount of US$40 million. This company is an associate of the Company and mainly manufactures tires in Weihai City, Shandong Province, the PRC.

In December 2015, Sinotruk (Hong Kong) Capital Holding Limited committed to inject cash at amount of RMB30 million into Ji'nan Qihui Microfinance Limited in exchange for its 10% equity interest. Ji'nan Qihui Microfinance Limited is an investment of the Group. The cash injection was completed in February 2016.

In January 2016, Sinotruk Liuzhou Yunli Special Vehicles Co., Ltd. and Kodiak America LLC., an independent third party, entered into an agreement to establish Sinotruk Liuzhou Yunli Kodiak Machinery Co., Ltd. by way of cash contribution in the amount of USD1,769,400 and contribution in technology in the amount of USD1,700,000 respectively. Sinotruk Liuzhou Yunli Special Vehicles Co., Ltd. and Kodiak America LLC. will hold 51% and 49% of its equity respectively. Such company has become subsidiary of the Company and principally engages in manufacturing and sales of snow removal equipment.

In February 2016, Ji'nan Truck Company proposed to set up its wholly-owned subsidiary, Sinotruk Ji'nan Global Electronic Business Co., Ltd. in Ji'nan City, Shandong Province, the PRC with registered capital of RMB20 million for the development of internet sales, services and trading platform.

Human Resources

As at 31 December 2015, the Group had a total of 26,067 employees. The Group focuses on meeting the demands of corporate development and securing talents in corporate development. The Group continues to innovate its human resources management methods, proactively attract senior executives and technical

personnel, and optimize team structure and the allocation of human resources so as to provide further intellectual support and human resources for the Group's sustainable development. The Group highly values its human resources initiatives including team building and talent training. Through open and fair recruitment, the Group continued to enhance employee competence, optimize promotion and performance assessment systems including non-leadership positions, and reform the compensation system to provide better incentives to employees. The Group organised employees to participate external seminars and training. Through relevant training, employees can gain more knowledge and understanding in the business and enhance their career development. 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-competition compensations.

Business Strategies and Prospects

For 2016, the global economy may not be optimistic. The uncertainty of US economic policy of the shift from quantitative easing to tapering and low prices of commodities such as crude oil are the factors causing uncertainties of development of the global economy. The Chinese economy has come to a critical phase of economic structural adjustment and transformation, and may probably face relatively significant downward pressure. A series of stabilization of economic growth measures such as supply-end reform, "One Belt And One Road", innovation-driven development and "Internet+" will bring new opportunities and challenges to the enterprises. Facing the economic volatility in both domestic and overseas markets and intensified 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 brand strategy to promote SINOTRUK brand and increase its market influence. This will help to achieve product differentiation, and further optimize and adjust its product mix to meet demands of different customers in different regions.

2. The Group will strengthen domestic product sales and services by innovative sales and marketing strategies such as optimizing its domestic distribution network and using "Smart Sinotruk" e-commerce platform. The "Smart Sinotruk" android application will be launched in the first half of 2016. The Group will further improve the quality of its distribution network, centralize distribution resources, continue its segment market strategy and increase product promotion efforts with full range of marketing services. The Group will make good use of the market trends to launch appropriate key products into the markets from time to time. The Group will continue to train its sales staff and customer service teams so as to enhance sales and after-sales services while provide value-added services to customers to increase the Group's competitiveness. Leveraging on holistic data, the Group will ascertain the main stream demands and product request from different market segments, and provide tailor-made solutions to major clients so as to upgrade the Group's marketing abilities. By taking full advantage of both Sinotruk Finance Company and HOWO Auto Finance Company, the Group will provide innovative financing support to boost product sales and therefore increase its market share.

3. The Group will continue to implement its internationalization strategy to further improve its competiveness and operational capabilities in international markets. The Group will further promote its brand image and increase the recognition of its brand and influence, and fully utilize its production capacity and products equipped with MAN technology to increase its competitiveness in global market. The Group will also strengthen its overseas distribution network, spare parts capabilities and services support, and will also increase the financing support to its international markets. By studying local financial policies, the Group will explore new financial support models. The Group will explore new and innovative means to cooperate in overseas markets, and seek localization of its brand by incorporating local characteristics into Sinotruk brand for sustainable development of the Group's overseas markets. The Group will further export light duty trucks and buses.

4. The Group will continue to leverage "intelligence" to realize breakthroughs in enterprise management and adopt measures for cost control and efficiency improvement. The Group will strengthen its risk management capabilities and improve its performance so as to facilitate healthy and sustainable growth. The Group will continue to centralize bulk purchases, sorting purchases and optimize its supply chain so as to reduce purchasing costs. The Group will centralize the management of the domestic and overseas treasury functions and take advantage of overseas financing platforms to optimize its assets and debts structure and reduce funding costs. The Group will increase its "intelligent" production capability and automation level to improve quality control. The Group will invest in costs control technology and accelerate construction of "intelligent" factories.

5. The Group will continue to strengthen its cooperation with the MAN Group to promote collaborative products in the markets. Based on the needs for market development, both the Group and MAN Group will explore and expand co-operation in different areas.

Financial Review

Revenue, gross profit and gross profit margin

The Group's revenue for the Period recorded RMB28,305 million, compared with that of year 2014 of RMB32,809 million, representing a decrease of RMB4,504 million or 13.7% YOY. The decrease in the revenue is primarily attributable to the decrease in HDTs sales volume.

The Group's gross profit for the Period was RMB5,028 million, compared to that of year 2014 of RMB5,536 million, representing a decrease of RMB508 million or 9.2% YOY. Gross profit margin for the Period increased by 0.9 percentage point from 16.9% to 17.8%. The increase in gross profit margin for the Period was mainly due to the results of effective costs reduction measures taken by the Group, product optimization, reduction of procurement costs and controllable expenses.

Distribution costs

Distribution costs for the Period was RMB2,121 million, compared to that of year 2014 of RMB2,280 million, representing a decrease of RMB159 million or 7.0% YOY. The decrease primarily resulted from the reduction in warranty costs which was benefited from the increase in product quality.

Administrative expenses

Administrative expenses for the Period was RMB2,621 million, compared to that of year 2014 of RMB2,406 million for the year 2014, representing an increase of RMB215 million or 8.9% YOY. The increase was mainly due to the increase in research and development cost and in the provision for bad debts from the increase in trade receivables under the Group's prudent provisioning policy.

Other gains – net

The net other gains for the Period was RMB487 million, compared to that of year 2014 of RMB307 million, representing an increase of RMB180 million or 58.6% YOY. The increase was mainly due to the increase in gains from disposal of properties, plant and equipment and the increase in foreign exchanges gains.

Finance costs – net

Net finance cost for the Period was RMB348 million, compared to that of year 2014 of RMB350 million, representing a decrease of RMB2 million or 0.6% YOY. During the Period both finance income and finance costs decreased due to the decrease in bank deposits, drop in deposit interest rate, minimize the borrowings scale in the PRC, optimize borrowings portfolio and drop in interest costs.

Share of profits less losses of investments accounted for using the equity method

The net profit of investments accounted for using the equity method for the Period was RMB3 million, compared to that of year 2014 of losses of RMB2 million, representing an increase of profit of RMB5 million. The increase was mainly due to the facts that an associate which operated at loss in 2014 became operating at profits during the Period and a newly set up joint venture earned profits in its first year of operation.

Income tax expense

Income tax expense for the Period was RMB103 million, compared to that of year 2014 of RMB209 million, representing a decrease of RMB106 million or 50.7% YOY. The decrease was due to the decrease in profit before income tax.

Profit for the year and earnings per share

Profit for the Period was RMB323 million, compared to that of year 2014 of RMB595 million, representing a decrease of RMB272 million or 45.7% YOY. Profit attributable to equity holders of the Company for the Period was RMB206 million, compared to that of year 2014 of RMB408 million, representing a decrease of RMB202 million or 49.5%. The basic earnings per share attributable to owners of the Company for the Period was RMB0.07, compared with that of the year 2014 at RMB0.15, representing a decrease of RMB0.08 or 53.3% YOY.

Trade and net financial services receivables

The Group's trade receivables include accounts receivable and notes receivable. As at 31 December 2015, the trade receivables of the Group were RMB10,547 million, compared to that of year 2014 of RMB10,499 million, representing an increase of RMB48 million or 0.5% YOY, of which accounts receivable was RMB8,301 million, representing an increase of RMB1,452 million or 21.2% from RMB6,849 million as at 31 December 2014 and notes receivable was RMB2,246 million, representing a decrease of RMB1,405 million or 38.5% from RMB3,651 million as at 31 December 2014.

The trade receivables turnover of the Group for the Period was 137.1 days, representing an increase of 0.1% YOY and was still within the Group's credit policies which are three to twelve months to the customers. As at 31 December 2015, the trade receivables aged not more than six months were RMB8,311 million, representing 78.8% of the total net trade receivables while it was 91.2% of the total net trade receivables as at 31 December 2014.

As at 31 December 2015, the net financial services receivables of the Group increased from RMB1,773 million to RMB1,854 million, representing an increase of RMB81 million YOY or 4.6%. 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 key 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 other assessments.

Cash flow

Net cash inflow from operating activities for the Period was RMB1,040 million, compared with net cash inflow in the year 2014 at RMB5,681 million, representing a decrease of cash inflow by RMB4,641 million which was mainly due to the decrease of HDTs sales.

Net cash outflow used in investing activities for the Period was RMB1,195 million, compared with cash outflow in the year 2014 of RMB406 million, representing an increase of cash outflow of RMB789 million. The increase was mainly due to capital injection to jointly controlled entity and associated companies, purchase of financial investment products and increase in spending in purchase of property and plant.

Cash outflow used in financing activities for the Period was RMB1,352 million, compared with the cash outflow in the year 2014 of RMB2,837 million, representing a decrease of cash outflow of RMB1,485 million which was mainly due to the decrease in the amount of minimization of the scale of borrowings in 2015 as compared to the year before.

Liquidity and financial resources

As at 31 December 2015, the Group had cash and cash equivalents of RMB4,946 million and bank acceptance notes of RMB2,138 million. Cash and cash equivalents decreased by RMB1,494 million and bank acceptance notes decreased by RMB1,462 million as compared with the beginning of 2015. The Group's total borrowings (including long-term and short-term borrowings and borrowings from the related parties) were about RMB5,707 million as at 31 December 2015. Its gearing ratio (total borrowings divided by total assets) was 13.5% (31 December 2014: 16.4%) and the total liabilities to total assets ratio was 48.7% (31 December 2014: 52.0%).

As at 31 December 2015, 97.7% of borrowings were denominated in RMB (31 December 2014: 100% 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 2015 was 1.5 (31 December 2014: 1.4).

As at 31 December 2015, total available credit facilities of the Group from the banks amounted to RMB34,579 million, of which RMB6,010 million had been utilised. An aggregate amount of RMB942 million of security deposits and restricted bank deposits was pledged to secure various credit facilities. In addition, Sinotruk Finance Company has made mandatory deposits of RMB694 million to PBOC for its financial operations. The Group meets its daily liquidity needs by matching operating cash flow patterns with funds on hand and enhances its liquidity by way of application for longer credit periods from suppliers, utilization of banking facilities and issuance of bills such as short-term commercial acceptance notes and bank acceptance notes.

Financial Management and Policy

The finance department is responsible for the financial risk management of the Group. One of the primary objectives of our financial policies is to manage exchange rate risk. Our treasury policy of the Group is to prohibit the Group from participating in any speculative activities. As at 31 December 2015, save for those cash and bank balances in foreign currencies equivalent to approximately RMB299 million, accounts receivables and other receivables in foreign currencies equivalent to approximately RMB1,317 million, borrowings in foreign currencies equivalent to approximately RMB130 million and accounts payable and other payable in foreign currencies equivalent to approximately RMB212 million, most of the Group's assets and liabilities were denominated in RMB.

Capital Structure

As at 31 December 2015, owner's equity of the Company was RMB21,716 million, representing an increase of RMB470 million or 2.2% when compared with RMB21,246 million at the end of year 2014.

As at 31 December 2015, the Company's market capitalisation was RMB7,101 million (calculated based on the issued share capital of the Company: 2,760,993,339 Shares, closing price: HKD 3.07 per Share and at the exchange rate of 1: 0.8378 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 the Group's financial condition and results of operations. The Group estimates that the total amount of claims of all lawsuits is approximately RMB149 million. There was no provision for legal claims as at 31 December 2015.

Executive Directors

Mr. Ma Chunji (馬純濟), aged 62, has been our executive Director and the chairman of the Board since 12 February 2007. 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. 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). He is also the chairman of CNHTC.

Mr. Cai Dong (蔡東), aged 52, has been our executive Director and president of the Company since 12 February 2007. 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 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. He joined Ji'nan Auto Manufacturing Factory in 1983 and led its research and development, production and marketing. 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.

Mr. Tong Jingen (童金根), aged 53, has been our executive Director, company secretary and chief economist of the Company since 12 February 2007. Mr. Tong is a senior economist with over 20 years of experience in corporate management and business development in the automotive industry. Mr. Tong graduated with a master's degree in engineering from Tsinghua University (清華大學), the PRC in 1989. 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.

Mr. Wang Shanpo (王善坡), aged 51, has been our executive Director and chief engineer of the Company since 12 February 2007. Mr. Wang is an engineering and technical application researcher with over 20 years of experience in automotive research and development and engineering. 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. 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.

Mr. Kong Xiangquan (孔祥泉), aged 49, has been our executive Director and the financial controller of the Group since 28 August 2012. Mr. Kong is a senior accountant and has extensive experiences in financial management, corporate restructuring and cross-border financing. Mr. Kong received a bachelor's degree in management science and engineering from Wuhan Institute of Technology (武漢工學院) (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. He was selected as one of the high-grade accountant personnel in Shandong Province, the PRC in 2011. 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 Company from 2004 to 2012 and the chairman of the supervisory board of Sinotruk Import & Export Co., Ltd. from 2011 to 2012. Mr. Kong has been the supervisor of Ji'nan Ganghao Development Co., Ltd. since 2008. Prior to joining the Group, Mr. Kong worked in China Qingqi Group Co., Ltd. and was responsible for general administration and financial management affairs.

Mr. Liu Wei (劉偉), aged 46, has been our executive Director since 9 December 2014. He has extensive experience in the commercial vehicle industry. Mr. Liu 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)), 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), the PRC. Since January 2010, Mr. Liu serves as the head of the international sales division of the Company. Prior to joining the Company, Mr. Liu served in various technical and management positions of CNHTC 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 Ji'nan Truck Company from August 2003 to June 2006 and a director of CNHTC from December 2012 to October 2014.

Mr. Liu Peimin (劉培民), aged 47, has been our executive Director since 9 December 2014. He has extensive experience in the vehicle industry. Mr. Liu 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)), the PRC in June 1990. Mr. Liu serves as the operation controller of the Company since August 2012. Prior to joining the Company, Mr. Liu 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 was a director of CNHTC Predecessor from July 1997 to April 2001 and a director of CNHTC from April 2001 to October 2014.

Mr. Franz Neundlinger, aged 60, has been our executive Director since 5 December 2013. He 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. 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. 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 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. All MAN Truck & Bus Österreich AG, MAN Truck and Bus (China) Ltd. and MAN Truck & Bus AG are the indirectly non-wholly owned subsidiaries of Ferdinand Porsche.

Non-executive Directors

Mr. Andreas Hermann Renschler, aged 58, has been our non-executive Director since 1 October 2015. He has extensive experience in the vehicle industry. Mr. Renschler received his diploma in business engineering at the Technical College in Esslingen, Germany in 1984 and his diploma in business administration at the University of Tübingen, Germany in 1987. From April 1993 to December 1998, Mr. Renschler took charge of the Mercedes-Benz M-Class unit and was responsible for planning and implementation of the company's first US plant in Tuscaloosa, Alabama, where he later served as the chief executive officer of Mercedes-Benz U.S.I., which is principally engaged in M-Class production. From January 1999 to September 1999, he served as the senior vice president of DaimlerChrysler AG, which is principally engaged in the passenger vehicle and commercial vehicle business, where he was responsible for personnel development. From October 1999 to October 2004, Mr. Renschler served as the chairman of the board of management of smart GmbH, which is principally engaged in small passenger car business. From October 2004 to March 2013, Mr. Renschler served as a member of the board of management of Daimler AG, which is principally engaged in the passenger vehicle and commercial vehicle business, where he was responsible for managing Daimler Trucks and Daimler Buses. From April 2013 to January 2014, he was in charge of the production and procurement for Mercedes-Benz Cars and Mercedes-Benz Vans. In February 2015, he joined Volkswagen AG. He is a member of the board of management of Volkswagen AG, responsible for the commercial vehicle group, and is chief executive officer of Volkswagen Truck & Bus GmbH. Volkswagen AG and Volkswagen Truck & Bus GmbH are the indirectly non-wholly owned subsidiaries of Ferdinand Porsche.

Mr. Joachim Gerhard Drees, aged 51, has been our non-executive Director since 1 October 2015. He has extensive experience in the vehicle industry. Mr. Drees received his master's degree in business administration at the University of Stuttgart, Germany in April 1991. He received his master 's degree in business administration from the Portland State University, the United States in June 1989. Mr. Drees served in various management positions at DaimlerChrysler AG, which is principally engaged in the passenger vehicle and commercial vehicle businesses, among others, as the commercial head of the transmission business unit in Gaggenau as well as head of commercial vehicles controlling of Daimler Truck Group in Stuttgart from April 1996 to July 2006. He served as a partner at HgCapital LLP, a British investment company, where he was responsible for investment portfolio management from July 2006 to August 2012. He served as the chief financial officer and head of the divisions of finance and controlling, merger and acquisitions, human resources, administration and globalisation support at Drees & Sommer AG, which is principally engaged in project management and real estate consulting from September 2012 to September 2014. Mr. Drees has been the chief executive officer of MAN Truck & Bus AG as well as a member of the executive board of Volkswagen Truck & Bus GmbH since April 2015 and chief executive officer of MAN SE since October 2015.

Mr. Anders Olof Nielsen, aged 53, has been our non-executive Director since 1 December 2012. He has extensive experience in the vehicle industry. 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. Mr. Nielsen had been the chief executive officer of MAN Truck & Bus AG from September 2012 to March 2015 and, now, is the head of business development of group commercial vehicles of Volkswagen AG.

Independent Non-executive Directors

Dr. Lin Zhijun (林志軍), aged 61, has been our independent non-executive Director since 26 July 2007. Dr. Lin is an experienced accounting educator and researcher. 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 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. He is currently 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. 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 three companies which securities are listed on the Stock Exchange, including China Everbright Limited (stock code: 0165), Springland International Limited (stock code: 1700) and Dali Foods Group Company Limited (stock code: 3799).

Mr. Chen Zheng (陳正), aged 70, has been our independent non-executive Director since 26 July 2007. Mr. Chen has over 30 years of experience in the mechanical design and automotive engineering field. 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. 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).

Mr. Yang Weicheng (楊偉程), aged 69, has been our independent non-executive director since 6 November 2013. Mr. Yang is an experienced lawyer in the PRC. Mr. Yang graduated from Shandong University, the PRC in 1982, majored in history. 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. 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.hk). 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.

Dr. Wang Dengfeng (王登峰), aged 53, has been our independent non-executive Director since 9 March 2016. Dr. Wang is currently a professor and doctoral tutor of the Department of Automobiles at the School of Automotive Engineering of Jilin University (吉林大學), the PRC. Dr. Wang is also the chairman of the panelist committee of the China Automotive Lightweight Technology Innovation Strategic Alliance (中國汽車輕量化技術創新戰略聯盟), a council member of the executive committee of the Society of Automotive Engineers of China (中國汽車工程學會), the deputy chairman of the Safety Technology Committee of the Society of Automotive Engineers of China (中國汽車工程學會汽車安全技術分會) and the deputy chairman of the Vehicle Noise and Vibration Committee of the Society of Automotive Engineers of China (中國汽車工程學會汽車振動噪聲分會). Dr. Wang completed his bachelor, master and doctorate degrees in engineering at Jilin University of Technology (吉林工業大學), the PRC. After his graduation from Jilin University of Technology in 1990, he remained at Jilin University of Technology as a lecturer, where he was subsequently promoted to the positions of associate professor, professor, deputy head and then head of the Automotive and Tractor Faculty. Between August 1997 and July 1998, Dr. Wang attended at the University of Birmingham, the United Kingdom as a visiting professor, after which he returned to Jilin University of Technology and continued to serve as a professor, doctoral tutor and head of the Faculty of Automotive and Tractor until May 2000. In June 2000, Jilin University of Technology merged with Jilin University and from December 2000 to December 2008, Dr. Wang served as a professor, doctoral tutor and associate dean of the School of Automotive Engineering of Jilin University. Since January 2009, he has been serving as a professor and doctoral tutor of the Department of Automobiles at the School of Automotive Engineering of Jilin University. Dr. Wang was conferred with the title of "Excellent National Teacher" by the Ministry of Education of PRC in 2007. Among other awards he has received in the past, Dr. Wang was awarded the"GM-MOE Innovative Talent Achievement Awards" jointly awarded by the Technology Development Centre of the Ministry of Education of PRC and General Motors ("通用汽車中國高校汽車領域創新人才獎") in 2010 and the "Outstanding Contribution Award" of the 50th Anniversary of the Establishment of the Society of Automotive Engineers of China (中國汽車工程學會建會50周年"突出貢獻獎") in 2012.

Mr. Zhao Hang (趙航), aged 60, has been our independent non-executive Director since 11 April 2016. Mr. Zhao is a director of Zhejiang Wanfeng Auto Wheel Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 002085.SZ) since 29 November 2013. Mr. Zhao is also a doctoral tutor at Wuhan University of Technology, the PRC (中國武漢理工大學), and an instructor and adjunct professor at Tongji University, the PRC (中國同濟大學), Jilin University, the PRC (中國吉林大學), Jiangsu University, the PRC (中國江蘇大學) and Chongqing Jiaotong University, PRC (中國重慶交通大學) (which is previously known as Chongqing Vocational College of Transportation (重慶交通學院)). In addition, Mr. Zhao was the deputy chairman and chief secretary of the National Technical Committee of Auto Standardization (全國汽車標準化技術委員會), the president of the China Automobile Human Resources Association (中國汽車人力資源協會), the deputy chairman of the executive committee of the Society of Automotive Engineers of China (中國汽車工程學會), the vice-president of the China Association of Automobile Manufacturers (中國汽車工業協會), the deputy chairman of the China Intelligent Transportation Systems Association (中國智能交通協會), the council member of the China Machinery Industry Federation (中國機械工業聯合會), a member of the steering committee of the National 863 Electric Vehicle Key Project (國家863電動汽車重大專項領導小組), a member of the steering committee of the National Clean Energy Automotive Action (國家清潔汽車行動領導小組) and a member of the steering committee of the Tianjin Clean Energy Automotive Action (天津市清潔汽車行動領導小組). Mr. Zhao is a research-grade senior engineer and obtained his bachelor degree in engineering from Jilin University of Technology, the PRC (中國吉林工業大學) in July 1982. In October 2003, he obtained a degree in executive master of business administration from China Europe International Business School (中歐國際工商學院). After his graduation from Jilin University of Technology in 1982, Mr. Zhao joined the Transportation Engineering Institute of the Chinese People's Liberation Army (中國人民解放軍運輸工程學院) as an instructor until October 1987. After that, he was employed by the China Automotive Technology & Research Center (中國汽車技術研究中心), and had since then until November 2015 held various positions therewith including the center deputy chairman, center deputy secretary of the party committee and center secretary of the party committee and center chairman. Among the awards and recognitions he has received in the past, Mr. Zhao was conferred with the title of Young Technology Specialist in the Machinery Industry (中國機械工業青年科技專家) in the PRC in 1995 and received the 2004 China Automobile Manufacturing Outstanding Technology Talent Award (2004年中國汽車工業優秀科技人才獎).

Company Secretaries

Mr. 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.

Mr. Kwok Ka Yiu (郭家耀), aged 51, has been our company secretary and financial controller since 12 November 2007. 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. 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.

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 82 of the Articles of Association, the Board is entitled, from time to time and at any time, to appoint any person to be a Director for filling any vacant directorship or for increasing the number of Directors. In assessing the nominations of new Directors, the Board will consider their relevant experience, professional and educational background, and potential contributions that may be brought to the Company. The Board takes up all functions of nomination committee as required under the Listing Rules.

Compliance of Rule 3.10A, 3.11 and 3.21 of the Listing Rules

Upon the resignation of Dr. Ouyang Minggao, Dr. Lu Bingheng and Dr. Huang Shaoan as INEDs on 11 December 2015, the Board comprised fourteen members including three 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. In addition, after the resignation of Dr. Ouyang Minggao, the number of members of the Audit Committee was two which the number of the members of the Audit Committee had fallen below three as required under Rule 3.21 of the Listing Rules.

On 9 March 2016, the Company appointed Dr. Wang Dengfeng as an INED and a member of the Audit Committee. On 11 April 2016, the Company appointed Mr. Zhao Hang as an INED and a member of the Strategy and Investment Committee. After such appointments, the Board comprised sixteen members including five INEDs with the number of INEDs had still fallen below one-third of the Board. The Company had therefore failed to comply with Rules 3.10A and 3.11 of the Listing Rules by not having appointed a sufficient number of INEDs and not being able to do so within the required time frame. After the appointment of Dr. Wang Dengfeng as a member of the Audit Committee, the Audit Committee has sufficient number of the members, being three members as required under Rule 3.21 of the Listing Rules.

The Board is continuing its efforts to seek the appropriate person to act as an INED as soon as possible.

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 and 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 include assessment on the nomination of new Directors, determination of remuneration of Directors and senior management, 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 2015, the Board had a total number of fourteen Directors including eight EDs, three NEDs and three INEDs. Biographies of each Director including newly appointed Directors 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 2015, 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 2015, there were three NEDs including Mr. Andreas Hermann Renschler, Mr. Joachim Gerhard Drees and Mr. Anders Olof Nielsen.

Each of Mr. Andreas Hermann Renschler and Mr. Joachim Gerhard Drees has entered into a service contract with the Company for a term of three years commenced from 1 October 2015 and Mr. Anders Olof Nielsen has entered into a service contract with the Company for a term of three years commenced from 1 December 2015. 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 2015, there were three INEDs including Dr. Lin Zhijun, Mr. Chen Zheng and Mr. Yang Weicheng.

Each of Dr. Lin Zhijun and Mr. Chen Zheng has entered into a service contract with the Company for a term of three years commenced from 26 July 2013 and Mr. Yang Weicheng has entered into a service contract with the Company for a term of three years commenced from 6 November 2013. 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 including those resigned as INEDs during the Period 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.

Attendance of Board Meetings and Board Committee Meetings

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

Directors	Regular full Board meetings	Executive Committee meetings	Strategy and Investment Committee meetings	Remuneration Committee meetings	Audit Committee meetings	2015 annual general meeting
	Numbers of meetings attended/entitled to attend (Note 1)					
Executive Directors						
Mr. Ma Chunji	4/4	3/3	1/1			1/1
Mr. Cai Dong	4/4	3/3	1/1			0/1
Mr. Tong Jingen	4/4	3/3		1/1		1/1
Mr. Wang Shanpo	4/4	3/3	1/1			0/1
Mr. Kong Xiangquan	2/4	3/3				1/1
Mr. Liu Wei	4/4	3/3		1/1		0/1
Mr. Liu Peimin	2/4	3/3				0/1
Mr. Franz Neundlinger	4/4	3/3	1/1			1/1
Non-executive Directors						
Mr. Andreas Hermann Renschler (Note 2)	0/2					0/0
Mr. Joachim Gerhard Drees (Note 2)	2/2					0/0
Mr. Anders Olof Nielsen	3/4					0/1
Independent Non-executive Directors						
Dr. Lin Zhijun	4/4			1/1	3/3	1/1
Mr. Chen Zheng	4/4			1/1	3/3	1/1
Mr. Yang Weicheng	4/4			1/1		
Former Non-executive Directors						
Dr. Georg Pachta-Reyhofen (Note 3)	1/2					0/1
Mr. Jörg Astalosch (Note 4)	1/1					0/1
Former Independent Non-executive Directors						
Dr. Ouyang Minggao	4/4		1/1		0/3	0/1
Dr. Lu Bingheng	4/4		1/1			0/1
Dr. Huang Shaoan	4/4		1/1			0/1

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

Note 2: Mr. Renschler and Mr. Drees were appointed as NEDs with effect from 1 October 2015. During their tenures, two regular full Board meetings and no shareholders' meeting were held.

Note 3: Dr. Pachta-Reyhofen resigned as NED with effective from 1 October 2015. During his tenure, two regular full Board meetings and one shareholders' meeting were held.

Note 4: Mr. Jörg Astalosch resigned as NED with effective from 1 August 2015. During his tenure, one regular full Board meeting and one shareholders' meeting were held.

BOARD MEETINGS

The Company generally convenes four regular full Board meetings per year or more meetings when necessary.

During the Period, four regular full Board meetings were convened to review, consider and approve the following major agenda items:

(1) the 2014 annual report of the Company and related results announcements, circulars and documents, the call for the 2015 annual general meeting of the Company and the closures of register of members;

(2) the 2015 interim report of the Company and related results announcements and documents;

(3) the review of the continuing connected transactions for the year 2014 and approval of certain continuing connected transactions for the year 2015;

(4) the recommendation of adoption of new Articles of Association;

(5) the recommendation of the re-appointment of PricewaterhouseCoopers as the Company's auditor in the 2015 annual general meeting;

(6) the recommendation of the payment of the final dividend for the year 2014;

(7) the operational and financial reports of the Group;

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

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

(10) the resignation of Dr. Ouyang Minggao, Dr. Lu Bengheng and Dr. Huang Shaoan as INEDs; and

(11) the amendments of the terms of reference of the Audit Committee in respect of the changes of 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.

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 and managing daily operations.

As at 31 December 2015, 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 2015, the Strategy and Investment Committee comprised four members, namely, Mr. Ma Chunji, Mr. Cai Dong, Mr. Wang Shanpo and Mr. Franz Neundlinger. 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 2016 and their investment plans; and

(2) the 2016 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, 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 2015, 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 one meeting to review, consider and approve the renumeration.

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 2015, the Audit Committee comprised two members, namely, Dr. Lin Zhijun and Mr. Chen Zheng who both 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 2015 annual audit plan of the Group;

(2) the auditor's reports to the Audit Committee in respect of the 2014 annual audit and the 2015 interim review of the Group;

(3) the 2014 annual report and the 2015 interim report and their related preliminary results announcements;

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

(5) the assessment of the financial reporting system of the Group;

(6) the self-assessment of internal controls and the internal control system of the Group; and

(7) the half-year and annual internal control reports and the risk management report 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.

INCENTIVE SCHEME INDEPENDENT BOARD COMMITTEE

The ISIBC, which should be comprised all the INEDs as appointed from time to time, was responsible to decide the eligible participants of the share incentive scheme ("**Share Incentive Scheme**") adopted by the Board on 28 August 2012, the number of shares they were 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 had been convened and no chairman was elected since its formation. The ISIBC was dissolved upon the expiry of the Share Incentive Scheme on 27 August 2015.

The ISIBC comprised three members, namely, Dr. Lin Zhijun, Dr. Ouyang Minggao and Mr. Chen Zheng since its formation and until its dissolution.

NOMINATION, APPOINTMENT, RETIREMENT AND RE-ELECTION OF DIRECTORS

The Board is responsible for reviewing its structure, size, composition (including the skills, knowledge and experience) 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, succession planning for Directors and accessing the independence of independent non-executive Director. During the Period, the Board has reviewed and concluded that its existing structure, size, composition and diversity are appropriate.

According to article 82 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. According to article 83(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.

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 complied 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 2015, some Directors had attended a training seminar "Updates on corporate governance and other regulatory requirements on companies in Hong Kong" conducted by Sidley Austin, a legal advisers on Hong Kong laws and all other Directors had received such training materials. All the Directors have confirmed in writing they had participated in continuous professional developments to develop and refresh their knowledge and skills as directors during the Period. In addition, each of Mr. Andreas Hermann Renschler and Mr. Joachim Gerhard Drees had attended a training on director's responsibilities provided by Sidley Austin in relation to their appointment as NEDs during the Period.

REMUNERATION AND BENEFITS FOR DIRECTORS AND SENIOR MANAGEMENT

For NEDs and 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 2015 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 2015, 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 2015 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 Board 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 2015. After conducting the review, the Directors, including all INEDs, are of the view that the Non-competition Undertaking have been complied with by all parties.

REMUNERATION OF AUDITORS

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

	RMB'000
For financial audit services:	12,656
For other services:	
the audit of internal control of certain subsidiaries	755
the taxation professional services	315
Total fee for other services	1,070
Auditors' remuneration	13,726

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 appointed as the independent non-executive director of Dali Foods Group Company Limited (stock code: 3799) which its shares are listed on the Stock Exchange in August 2015.

Mr. Joachim Gerhard Drees, a NED, has been appointed as chief executive officer of MAN SE from 1 October 2015. In addition, he is a member of the executive board of Volkswagen Truck & Bus GmbH since April 2015.

SHAREHOLDERS AND INVESTOR RELATIONS

Communication Policy

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

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 2015 AGM at which the external auditors attended was convened on 29 June 2015. The Board encourages all the Shareholders to participate in the forthcoming 2016 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 a general meeting

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 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 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

New Articles of Association had been adopted by the Shareholders in the annual general meeting of the Company held on 29 June 2015. A copy of the new Articles of Association is available on the websites of the Company and the Stock Exchange (www.hkexnews.hk).

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 2015.

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 as well as provision of financing services to those parties related to the production and sales of the Group's products and to the CNHTC Group. Details of principal activities of the Company's subsidiaries are set out in note 35 to the consolidated financial statements. There has been no significant change in the principal business of the Group during the Period.

An analysis of the Group's performance for the Period by operating segment is set out in note 5 to the consolidated financial statements. Further discussion and analysis of these activities as required by Schedule 5 to the Companies Ordinance, including an analysis of the Group's performance during the Period using financial key performance indicators, a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group's business, can be found in the section heading "Management Discussion and Analysis" of this annual report.

OPERATING RESULTS

The results of the Group for the year ended 31 December 2015 are set out in the consolidated statement of comprehensive income.

PROPOSED DIVIDENDS

The Board recommends the payment of a final dividend of HKD0.03 per Share for the year ended 31 December 2015 (the "**2015 Final Dividend**") with a sum of approximately HKD82,830,000, which is subject to shareholders' approval at the forthcoming 2016 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 2015 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 2015 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 2015 Final Dividend payable to PRC resident enterprise shareholders, exempted entities or any natural person shareholders.

PRINCIPAL PROPERTIES

Details of the principal properties held for development and/or sale and for investing purposes are set out in note 15 to the consolidated financial statements.

SHARE ISSUED DURING THE PERIOD

There were no issue of shares during the Period. Details of the movements in the equity of the Company during the Period are set out in the consolidated statement of changes in equity on pages 71 to 72 and note 23 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's distributable reserves as at 31 December 2015, calculated under Part 6 of the Companies Ordinance, were approximately RMB818,847,000 (2014: RMB748,776,000).

CHARITABLE DONATION

The Group's total charitable donation for the Period amounted to approximately RMB3,660,000 (2014: RMB3,872,000).

BORROWINGS

Details of the Group's borrowings as at 31 December 2015 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 172.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

EMPLOYEE SHARE INCENTIVE SCHEME

On 28 August 2012, the Board had adopted the Share Incentive Scheme, which was valid for three years from its adoption, for the purpose to recognise contributions made by the employees selected (including EDs and senior management of the Company but not NEDs and INEDs) (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 had been terminated on 27 August 2015.

An independent board committee namely ISIBC comprising of all the INEDs as appointed from time to time, was established for the purpose of the Share Incentive Scheme. No Shares of the Share Incentive Scheme (the "**Scheme Shares**") had been granted since the adoption of the Share Incentive Scheme. ISIBC was also dissolved on 27 August 2015 when the Share Incentive Scheme was terminated.

The maximum number of the Scheme Shares to be granted is 10,000,000 Shares, which will be acquired from open market by the trustee of the Share Incentive Scheme.

The vesting period of each Scheme Share 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.

Details of the Share Incentive Scheme has been disclosed in the Company's announcement dated 28 August 2012.

The Company did not have any other share option scheme as at 31 December 2015.

DIRECTORS

During the Period and up to the last practical date of publishing this report, 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
Mr. Liu Peimin
Mr. Franz Neundlinger

Non-executive Directors:

Mr. Andreas Hermann Renschler
(appointed on 1 October 2015)
Mr. Joachim Gerhard Drees
(appointed on 1 October 2015)
Mr. Anders Olof Nielsen
Dr. Georg Pachta-Reyhofen
(resigned on 1 October 2015)
Mr. Jörg Astalosch (resigned on 1 August 2015)

Independent non-executive Directors:

Dr. Lin Zhijun
Mr. Chen Zheng
Mr. Yang Weicheng
Dr. Wang Dengfeng (appointed on 9 March 2016)
Mr. Zhao Hang (appointed on 11 April 2016)
Dr. Ouyang Minggao (resigned on 11 December 2015)
Dr. Lu Bingheng (resigned on 11 December 2015)
Dr. Huang Shaoan (resigned on 11 December 2015)

Mr. Jörg Astalosch and Dr. Georg Pachta-Reyhofen resigned as NEDs on 1 August 2015 and 1 October 2015 respectively. Dr. Ouyang Minggao, Dr. Lu Bingheng and Dr. Huang Shaoan resigned as INEDs on 11 December 2015. Each of Mr. Jörg Astalosch, Dr. Georg Pachta-Reyhofen, Dr. Ouyang Minggao, Dr. Lu Bingheng and Dr. Huang Shaoan has confirmed that he has no disagreement with the Board and nothing relating to the affairs of the Company needed to be brought to the attention of the shareholders of the Company.

Pursuant to articles 82 of the Articles of Association, Mr. Andreas Hermann Renschler, Mr. Joachim Gerhard Drees, Dr. Wang Dengfeng, and Mr. Zhao Hang will be retired at the forthcoming annual general meeting and, being eligible, will be available for re-election as Directors. Pursuant to articles 83(1) of the Articles of Association, Mr. Cai Dong, Mr. Anders Olof Nielsen and Dr. Lin Zhijun will be retired at the forthcoming annual general meeting and, being eligible, will be available for re-election as Directors.

Directors of the Company's Subsidiaries

During the Period and up to the date of this report, Mr. Ma Chunji, Mr. Cai Dong, Mr. Tong Jingen, Mr. Kong Xiangquan, Mr. Liu Wei and Mr. Liu Peimin are also directors in certain subsidiaries of the Company.

A full list of the names of the directors of the Group's subsidiaries can be found in the Company's website at www.sinotruk.com under "Investor Relations" • "Corporate" • "Board of directors".

Permitted Indemnity

Pursuant to the Articles, subject to the statues, every Director shall be indemnified out of the assets of the Company against all costs, charges, expenses, losses and liabilities which he may sustain or incur in the execution of his office or otherwise in relation thereto. Subject to the applicable laws and the Articles, the Company has taken out insurance against the liability and costs associated with legal actions against the Directors arising out of corporate activities.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' INTERESTS IN CONTRACTS

During the Period, Mr. Ma Chunji is the chairman of CNHTC; Mr. Andreas Hermann Renschler is a member of the board of management of Volkswagen AG, responsible for the commercial vehicle group and chief executive officer of Volkswagen Truck & Bus GmbH from February 2015; Mr. Drees has been the chief executive officer and a member of the executive board of MAN Truck & Bus AG from April 2015 and the chief executive officer of MAN SE from October 2015; Mr. Anders Olof Nielsen was the chief executive officer of MAN Truck & Bus AG until March 2015 and, now, is the head of business development of group commercial vehicles of Volkswagen AG; and Mr. Franz Neundlinger is employed by MAN Truck & Bus Österreich AG. Dr. Georg Pachta-Reyhofen was the chief executive officer of MAN SE until September 2015 and Mr. Jörg Astalosch was a member of the supervisory board of MAN Truck & Bus AG from July 2014 to July 2015. Volkswagen AG, Volkswagen Truck & Bus GmbH, MAN SE, MAN Truck & Bus AG and MAN Truck & Bus Österreich AG are non-wholly owned subsidiaries of Ferdinand Porsche. Save as the significant transactions between the Group and the CNHTC Group and between the Group and the Ferdinand Porsche Group as disclosed in section headed "connected transactions" below in the report of the Directors and in the related party transactions in note 36 to the consolidated financial statements, no contract of significance to the business of the Group subsisted during or at the end of the 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 25 to 30.

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

As at 31 December 2015, the directors and chief executives of the Company and their associates (as defined in the Listing Rules) had the following interests in the shares of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers:

Associated corporation

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

Long positions

Name	Nature of interests	Number of shares held	Perentage of shareholding
Mr. Ma Chunji	Beneficial interest	93,828	0.0224%
Mr. Tong Jingen	Beneficial interest	75,000	0.0179%
Mr. Wang Shanpo	Beneficial interest	33,000	0.0079%
Mr. Kong Xiangquan	Beneficial interest	61,800	0.0147%
Mr. Liu Wei	Beneficial interest	61,840	0.0147%
Mr. Liu Peimin	Beneficial interest	80,000	0.0191%

Save as disclosed above, as at 31 December 2015, none of the Directors and chief executives of the Company or their associates (as defined in the Listing Rules) had interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

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

As at 31 December 2015, other than the interests of the Directors and chief executives of the Company as disclosed above, the Company has been notified of the following interests in the shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO:

A) The Company

Long position

Name	Nature of interests	Note	Number of shares held	Percentage of shareholding
CNHTC	Corporate interests	(a)	1,408,106,603	51%
Sinotruk (BVI) Limited	Beneficial interest		1,408,106,603	51%
Ferdinand Porsche	Corporate interests	(b)	690,248,336	25%
Ferdinand Porsche Familien-Holding GmbH	Corporate interests	(c)	690,248,336	25%
Ferdinand Alexander Porsche GmbH	Corporate interests	(d)	690,248,336	25%
Familie Porsche Beteiligung GmbH	Corporate interests	(e)	690,248,336	25%
Porsche Automobil Holding SE	Corporate interests	(f)	690,248,336	25%
Volkswagen AG	Corporate interests	(g)	690,248,336	25%
Volkswagen Truck & Bus GmbH	Corporate interests	(h)	690,248,336	25%
MAN SE	Corporate interests	(i)	690,248,336	25%
MAN Finance and Holding S.A.	Beneficial interest		690,248,336	25%

Notes:

(a) CNHTC holds entire interests in Sinotruk (BVI) Limited.

(b) Ferdinand Porsche holds 90% interests in Ferdinand Porsche Familien-Holding GmbH.

(c) Ferdinand Porsche Familien-Holding GmbH holds 73.85% interest in Ferdinand Alexander Porsche GmbH.

(d) Ferdinand Alexander Porsche GmbH holds entire interest in Familie Porsche Beteiligung GmbH.

(e) Familie Porsche Beteiligung GmbH holds 51.69% interests in Porsche Automobil Holding SE.

(f) Porsche Automobil Holding SE holds 50.73% interests in Volkswagen AG.

(g) Volkswagen AG holds entire interests in Volkswagen Truck & Bus GmbH.

(h) Volkswagen Truck & Bus GmbH holds 75.28% interests in MAN SE.

(i) MAN SE holds entire interests in MAN Finance and Holding S.A. which is formerly known as "MAN Finance and Holding S.A.R.L.".

B) Members of the Group

Long position

Name of equity holder	Nature of interests	Name of member of the Group	Percentage of equity interest held
Liuzhou Yunli Assets Investment and Guarantee Co., Ltd.	Beneficial interest	Sinotruk Liuzhou Yunli Special Vehicles Co., Ltd.	40%
Yongan Fudi Investment Co., Ltd.	Beneficial interest	Sinotruk Fujian Haixi Vehicles Co., Ltd.	20%
Chengdu Dachenggong Mechanics Co., Ltd.	Beneficial interest	Sinotruk Chengdu Wangpai Commercial Vehicles Co., Ltd.	20%
Suizhou Huawei Investment Holdings Co., Ltd.	Beneficial interest	Sinotruk Hubei Huawei Special Vehicles Co., Ltd.	40%
Shandong International Equity Trust Corporation (formerly known as "Shandong International Trust Corporation")	Beneficial interest	HOWO Auto Finance Company	30%
CNHTC	Beneficial interest	HOWO Auto Finance Company	20%

Save as disclosed above, as at 31 December 2015, no other persons had any interests or short positions in the shares or underlying shares of the Company recorded in the register required to be kept by the Company under section 336 of 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 21 February 2014, the Company had entered into a facility agreement (the "**Facility Agreement**") with Bank of China (Hong Kong) Limited and other financial institutions for the borrowing of RMB1,000,000,000 for 36 months (the "**Facility**").

Pursuant to the Facility Agreement, 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 Facility may by notice to the Company (a) cancel the Facilities whereupon such Facility shall be immediately cancelled; (b) declare that all or part of the loans made or to be made under the Facility or the principal amount outstanding for the time being of this loan (the "**Loan**"), together with accrued interest, and all other amounts accrued or outstanding under the Facility Agreement and other documents designated as finance documents under the Facility Agreement by the agent and the Company be immediately due and payable, whereupon such Loan and other amounts shall immediately become due and payable; and/or (c) declare that all or part of the Loan be payable on demand, whereupon such Loan shall immediately become payable on demand by the agent.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the businesses of the Company were entered into or existed 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	3.5%
– the five largest suppliers	13.9%

Sales

– the largest customer	4.2%
– the five largest customers	13.8%

The controlling shareholder and ultimate holding company, CNHTC, owns all equity interests in CNHTC Ji'nan Investment Co., Ltd. and CNHTC Datong Gear Co., Ltd., being two of the five largest suppliers of the Group.

CNHTC also owns all equity interests in CNHTC Qingdao Heavy Industry Co., Ltd., being one of the five largest customers of the Group.

Save as disclosed above, 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 36 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 2015	:	RMB217,000,000
Actual consideration for the year ended 31 December 2015	:	RMB95,636,000

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 2015	:	RMB31,000,000 (revised)
Actual consideration for the year ended 31 December 2015	:	RMB23,092,000

Details of the transactions contemplated under the 2015 Property Leasing In Agreement and the revised cap for the year ended 31 December 2015 were disclosed in the Company's announcements dated 27 March 2012 and 27 March 2015 respectively.

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 2015	:	RMB25,000,000 (revised)
Actual consideration for the year ended 31 December 2015	:	RMB7,945,000

Details of the transactions contemplated under the 2015 Property Rent Out Agreement and the revised cap for the year ended 31 December 2015 were disclosed in the Company's announcements dated 27 March 2012 and 27 March 2015 respectively.

4) 2015 Construction and Project Management Services Agreement

Date of agreement	:	27 March 2012
Parties	:	CNHTC Ji'nan Construction Co., Ltd. ("**Ji'nan Construction Company**"), 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 Company 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 2015	:	RMB121,000,000
Actual consideration for the year ended 31 December 2015	:	RMB2,228,000

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 Company
Term	:	three years from 1 January 2013 to 31 December 2015
Objective	:	Sinotruk Finance Company 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 2015	:	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 2015	:	Maximum day-end balance for deposits taking services: RMB479,280,000 Interest expenses: RMB2,113,000

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.

2015 Settlement and Deposits Taking Services Agreement was replaced by the 2017 Financial Services Agreement effective from 1 July 2015 after the approval of 2017 Financial Services Agreement by the Shareholders on 29 June 2015, details of which were disclosed in the Company's announcement dated 27 March 2015 and the Company's circular dated 29 May 2015.

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 Company
Term	:	three years from 1 January 2013 to 31 December 2015
Objective	:	Sinotruk Finance Company has agreed to provide bank bills discounting services (including bank bills held by or issued by members of CNHTC Group) 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 2015	:	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 2015	:	Maximum day-end balance for bank bills discounting services: RMB300,000,000 Interest and fee income: RMB2,899,000

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.

2015 Bank Bills Discounting and Entrustment Loans Agreement was replaced by the 2017 Financial Services Agreement effective from 1 July 2015 after the approval of 2017 Financial Services Agreement by the Shareholders on 29 June 2015, details of which were disclosed in the Company's announcement dated 27 March 2015 and the Company's circular dated 29 May 2015.

7) Technology Services Agreement

Date of agreement	:	27 March 2014
Parties	:	CNHTC Datong Gear Co., Ltd. ("**Datong Gear Company**"), a wholly-owned subsidiary of CNHTC Sinotruk Ji'nan Power Co., Ltd. ("**Ji'nan Power Company**"), a wholly-owned subsidiary of the Company
Term	:	Period from 27 March 2014 to 31 December 2015
Objective	:	Datong Gear Company 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 Company
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 2015	:	RMB29,500,000
Actual consideration for the year ended 31 December 2015	:	RMB17,141,000

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

8) 2017 MTB Parts Sales Agreement

Date of agreement	:	8 September 2015
Parties	:	MAN Truck & Bus AG (for itself and on behalf of MAN Trucks India Pvt. Ltd. and JV MAN Auto-Uzbekistan LLC, collectively the "**MTB Group**"), a non-wholly owned subsidiary of Ferdinand Porsche Sinotruk Import & Export Co., Ltd. ("**Sinotruk I&E Company**"), a wholly-owned subsidiary of the Company
Term	:	Period from 1 January 2015 to 31 December 2017
Objective	:	Sinotruk I&E Company has agreed to supply raw materials, auxiliary materials, parts and spare parts, semi-finished products and moulds for the production of these spare parts, etc. to MTB Group
Consideration	:	(a) off-the-shelf products: market price (b) unique and proprietary products: a cost plus profit margin between 5% to 25%
Annual cap for the year ended 31 December 2015	:	RMB38,500,000
Actual consideration for the year ended 31 December 2015	:	RMB15,391,000

Details of the transactions contemplated under 2017 MTB Parts Sales Agreement were disclosed in the Company's announcement dated 8 September 2015.

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 non-wholly owned subsidiary of Ferdinand Porsche, as licensor the Company Sinotruk Ji'nan Commercial Truck Co., Ltd., a wholly-owned subsidiary of the Company, as licensee Ji'nan Power 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 2015	:	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 2015	:	RMB1,012,000,000
Actual consideration for the year ended 31 December 2015	:	RMB651,736,000

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 2015	:	RMB2,490,000,000
Actual consideration for the year ended 31 December 2015	:	RMB1,249,087,000

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 2015	:	RMB2,351,000,000
Actual consideration for the year ended 31 December 2015	:	RMB397,769,000

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 2015	:	RMB2,431,000,000
Actual consideration for the year ended 31 December 2015	:	RMB538,147,000

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.

6) 2017 Financial Services Agreement

Date of agreement	:	26 March 2015
Parties	:	CNHTC (for itself and on behalf of its associates but excluding the Group) Sinotruk Finance Company
Term	:	Period from 1 July 2015 to 31 December 2017
Objective	:	Sinotruk Finance Company will provide a wide range of financial services to CNHTC
Consideration	:	(a) bills discounting services, unsecured loan services, lease financing services and other financial services: market price (b) deposits taking services: a rate not higher than the upper limit of benchmark interest rates promulgated by the PBOC
Annual cap for the six months ended 31 December 2015	:	(a) bills discounting services: (i) maximum day end balance: RMB490,000,000 and (ii) interest income: RMB19,000,000 (b) unsecured loan services: (i) maximum day end balance: RMB500,000,000 and (ii) interest income: RMB20,400,000 (c) Lease financing services: (i) maximum day end balance: RMB10,000,000 and (ii) interest income: RMB490,000 (d) other financial services: fee income: RMB110,000 (e) deposits taking services: (i) maximum day end balance: RMB1,000,000,000 and (ii) interest expenses: RMB20,000,000
Actual consideration for the six months ended 31 December 2015	:	(a) bills discounting services: (i) maximum day end balance: RMB200,000,000 and (ii) interest income: RMB3,034,000 (b) unsecured loan services: (i) maximum day end balance: RMB450,000,000 and (ii) interest income: RMB1,363,000 (c) Lease financing services: (i) maximum day end balance: RMB0 and (ii) interest income: RMB0 (d) other financial services: fee income: RMB110,000 (e) deposits taking services: (i) maximum day end balance: RMB859,078,000 and (ii) interest expenses: RMB2,400,000

Details of the transactions contemplated under 2017 Financial Services Agreement were disclosed in the Company's announcement dated 27 March 2015 and the Company's circular dated 29 May 2015.

All the above continuing connected transactions did not exceed the relevant annual cap amounts. The price and the terms of the above transactions have been determined in accordance with the pricing policies and guideline set out in their relevant announcements and/or the relevant circulars.

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 or better; and

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

The auditors of the Company was engaged to report the Group's continuing connected transactions 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 auditors of the Company, have issued an unqualified letter containing their findings and conclusions in respect of the continuing connected transactions for the Period disclosed above in accordance with the Rule 14A.56 of the Listing Rules and confirmed nothing has come to their attention that causes them to believe that the continuing connected transactions:

i. have not been approved by the Board;

ii. were not, in all material respects, in accordance with the pricing policies of the Group if the transactions involve the provisions of goods or services by the Group;

iii. were not entered into, in all material respects, in accordance with the relevant agreements governing these continuing connected transactions; and

iv. have exceeded the relevant annual caps.

A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

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.

AUDITORS

The financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

By Order of the Board
Ma Chunji
Chairman

Ji'nan, PRC, 31 March 2016

pwc

羅兵咸永道

To the Members 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 set out on pages 67 to 171, which comprise the consolidated statement of financial position as at 31 December 2015, 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 405 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 31 March 2016

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015
(All amounts in RMB thousands unless otherwise stated)

	Note	2015	2014
Revenue	5	28,304,893	32,809,402
Cost of sales	6	(23,277,365)	(27,273,250)
Gross profit		5,027,528	5,536,152
Distribution costs	6	(2,121,371)	(2,280,186)
Administrative expenses	6	(2,621,099)	(2,406,100)
Other gains – net	7	486,527	306,959
Operating profit		771,585	1,156,825
Finance income	9	51,702	77,598
Finance costs	9	(399,909)	(427,843)
Finance costs – net	9	(348,207)	(350,245)
Share of profits less losses of investments accounted for using the equity method	17	2,757	(2,352)
Profit before income tax		426,135	804,228
Income tax expense	10	(102,694)	(209,269)
Profit for the year		323,441	594,959
Other comprehensive income:			
Item that will not be reclassified subsequently to profit or loss			
Remeasurements of termination and post-employment benefits obligations		(830)	(5,730)
Item that may be reclassified to profit or loss			
Change in value of available-for-sale financial assets		3,431	—
Currency translation differences		49,975	(7,866)
Total comprehensive income for the year		376,017	581,363

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2015
(All amounts in RMB thousands unless otherwise stated)

	Note	2015	2014
Profit attributable to:			
– Owners of the Company		**205,946**	408,032
– Non-controlling interests		**117,495**	186,927
		323,441	594,959
Total comprehensive income attributable to:			
– Owners of the Company		**258,636**	394,436
– Non-controlling interests		**117,381**	186,927
		376,017	581,363
Earnings per share for profit attributable to the owners of the Company during the year (expressed in RMB per share)			
– basic and diluted	11	**0.07**	0.15

The notes on pages 75 to 171 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015
(All amounts in RMB thousands unless otherwise stated)

	Note	31 December 2015	31 December 2014
ASSETS			
Non-current assets			
Land use rights	13	**1,776,640**	1,764,228
Property, plant and equipment	14	**11,093,673**	11,756,288
Investment properties	15	**206,940**	188,974
Intangible assets	16	**474,367**	643,289
Goodwill		**3,868**	3,868
Deferred income tax assets	26	**1,161,762**	1,081,522
Investments accounted for using the equity method	17	**398,092**	8,967
Available-for-sale financial assets	18	**155,431**	—
Trade receivables and other receivables	20	**383,708**	522,453
		15,654,481	15,969,589
Current assets			
Inventories	19	**6,346,477**	6,577,334
Trade receivables, other receivables and other current assets	20	**13,132,715**	12,833,842
Financial assets at fair value through profit or loss	21	**129,499**	111,179
Amounts due from related parties	36(b)	**490,664**	25,333
Cash and bank balances	22	**6,581,602**	8,775,515
		26,680,957	28,323,203
Total assets		**42,335,438**	44,292,792
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	23	**16,717,024**	16,717,024
Other reserves		**(1,203,176)**	(1,322,434)
Retained earnings		**3,824,272**	3,776,288
		19,338,120	19,170,878
Non-controlling interests		**2,377,550**	2,075,501
Total equity		**21,715,670**	21,246,379

As at 31 December 2015
(All amounts in RMB thousands unless otherwise stated)

	Note	31 December 2015	31 December 2014
LIABILITIES			
Non-current liabilities			
Borrowings	24	**2,291,276**	2,412,465
Deferred income tax liabilities	26	**27,405**	28,918
Termination and post-employment benefits obligations	28	**13,850**	17,020
Deferred income	30	**266,634**	243,246
		2,599,165	2,701,649
Current liabilities			
Trade payables, other payables and other current liabilities	27	**13,544,439**	14,556,737
Financial liabilities at fair value through profit or loss	25	**5,420**	–
Current income tax liabilities		**23,012**	65,895
Borrowings	24	**3,379,704**	4,813,985
Amounts due to related parties	36(b)	**751,860**	555,447
Provisions for other liabilities	29	**316,168**	352,700
		18,020,603	20,344,764
Total liabilities		**20,619,768**	23,046,413
Total equity and liabilities		**42,335,438**	44,292,792

The notes on pages 75 to 171 form an integral part of these consolidated financial statements.

The consolidated financial statements on pages 67 to 171 were approved by the Board of Directors on 31 March 2016 and were signed on its behalf.

Ma Chunji
Director

Kong Xiangquan
Director

For the year ended 31 December 2015
(All amounts in RMB thousands unless otherwise stated)

	Audited												
	Attributable to owners of the Company											Non-controlling interests	Total equity
	Share capital	Share premium	Capital redemption reserve	Capital reserve	Revaluation reserves	Statutory reserves	Discretionary reserve	Merger reserve	Translation reserve	Retained earnings	Total		
Balance 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 obligations	–	–	–	–	–	–	–	–	–	(5,730)	(5,730)	–	(5,730)
Currency translation differences	–	–	–	–	–	–	–	–	(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													
Dividends of the Company relating to 2013	–	–	–	–	–	–	–	–	–	(87,694)	(87,694)	–	(87,694)
Dividends of subsidiaries to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	(59,662)	(59,662)
Transition to no-par value regime on 3 March 2014	16,455,535	(16,444,600)	(10,935)	–	–	–	–	–	–	–	–	–	–
Total transactions with owners in their capacity as 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 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

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015
(All amounts in RMB thousands unless otherwise stated)

		Audited										
		Attributable to owners of the Company									Non-controlling interests	Total equity
	Note	Share capital	Capital reserve	Revaluation reserves	Statutory reserves	Discretionary reserve	Merger reserve	Translation reserve	Retained earnings	Total		
Balance at 1 January 2015		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
Profit for the year		–	–	–	–	–	–	–	205,946	205,946	117,495	323,441
Other comprehensive income												
Remeasurements of termination and post-employment benefits obligations		–	–	–	–	–	–	–	(716)	(716)	(114)	(830)
Change in value of available-for-sale financial assets		–	–	3,431	–	–	–	–	–	3,431	–	3,431
Currency translation differences		–	–	–	–	–	–	49,975	–	49,975	–	49,975
Total other comprehensive income for the year		–	–	3,431	–	–	–	49,975	(716)	52,690	(114)	52,576
Transactions with owners in their capacity as owners												
Dividends of the Company relating to 2014		–	–	–	–	–	–	–	(130,781)	(130,781)	–	(130,781)
Dividends of subsidiaries to non-controlling shareholders		–	–	–	–	–	–	–	–	–	(57,424)	(57,424)
Capital injection from non-controlling interests		–	–	–	–	–	–	–	–	–	250,000	250,000
Contribution from ultimate holding company		–	39,157	–	–	–	–	–	–	39,157	–	39,157
Changes in ownership interests in subsidiaries without change of control	31	–	230	–	–	–	–	–	–	230	(7,908)	(7,678)
Total transactions with owners in their capacity as owners		–	39,387	–	–	–	–	–	(130,781)	(91,394)	184,668	93,274
Appropriation to reserves		–	–	–	26,465	–	–	–	(26,465)	–	–	–
Balance at 31 December 2015		16,717,024	(3,632,871)	4,484	1,209,854	104,294	1,144,582	(33,519)	3,824,272	19,338,120	2,377,550	21,715,670

The notes on pages 75 to 171 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015
(All amounts in RMB thousands unless otherwise stated)

	Note	2015	2014
Cash flows from operating activities			
Cash generated from operations	32(a)	1,712,750	6,539,775
Interest paid		(445,747)	(516,880)
Income tax paid		(227,430)	(342,263)
Net cash generated from operating activities		1,039,573	5,680,632
Cash flows from investing activities			
Acquisition of a jointly controlled entity		(126,654)	—
Acquisition of an associate		(259,714)	(9,000)
Purchase of land use rights		(30,105)	—
Purchase of property, plant and equipment		(662,002)	(368,629)
Proceeds from disposals of property, plant and equipment	32(b)	169,127	843
Prepaid operating lease payments for land use rights		—	(7,449)
Purchase of intangible assets		(5,415)	(1,523)
Purchase of wealth management products with principal and interests guaranteed		(2,600,000)	—
Proceeds from disposals of wealth management products with principal and interests guaranteed		2,365,126	—
Purchase of financial assets at fair value through profit or loss		(271,429)	(122,285)
Proceeds from disposal of financial assets at fair value through profit or loss		298,952	—
Dividends income received from financial assets at fair value through profit or loss		214	—
Purchase of available-for-sale financial assets		(152,000)	—
Purchase of held-to-maturity investments		—	(3,002,000)
Proceeds from disposal of held-to-maturity investment		—	3,028,772
Purchase of other current financial assets		(200,000)	—
Proceeds from disposal of other current financial assets		202,367	—
Prepayment for acquisition of non-controlling interests		—	(7,678)
Interest received		76,866	53,406
Decrease in fixed deposits		—	29,120
Net cash used in investing activities		(1,194,667)	(406,423)

For the year ended 31 December 2015
(All amounts in RMB thousands unless otherwise stated)

	Note	2015	2014
Cash flows from financing activities			
Decrease/(Increase) in restricted cash		150,000	(150,000)
Proceeds from borrowings		3,821,961	11,940,099
Repayments of borrowings		(5,380,075)	(12,686,286)
Repayments of RMB bonds		—	(1,800,000)
Capital injection from non-controlling interests		250,000	—
Dividends paid to owners of the Company		(130,781)	(87,694)
Dividends paid to non-controlling interests		(63,316)	(52,885)
Net cash used in financing activities		(1,352,211)	(2,836,766)
Net (decrease)/increase in cash and cash equivalents		(1,507,305)	2,437,443
Cash and cash equivalents at beginning of the year	22(b)	6,440,131	4,004,329
Exchange gains/(losses) on cash and cash equivalents		13,254	(1,641)
Cash and cash equivalents at end of the year	22(b)	4,946,080	6,440,131

The notes on pages 75 to 171 form an integral part of these consolidated financial statements.

1. General information

Sinotruk (Hong Kong) Limited (the "Company") was incorporated in Hong Kong on 31 January 2007 as a limited liability company as a result of a group reorganisation (the "Reorganisation") of China National Heavy Duty Truck Group Company Limited ("CNHTC"). The 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 research, development, 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, cabins, axles, steel frames and gearbox as well as the provision of financial services related to the production and sales of the Group's products and to the group of CNHTC and auto financing 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 Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss, and investment properties which are carried at fair value.

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

(i) New and amended standards adopted by the Group

The following amendments to standards have been adopted by the Group for the first time for the financial year beginning on 1 January 2015:

Amendment to HKAS 19 regarding defined benefit plans is effective for annual periods beginning on or after 1 July 2014. It applies to contributions from employees or third parties to defined benefit plans. The amendment distinguishes between contributions that are linked to service only in the period in which they arise and those linked to service in more than one period. The amendment allows contributions that are linked to service, and do not vary with the length of employee service, to be deducted from the cost of benefits earned in the period that the service is provided. Contributions that are linked to service, and vary according to the length of employee service, must be spread over the service period using the same attribution method that is applied to the benefits.

Annual improvements 2012 include changes from the 2010-2012 cycle of the annual improvements project that are effective for annual periods beginning on or after 1 July 2014:

- Amendments to HKFRS 8 'Operating Segments' requires disclosure of the judgements made by management in aggregating operating segments and a reconciliation of segment assets to the entity's assets when segment assets are reported.
- Amendments to HKAS 16 'Property, Plant and Equipment' and HKAS 38 'Intangible Assets' clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model.
- Amendment to HKAS 24 'Related Party Disclosures' clarify that the reporting entity is not required to disclose the compensation paid by the management entity (as a related party) to the management entity's employee or directors, but it is required to disclose the amounts charged to the reporting entity by the management entity for services provided.

2. Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

Changes in accounting policy and disclosures (Continued)

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

Annual improvements 2013 include changes from the 2011-2013 cycle of the annual improvements project that are effective for annual periods beginning on or after 1 July 2014:

- Amendment to HKFRS 3 'Business Combinations' clarifies that HKFRS 3 does not apply to the accounting for the formation of any joint arrangement under HKFRS 11 in the financial statements of the joint arrangement.
- Amendment to HKFRS 13 'Fair Value Measurement' clarifies that the portfolio exception in HKFRS 13, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including non-financial contracts) within the scope of HKAS 39 or HKFRS 9.
- Amendment to HKAS 40 'Investment Property' clarifies the interrelationship between HKAS 40 and HKFRS 3 when classifying property as investment property or owner-occupied property.

The adoption of the above new amendments did not give rise to any significant impact on the Group's results of operations and financial position for the year ended 31 December 2015.

(ii) Hong Kong Companies Ordinance

In addition, the requirements of Part 9 "Accounts and Audit" of the Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

These consolidated financial statements comply with the applicable requirements of Hong Kong Companies Ordinance (Cap. 622), with the exception of Section 381 which requires a company to include all its subsidiary undertakings (within the meaning of Schedule 1 to Cap. 622) in the Company's annual consolidated financial statements. Section 381 is inconsistent with the requirements of HKFRS 10 Consolidated Financial Statements so far as Section 381 applies to subsidiary undertakings which are not controlled by the Group in accordance with HKFRS 10. For this reason, under the provisions of Section 380(6), the Company has departed from Section 381 and has not treated such a company as subsidiary but it is accounted for as joint venture in accordance with the accounting policies in Note 2(d). The details of the excluded subsidiary undertaking of the Group is disclosed in Note 17(b).

2. Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

Changes in accounting policy and disclosures (Continued)

(iii) New standards and interpretations not yet adopted

A number of new standards and amendments to existing standards and interpretations have been issued but are not yet effective for the financial year beginning on 1 January 2015, and have not been early adopted by the Group in preparing these consolidated financial statements. These new standards and amendments are set out below:

HKFRS 14 'Regulatory Deferral Accounts', effective for annual periods beginning on or after 1 January 2016.

Amendment to HKFRS 11 'Accounting for Acquisitions of Interests in Joint Operations', effective for annual periods beginning on or after 1 January 2016.

Amendments to HKAS 16 and HKAS 38 'Clarification of Acceptable Methods of Depreciation and Amortization', effective for annual periods beginning on or after 1 January 2016.

Amendments to HKAS 16 and HKAS 41 'Agriculture: Bearer Plants', effective for annual periods beginning on or after 1 January 2016.

Amendments to HKFRS 10 and HKAS 28 'Sale or Contribution of Assets between an Investor and its Associate or Joint Venture', originally intended to be effective for annual periods beginning on or after 1 January 2016. The effective date has now been deferred/removed.

Amendment to HKAS 27 'Equity Method in Separate Financial Statements', effective for annual periods beginning on or after 1 January 2016.

Annual improvements 2014 include changes from the 2012-2014 cycle of the annual improvements project that affect the following standards: HKFRS 5 'Non-current Assets Held for Sale and Discontinued Operations', HKFRS 7 'Financial Instruments: Disclosures', HKAS 19 'Employee Benefits' and HKAS 34 'Interim Financial Reporting', effective for annual periods beginning on or after 1 January 2016.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 'Investment Entities: Applying the Consolidation Exception', effective for annual periods beginning on or after 1 January 2016.

2. Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

Changes in accounting policy and disclosures (Continued)

(iii) New standards and interpretations not yet adopted (Continued)

Amendment to HKAS 1 'Disclosure Initiative', effective for annual periods beginning on or after 1 January 2016.

HKFRS 15 'Revenue from Contracts with Customers', effective for annual periods beginning on or after 1 January 2018.

HKFRS 9 'Financial Instruments', effective for annual periods beginning on or after 1 January 2018.

The Group will apply the new standards and amendments described above when they become effective. The Group is in the process of making an assessment on the impact of these new standards and amendments and does not anticipate that the adoption when they become effective will result in any material impact on the Group's results of operations and financial position.

(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.

Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

2. Summary of significant accounting policies (Continued)

(b) Subsidiaries (Continued)

(i) Consolidation (Continued)

Business combinations (Continued)

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

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

Changes in ownership interests in subsidiaries without change of control

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

2. Summary of significant accounting policies (Continued)

(b) Subsidiaries (Continued)

(i) Consolidation (Continued)

Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(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.

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

(c) 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 investments in associates include 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.

2. Summary of significant accounting policies (Continued)

(c) Associates (Continued)

The Group's share of post-acquisition profit or loss is recognised in profit or loss, 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 profits less losses of investments accounted for using equity method' in profit or loss.

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.

Gains or losses on dilution of equity interest in associates are recognised in profit or loss.

(d) Joint arrangements

Under HKFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. The Group's investments in joint ventures include goodwill identified on acquisition. Upon the acquisition of the ownership interest in a joint venture, any difference between the cost of the joint venture and the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is accounted for as goodwill. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interests in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

2. Summary of significant accounting policies (Continued)

(e) 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.

(f) 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 ("functional currency"). The consolidated financial statements are presented in Renminbi ("RMB"), which is the Company's functional currency and the Group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when deferred in other comprehensive income 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 profit or loss within 'finance income or costs'. All other foreign exchange gains and losses are presented in profit or loss within 'other gains – net'.

Changes in the fair value of debt 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)

(f) Foreign currency translation (Continued)

(iii) Group companies

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

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

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

(iv) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or joint ventures that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

2. Summary of significant accounting policies (Continued)

(g) Land use rights

All land in the People's Republic of China (the "PRC") is state-owned and no individual land ownership right exists. The Group acquired the right to use certain land. The upfront prepayments made for such right are treated as prepayment for operating lease and recorded as land use rights, which are amortised in profit or loss on a straight-line basis over the period of the rights. The land use rights are stated at historical cost less accumulated amortisation and impairment losses.

(h) Property, plant and equipment

Property, plant and equipment include buildings, machinery, vehicles, furniture, fittings and equipment. All property, plant and equipment is stated at historical cost less accumulated depreciation and impairment, 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 to profit or loss during the financial period in which they are incurred.

Depreciation on assets is calculated using the straight-line method to allocate their cost 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 (Note 2(k)).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount, and are recognised within 'other gains – net' in profit or loss.

2. Summary of significant accounting policies (Continued)

(i) 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 that is not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties. 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 profit or loss 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.

(j) 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 initially capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Computer software licences are subsequently carried at cost less accumulated amortisation and impairment. The costs are amortised using the straight-line method over their estimated useful lives of 2 to 5 years.

The amortisation period and amortisation method of intangible assets are reviewed at each reporting period. The effects of any revision are recognised as profit or loss when the changes arise.

2. Summary of significant accounting policies (Continued)

(k) Impairment of investments in subsidiaries, associates, joint ventures and other non-financial assets

Assets that have an indefinite useful life, for example, goodwill, or intangible assets not ready to use 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 an impairment are reviewed for possible reversal of the impairment at each reporting date.

(l) Financial assets

(i) Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. 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. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(2) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets.

(3) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

2. Summary of significant accounting policies (Continued)

(l) 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 profit or loss. 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. Available-for-sale financial assets and 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 profit or loss 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 profit or loss 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 consolidated 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)

(l) 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 profit or loss. 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 profit or loss.

2. Summary of significant accounting policies (Continued)

(l) 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 profit or loss.

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 profit or loss on equity instruments are not reversed through profit or loss.

(m) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average cost 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)

(n) 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 allowance for impairment.

(o) Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. In the consolidated and company statement of financial position, bank overdrafts are shown within borrowings in current liabilities.

(p) 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 owners of the Company 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 owners of the Company.

(q) 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 and other 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.

2. Summary of significant accounting policies (Continued)

(r) 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 profit or loss 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 end of reporting period.

(s) 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.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

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

Borrowing costs include interest expense, finance charges and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. The exchange gains and losses that are an adjustment to interest costs include the interest rate differential between borrowing costs that would be incurred if the entity had borrowed funds in its functional currency, and the borrowing costs actually incurred on foreign currency borrowings. Such amounts are estimated based on interest rates on similar borrowings in the entity's functional currency.

2. Summary of significant accounting policies (Continued)

(t) Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, 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.

(i) Current income tax

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 Company's subsidiaries 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.

(ii) Deferred income tax

Inside basis differences

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.

2. Summary of significant accounting policies (Continued)

(t) Current and deferred income tax (Continued)

(ii) Deferred income tax (Continued)

Outside basis differences

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 in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profit is 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.

(iii) Offsetting

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 tax 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)

(u) Employee benefits

The Group operates various post-employment schemes, including defined benefit, post-employment medical plan and defined contribution pension plan.

(i) Pension obligations

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate fund. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of services and compensation.

The liability recognised in the consolidated statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period 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 profit or loss 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 profit or loss.

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 profit or loss.

2. Summary of significant accounting policies (Continued)

(u) Employee benefits (Continued)

(i) Pension obligations (Continued)

Remeasurement 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.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

For employees in Mainland China:

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

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 profit or loss 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.

2. Summary of significant accounting policies (Continued)

(u) Employee benefits (Continued)

(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.

(iii) Other post-employment obligations

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 post-retirement healthcare 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 the same accounting methodology as used for defined benefit pension plans. 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.

2. Summary of significant accounting policies (Continued)

(u) Employee benefits (Continued)

(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.

(v) 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.

(w) Government assistance and grants

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 profit or loss 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 income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

2. Summary of significant accounting policies (Continued)

(x) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods, supplied, stated net of discounts, returns and value added taxes.

The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customer, the type of transactions and the specifics of each arrangement.

(i) Sales of goods

Revenue from the sales of goods is recognised when the Group entity has delivered products to the customer, the customer has accepted the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery normally does not occur until the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contracts, the acceptance provisions have lapsed, 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 stage of completion of the specific transaction and assessed on the basis of the actual services provided as a proportion of the total services to be provided.

(iii) Rental income

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease.

2. Summary of significant accounting policies (Continued)

(y) 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.

(z) Dividend income

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

(aa) 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 profit or loss 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 assets are included in the consolidated statement of financial position based on the nature of the assets.

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

2. Summary of significant accounting policies (Continued)

(ab) 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.

(ac) Research and development

Research expenditures are 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.

Directly attributable costs that are capitalised as part of the intangible asset include the development employee costs and an appropriate portion of relevant overheads.

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 estimated useful life.

2. Summary of significant accounting policies (Continued)

(ad) 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 consolidated 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 only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

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

(ae) 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. The fair value of a financial guarantee at the time of signature is zero because all guarantees are agreed on arm's length terms, and the value of the premium agreed corresponds to the value of the guarantee obligation. No receivable for the future premiums is recognized. 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 profit or loss 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 Group.

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.

Risk management is carried out by a central treasury department ("Group Treasury"). Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units.

(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 and financial liabilities at fair value through profit or loss, amounts due from related parties, cash and bank balances, borrowings, trade and other payables and amounts due to related parties denominated in foreign currencies, mainly US Dollar ('USD'), Hong Kong Dollar ('HKD') and EURO, 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, 25, 27 and 36(b) 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 2015, if RMB had strengthened/weakened by 5% against the USD with all other variables held constant, profit before income tax for the year would have been approximately RMB 72,003,000 (2014: RMB60,915,000) lower/higher, mainly as a result of foreign exchange losses/gains on translation of USD-denominated trade and other receivables, financial liabilities at fair value through profit or loss, cash and bank balance, borrowings and trade and other payables.

As at 31 December 2015, 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 RMB3,452,000 (2014: RMB2,575,000) 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 and other payables and amounts due to related parties.

As at 31 December 2015, if RMB had strengthened/weakened by 5%, against the HKD with all other variables held constant, profit before income tax for the year would have been approximately RMB 8,452,000 (2014: RMB4,664,000) lower/higher, 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 and other payables.

3. Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) Cash flow and fair value interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates as the Group has no significant interest-bearing assets and liabilities other than loans and receivables from financing services, bank deposits and borrowings. Certain borrowings bearing floating rates, expose the Group to cash flow interest-rate risk. Loans and receivables from financing services, bank deposits and borrowings at fixed rates expose the Group to fair value interest-rate risk. Details of the Group's loans and receivables from financing services, bank deposits and borrowings have been disclosed in Notes 20, 22, 24 and 36(b) respectively.

The Group has not used any financial instrument to hedge its exposure to cash flow and fair value interest rate risks.

As at 31 December 2015, if the interest rates on bank borrowings had been 150 basis points higher/lower than the average coupon interest rate of 4.17% (2014: 4.76%) per annum with all other variables held constant, profit before income tax for the year would have been RMB46,458,000 (2014: RMB76,422,000) lower/higher, mainly as a result of higher/lower interest expense on bank borrowings with floating rate.

(c) 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 36 (b)) represent the Group's maximum exposure to credit risk in relation to financial assets. The Group generally requires customers to pay a certain amount of deposits when orders are made. Majority of the sales transactions are settled by cash, cheque, bank draft or cashier order. The Group also accepts bank acceptance notes with maturity within 6 months. The Group performs credit assessment on customers before making credit sales to customers and credit risks in connection with trade receivables are monitored on an on-going basis. Credit sales are made to selected customers with good credit history. The granting or extension of any credit period must be approved by the general manager of the respective Group companies. The Group believes that adequate provision for doubtful debts has been made in the consolidated financial statements. To the extent that information is available, management has properly reflected revised estimates of expected future cash flows in their impairment assessments.

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. Details of the undrawn borrowing facilities available to the Group are disclosed in Note 24.

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 2015				
Borrowings	3,379,704	2,291,276	—	5,670,980
Interest payments on borrowings (a)	175,023	40,340	—	215,363
Trade and other payables	12,181,353	—	—	12,181,353
Amounts due to related parties	740,876	—	—	740,876
Interests payments on borrowings from related parties	1,442	—	—	1,442
	16,478,398	2,331,616	—	18,810,014
As at 31 December 2014				
Borrowings	4,813,985	826,700	1,585,765	7,226,450
Interest 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
Interests payments on borrowings from related parties	1,669	—	—	1,669
	18,630,966	934,113	1,615,919	21,180,998

(a) The interests on borrowings are calculated based on borrowings held as at the date of statement of financial position (excluding the accrued interest payable balance in trade and other payable) without taking into account of future issues. Floating-rate interest is estimated using current interest rate as at the date 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, security for impawned bank loans 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 2015	As at 31 December 2014
Total borrowings (Note 24)	**5,670,980**	7,226,450
Borrowings due to related parties (Note 36(b))	**36,000**	36,000
Less: Security for impawned bank loan (Note 22(a))	**—**	(150,000)
Less: cash and cash equivalents (Note 22(b))	**(4,946,080)**	(6,440,131)
Net debt	**760,900**	672,319
Total equity	**21,715,670**	21,246,379
Total capital	**22,476,570**	21,918,698
Gearing ratio	**3%**	3%

(All amounts in RMB thousands unless otherwise stated)

3. Financial risk management (Continued)

3.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at 31 December 2015 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorized into three levels within a fair value hierarchy as follows:

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

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 December 2015 and 2014.

	Level 1	Level 2	Level 3	Total
As at 31 December 2015				
Assets				
Financial assets at fair value through profit or loss – trading securities	129,499	—	—	129,499
Available-for-sale financial assets:				
– Wealth management product	—	—	155,431	155,431
Total assets	129,499	—	155,431	284,930
Liabilities				
Financial liabilities at fair value through profit or loss – forward foreign exchange contracts	—	5,420	—	5,420
As at 31 December 2014				
Assets				
Financial assets at fair value through profit or loss - trading securities	111,179	—	—	111,179

(All amounts in RMB thousands unless otherwise stated)

3. Financial risk management (Continued)

3.4 Financial instruments by category

	As at 31 December 2015			
	Loans and receivables	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Total
Assets				
Available-for-sale financial assets	—	—	155,431	155,431
Receivables and other current assets excluding prepayments	12,897,014	—	—	12,897,014
Financial assets at fair value through profit or loss	—	129,499	—	129,499
Amounts due from related parties excluding prepayments	416,145	—	—	416,145
Cash and bank balances	6,581,602	—	—	6,581,602
Total	19,894,761	129,499	155,431	20,179,691

	As at 31 December 2015		
	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Total
Liabilities			
Borrowings	—	5,670,980	5,670,980
Trade and other payables excluding non-financial liabilities	—	12,181,353	12,181,353
Financial liabilities at fair value through profit or loss	5,420	—	5,420
Amounts due to related parties excluding advances from customers	—	740,876	740,876
Total	5,420	18,593,209	18,598,629

(All amounts in RMB thousands unless otherwise stated)

3. Financial risk management (Continued)

3.4 Financial instruments by category (Continued)

	As at 31 December 2014		
	Loans and receivables	Financial assets at fair value through profit or loss	Total
Assets			
Receivables and other current assets excluding prepayments	12,768,390	—	12,768,390
Financial assets at fair value through profit or loss	—	111,179	111,179
Amounts due from related parties excluding prepayments	3,587	—	3,587
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

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) Income taxes

The Group is subject to income taxes in various jurisdictions and certain companies within the Group are subject to preferential tax rates (Note 10). Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Deferred income 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 difference will impact the recognition of deferred income tax assets and taxation in the period in which such estimate is changed.

(b) Warranty claims provision

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

Factors that could impact the estimated claim information include the success of the Group's productivity and quality initiatives, as well as parts and labor 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 current market condition as at the date of statement of financial position and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of technical innovations, changes in customer taste and competitor actions in response to severe industry cycle. Management reassesses these estimates at each balance sheet date.

(d) Impairment of trade and other receivables

The Group's management determines the provision for impairment of trade and other receivables based on an assessment of the recoverability of the receivables. This assessment is based on the credit history of its customers and other debtors and current market conditions, and requires the use of judgements and estimates. Provisions are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible and require the use of estimates. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. Management reassesses the provision at each balance sheet date. Where the expectation is different from the original estimate, such difference will impact carrying value of trade and other receivables and impairment charge in the period in which such estimate has been changed.

(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 equity attributable to owners 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 2015, the Group's market capitalisation of approximately RMB 7,101 million, which is lower than the equity attributable to owners of the Company of RMB19,338 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 unit ("CGU") such as the extent of difference between the equity attributable to owners of the Company 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 of the judgement and assumptions have been disclosed in Note 15.

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.

5. Segment information (Continued)

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 – Provision for deposits taking, borrowings, bills and notes discounting and entrustment loans to the members of the Group and the members of CNHTC and its subsidiaries excluding the Group ("CNHTC Group") and auto 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 consolidated financial statements.

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

Segment assets are those operating assets that are employed by a segment in its operating activities. Segment assets are determined after deducting related allowance that are reported as direct offsets in the consolidated statement of financial position. Segment assets consist primarily of land use rights, property, plant and equipment, intangible assets, inventories, trade and other receivables, other current assets and operating cash. They exclude income tax assets.

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

Unallocated assets mainly represent deferred tax assets, prepaid tax and the 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 13), property, plant and equipment (Note 14), and intangible assets (Note 16), including additions resulting from acquisitions through business combinations.

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

(All amounts in RMB thousands unless otherwise stated)

5. Segment information (Continued)

The segment results for the year ended 31 December 2015 and 2014 as follows:

	Year ended 31 December 2015					
	Heavy duty trucks	Light duty trucks and buses	Engines	Finance	Elimination	Total
External segment revenue						
Sales of goods	22,381,846	4,663,387	716,140	—	—	27,761,373
Provision of financing services	—	—	—	289,962	—	289,962
Rendering of services	217,607	3,443	32,508	—	—	253,558
Total	22,599,453	4,666,830	748,648	289,962	—	28,304,893
Inter-segment revenue	390,506	52,466	5,768,962	160,317	(6,372,251)	—
Segment revenue	22,989,959	4,719,296	6,517,610	450,279	(6,372,251)	28,304,893
Operating profit/(losses) before unallocated expenses	386,015	(10,136)	176,470	187,433	45,311	785,093
Unallocated expenses						(13,508)
Operating profit						771,585
Finance costs – net						(348,207)
Share of profits less losses of investments accounted for using the equity method						2,757
Profit before income tax						426,135
Income tax expense						(102,694)
Profit for the year						323,441

(All amounts in RMB thousands unless otherwise stated)

5. Segment information (Continued)

The segment results for the year ended 31 December 2015 and 2014 are as follows:

	Year ended 31 December 2014					
	Heavy duty trucks	Light duty trucks and 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)	436,809	200,074	164,264	1,174,984
Unallocated expenses						(18,159)
Operating profit						1,156,825
Finance costs – net						(350,245)
Share of profits less losses of investments accounted for using the equity method						(2,352)
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)

Other segment items included in profit or loss for the year ended 31 December 2015 and 2014 are as follows:

	Year ended 31 December 2015					
	Heavy duty trucks	Light duty trucks and buses	Engines	Finance	Unallocated	Total
Depreciation	427,304	158,763	647,186	829	49	1,234,131
Amortisation of intangible assets and land use rights	66,226	9,129	138,268	117	19	213,759

	Year ended 31 December 2014					
	Heavy duty trucks	Light duty trucks and 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

The segment assets and liabilities as at 31 December 2015 and 2014 and capital expenditure for the year then ended are as follows:

	As at 31 December 2015					
	Heavy duty trucks	Light duty trucks and buses	Engines	Finance	Unallocated	Total
Segment assets	28,966,813	3,811,565	11,859,821	12,572,123	4,071,545	61,281,867
Elimination						(18,946,429)
Total assets						42,335,438
Segment liabilities	13,165,061	2,927,494	3,218,078	10,619,850	5,764,546	35,695,029
Elimination						(15,075,261)
Total liabilities						20,619,768
Segment capital expenditure	543,705	41,067	135,741	3,657	—	724,170

(All amounts in RMB thousands unless otherwise stated)

5. Segment information (Continued)

Reconciled to entity assets and liabilities as follows:

	As at 31 December 2015	
	Assets	**Liabilities**
Segment assets/liabilities after elimination	**38,263,893**	**14,855,222**
Unallocated:		
Deferred tax assets/liabilities	**1,161,762**	**27,405**
Current tax assets/liabilities	**91,147**	**23,012**
Current borrowings	**—**	**3,379,704**
Non-current borrowings	**—**	**2,291,276**
Other assets/liabilities of the Company	**2,818,636**	**43,149**
Total	**42,335,438**	**20,619,768**

	As at 31 December 2014					
	Heavy duty trucks	Light duty trucks and 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

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

	2015	2014
Revenue		
Mainland China	**22,477,460**	26,249,202
Overseas	**5,827,433**	6,560,200
	28,304,893	32,809,402

(All amounts in RMB thousands unless otherwise stated)

5. Segment information (Continued)

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

	2015	2014
Total assets		
Mainland China	35,232,845	37,232,586
Overseas	7,102,593	7,060,206
	42,335,438	44,292,792

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

	2015	2014
Non-current assets other than deferred income tax assets		
Mainland China	13,852,710	14,655,261
Overseas	640,009	232,806
	14,492,719	14,888,067

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

	2015	2014
Capital expenditure		
Mainland China	722,975	706,707
Overseas	1,195	96
	724,170	706,803

(All amounts in RMB thousands unless otherwise stated)

6. Expenses by nature

	2015	2014
Materials cost (Note 19)	**19,729,325**	23,642,448
Employee benefit expenses (Note 8)	**2,862,726**	2,786,620
Depreciation of property, plant and equipment (Note 14)	**1,234,131**	1,219,756
Transportation expenses	**810,580**	874,755
Utilities expenses	**596,961**	727,029
Warranty expenses (Note 29)	**527,342**	735,570
Maintenance costs	**260,387**	267,841
Provision for impairment of trade and other receivables (Note 20(b))	**235,601**	201,893
Travel and office expenses	**228,797**	224,154
Subcontracting costs	**207,917**	260,425
Amortisation of intangible assets (Note 16)	**174,437**	164,385
Transaction taxes	**153,215**	144,313
Write-down of inventories to net realisable value (Note 19)	**97,756**	104,155
Exhibition expenses	**78,872**	28,661
Advertising costs	**78,443**	91,250
Rental expenses	**76,558**	51,059
Amortisation of land use rights (Note 13)	**39,322**	34,513
Auditors' remuneration		
– Financial audit services	**12,656**	14,227
– Internal control audit services	**755**	755
– Taxation professional services	**315**	300
Other charges	**613,739**	385,427
Total	**28,019,835**	31,959,536
Representing:		
Cost of sales	**23,277,365**	27,273,250
Distribution costs	**2,121,371**	2,280,186
Administrative expenses	**2,621,099**	2,406,100
Total	**28,019,835**	31,959,536

(All amounts in RMB thousands unless otherwise stated)

7. Other gains – net

	2015	2014
Fair value gains/(losses) on financial assets at fair value through profit or loss (Note 32 (a))	11,706	(12,342)
Fair value losses on financial liabilities at fair value through profit or loss	(5,420)	—
Disposal of scraps	47,262	64,833
Government grants	163,326	179,432
Fair value gains on investment properties (Note 15)	6,067	8,331
Gains/(losses) on disposals of property, plant and equipment (Note 32 (b))	77,305	(8,452)
Rental income	14,469	15,642
Foreign exchange gains - net	102,330	28,904
Gains/(losses) on disposals of financial assets at fair value through profit or loss	34,351	(1,512)
Others	35,131	32,123
Total	486,527	306,959

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

8. Employee benefit expenses

	2015	2014
Salaries, wages and bonuses	2,142,165	2,197,903
Contributions to pension plans	296,280	297,515
Termination benefits (Note 28(a))	230	450
Post-employment benefits (Note 28(b))	200	250
Medical insurance plans (Note 28(c))	30	50
Housing benefits	156,072	116,033
Other welfare expenses	267,749	174,419
Total (Note 6)	2,862,726	2,786,620

(All amounts in RMB thousands unless otherwise stated)

8. Employee benefit expenses (Continued)

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include four (2014: four) directors of the Company ("Director(s)") whose emoluments are reflected in the analysis in Note 38. The emoluments payable to the remaining one (2014: one) individual during the year are as follows:

	2015	2014
Basic salaries, housing allowances and other allowances	1,057	1,047
Contribution to pension plans	53	52
	1,110	1,099

The emoluments fell within the following bands:

	Number of individuals	
	2015	2014
Emolument bands (in HKD)		
HKD 1,000,001 – HKD 1,500,000	1	1

9. Finance costs – net

	2015	2014
Finance costs:		
– Bank borrowings and bonds	373,778	407,121
– Discount of notes receivable	38,241	29,587
– Net foreign exchange transaction gains	(10,610)	—
	401,409	436,708
Less: amount capitalized in construction in progress (Note 14(b))	(1,500)	(8,865)
Total finance costs	399,909	427,843
Finance income:		
– Interest income from bank deposits (Note 32(a))	(51,702)	(77,598)
Finance costs - net	348,207	350,245

(All amounts in RMB thousands unless otherwise stated)

10. Taxation

(a) Income tax expense

The Company, Sinotruk (Hong Kong) International Investment Limited and Sinotruk (Hong Kong) Capital Holding Limited ("Capital Holding Company") are subject to Hong Kong profits tax at the rate of 16.5% (2014: 16.5%) on their estimated assessable profit for the year. 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% (2014: 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 Fuqiang Power Co., Ltd. has been recognised as the High New Tech Enterprises in 2012 and its application for renewal of the status of the High New Tech Enterprises has been approved by local tax bureaus. Sinotruk Ji'nan Power Co., Ltd. and Sinotruk Hangzhou Engines Co., Ltd. have been recognised as the High New Tech Enterprises in 2014. 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% in 2015 (2014: 15%).

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 (2014: 15%).

Sinotruk Russia Co., Ltd. is subject to a corporate income tax rate of 20% according to Tax Code of the Russian Federation (2014: 20%).

Sinotruk South Africa (Pty) Ltd. is subject to a corporate income tax rate of 28% according to South Africa Tax Law (2014: 28%).

The remaining subsidiaries are subject to the PRC corporate income tax, which have been calculated based on the corporate income tax rate of 25% (2014: 25%).

The amount of income tax expense charged to profit or loss represents:

	2015	2014
Current tax:		
– Hong Kong profits tax	5,114	2,920
– PRC corporate income tax	179,333	336,042
Total current tax	184,447	338,962
Deferred tax (Note 26(b))	(81,753)	(129,693)
Income tax expense	102,694	209,269

(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:

	2015	2014
Profit before income tax	426,135	804,228
Tax calculated at tax rates applicable to profits of the respective entities	106,534	201,057
Tax effects of:		
Preferential tax of certain subsidiaries	(13,642)	(53,993)
Additional deduction for research and development expenditures	(51,149)	(41,726)
Expenses not deductible for tax purposes	36,171	42,608
Tax losses for which no deferred tax assets were recognised	18,818	31,464
Utilisation of previously unrecognised tax losses	(17,616)	—
Re-measurement of deferred tax resulted from recognition changes of tax losses of certain subsidiaries	23,578	29,859
Income tax expense	102,694	209,269

As at 31 December 2015, the Group has unrecognised tax losses of approximately RMB834,617,000 (2014: RMB745,130,000) which can be carried forward against future taxable income and will expire within 5 years. Tax losses amounting to approximately RMB79,862,000, RMB316,104,000, RMB306,580,000, RMB73,441,000, RMB58,630,000 will expire in 2016, 2017, 2018, 2019 and 2020, respectively.

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

Certain of the Group's entities are subject to BT at rates ranging from 3% to 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 5% or 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 5% or 7% and 5% of net VAT payable, respectively.

11. Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the Company.

	2015	2014
Profit attributable to owners of the Company	205,946	408,032
Weighted average number of ordinary shares in issue (thousands)	2,760,993	2,760,993
Basic earnings per share (RMB per share)	0.07	0.15

Diluted earnings per share equals to basic earnings per share for the years ended 31 December 2015 and 2014 as there are no dilutive potential shares existed during the years.

12. Dividends

(a) At a meeting held on 31 March 2016, the board of Directors ("Board") proposed a final dividend in respect of the year ended 31 December 2015 of HKD0.03 (2014: HKD0.06) per ordinary share representing total dividend at approximately HKD82,830,000 (2014: HKD165,660,000) or approximately RMB69,018,000 (2014: approximately RMB131,110,000). 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 RMB4,462,000 in respect of the final dividend for the year 2014 (withholding corporate income tax for the final dividend for the year 2013: approximately RMB2,995,000) for its non-PRC resident enterprise shareholders and fully paid in July 2015.

(All amounts in RMB thousands unless otherwise stated)

13. Land use rights

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 34 to 869 years.

The movements for land use rights are as follows:

	2015	2014
Opening net book amount	**1,764,228**	1,545,785
Transfer from property, plant and equipment (Note 14)	**46,642**	245,507
Additions	**5,092**	7,449
Amortisation charge (Note 6)	**(39,322)**	(34,513)
Closing net book amount	**1,776,640**	1,764,228

Amortisation of the Group's land use rights has been charged to administrative expenses in profit or loss.

(All amounts in RMB thousands unless otherwise stated)

14. Property, plant and equipment

	Buildings	Machinery	Furniture, fittings and equipment	Vehicles	Construction in progress	Total
At 1 January 2014						
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 13)	—	—	—	—	(245,507)	(245,507)
Transfer to intangible assets (Note 16)	—	—	—	—	(133,956)	(133,956)
Disposals (Note 32(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
Year ended 31 December 2015						
Opening net book amount	4,684,182	5,715,043	145,875	130,784	1,080,404	11,756,288
Additions	55,496	31,922	13,494	5,347	607,404	713,663
Transfers	868,278	140,573	2,855	6,605	(1,018,311)	—
Transfer to land use rights (Note 13)	—	—	—	—	(46,642)	(46,642)
Transfer to intangible assets (Note 16)	—	—	—	—	(100)	(100)
Disposals (Note 32(b))	(64,320)	(29,685)	(202)	(1,198)	—	(95,405)
Depreciation charge (Note 6)	(206,058)	(979,431)	(26,559)	(22,083)	—	(1,234,131)
Closing net book amount	5,337,578	4,878,422	135,463	119,455	622,755	11,093,673
As at 31 December 2015						
Cost	6,616,991	10,849,518	378,259	262,947	622,755	18,730,470
Accumulated depreciation	(1,279,413)	(5,971,096)	(242,796)	(143,492)	—	(7,636,797)
Net book amount	5,337,578	4,878,422	135,463	119,455	622,755	11,093,673

(All amounts in RMB thousands unless otherwise stated)

14. Property, plant and equipment (Continued)

(a) Depreciation expense of property, plant and equipment has been charged to profit or loss as follows:

	2015	2014
Cost of sales	**1,051,014**	1,024,294
Distribution costs	**3,455**	3,618
Administrative expenses	**179,662**	191,844
	1,234,131	1,219,756

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

	2015	2014
Borrowing costs capitalised (Note 9)	**1,500**	8,865
Weighted average capitalisation rate	**4.58%**	4.74%

(c) As at 31 December 2015, the Group was in the process of applying the certificates of ownership for the buildings, with net book amount of approximately RMB128,593,616 (2014: RMB110,579,000).

(All amounts in RMB thousands unless otherwise stated)

15. Investment properties

	2015	2014
As at 1 January	188,974	180,023
Fair value gains (Note 7)	6,067	8,331
Translation differences	11,899	620
As at 31 December	206,940	188,974

The information of the investment properties as at 31 December 2015 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

The following amounts have been recognised in profit or loss:

	2015	2014
Rental income	6,244	5,952

The investment properties are located in Hong Kong and held on leases over 50 years and revalued as at 31 December 2015 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 2015 and 2014. The revaluation gains or losses are included in `Other gains - net' in profit or loss. The following table analyses the investment properties carried at fair value, by valuation method.

15. Investment properties (Continued)

Fair value hierarchy

Description	**Quoted prices in active markets for identical assets (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
	Fair value measurements at 31 December 2015 using		
Recurring fair value measurements – Office units	—	**206,940**	—

Fair value hierarchy

Description	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	Fair value measurements at 31 December 2014 using		
Recurring fair value measurements – Office units	—	188,974	—

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. There were no transfers among level 1, 2 and 3 during the year.

(All amounts in RMB thousands unless otherwise stated)

16. Intangible assets

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 2014			
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 14)	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
Year ended 31 December 2015			
Opening net book amount	**606,155**	**37,134**	**643,289**
Additions	**858**	**4,557**	**5,415**
Transfer from property, plant and equipment (Note 14)	**—**	**100**	**100**
Amortisation charge (Note 6)	**(167,403)**	**(7,034)**	**(174,437)**
Closing net book amount	**439,610**	**34,757**	**474,367**
At 31 December 2015			
Cost	**1,282,776**	**70,028**	**1,352,804**
Accumulated amortisation	**(843,166)**	**(35,271)**	**(878,437)**
Net book amount	**439,610**	**34,757**	**474,367**

(a) Amortisation of the Group's intangible assets has been charged to administrative expenses in profit or loss.

(b) Research and development expenditures that do not meet criteria for capitalisation are recognised as an expense as incurred. The total amount of expenses charged into profit or loss is approximately RMB1,122,510,000 (2014: RMB965,141,000).

(All amounts in RMB thousands unless otherwise stated)

17. Investments accounted for using the equity method

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

	2015	2014
Associates	**270,474**	8,967
Joint venture	**127,618**	—
	398,092	8,967

The amounts recognised in profit or loss are as follows:

	2015	2014
Associates	**1,793**	(2,352)
Joint venture	**964**	—
	2,757	(2,352)

(a) Investment in associates

	2015	2014
At 1 January	**8,967**	11,319
Addition	**259,714**	—
Share of profits less losses	**1,793**	(2,352)
At 31 December	**270,474**	8,967

(All amounts in RMB thousands unless otherwise stated)

17. Investments accounted for using the equity method (Continued)

(a) Investment in associates (Continued)

The particulars of the associates of the Group at 31 December 2015 and 2014, all of which are unlisted, are set out as follows:

Company name	Place of business/ Country of incorporation	% of ownership interest as at 31 December		Principal activities
		2015	2014	
Prinx (Cayman) Holdings Limited ("Prinx Cayman")	Cayman Islands	12.68%	N/A	Investment holding
Sinotruk Baotou Xinhongchang Special Vehicles Co., Ltd ("Baotou Xinhongchang").	PRC	15%	15%	Sales of heavy duty truck
Sinotruk Panzhihua Mining Truck Co., Ltd. ("Panzhihua Mining Truck")	PRC	30%	30%	Sales of heavy duty truck

Capital Holding Company and Chengshan Group Co., Ltd., a third party, entered into an agreement dated 21 July 2015 to set up Prinx Cayman which Prinx Cayman and its subsidiaries principally engage in tyre development, manufacturing and sales. Capital Holding Company holds 12.68% equity interests in Prinx Cayman. As at 31 December 2015, Capital Holding Company has fully paid the investment cost of USD 40,000,000.

The Group management has assessed the level of influence that the Group has on Prinx Cayman and determined that it has significant influence even though the shareholding is below 20% because of the board representation and contractual terms. Consequently, this investment has been classified as an associate.

(All amounts in RMB thousands unless otherwise stated)

17. Investments accounted for using the equity method (Continued)

(b) Investment in joint venture

	2015	2014
At 1 January	—	—
Addition	126,654	—
Share of profits less losses	964	—
At 31 December	127,618	—

The particulars of the joint venture of the Group at 31 December 2015 and 2014, which is unlisted, are set out as follows:

Company name	Place of business/ Country/place of incorporation	% of ownership interest as at 31 December		Principal activities
		2015	2014	
Sinotruk (Hong Kong) Hongye Limited ("Hongye")	Hong Kong	65%	N/A	Retail and wholesale of trucks and spare parts; agency of sales of motor vehicle and spare parts; after-sales service of trucks and other motor vehicles

Capital Holding Company and China-Africa Manufacturing and Investment Limited, a third party, entered into an agreement dated 5 February 2015 to set up a joint venture, Hongye. Capital Holding Company holds 65% equity interests in Hongye. As at 31 December 2015, Capital Holding Company had fully paid the capital injection of USD 19,500,000.

Although Capital Holding Company has 65% of the voting rights of Hongye, Capital Holding Company has contractually agreed sharing of control over Hongye with China-Africa Manufacturing and Investment Limited under which the relevant activities require unanimous consent from both parties. In addition, both Capital Holding Company and China-Africa Manufacturing and Investment Limited have rights to the net assets of Hongye. Therefore, Hongye is classified as a joint venture and is accounted for by use of equity method.

(All amounts in RMB thousands unless otherwise stated)

17. Investments accounted for using the equity method (Continued)

(b) Investment in joint venture (Continued)

The Group's share of the results of the joint venture, and its assets and liabilities, are as follows:

	2015	2014
Assets	230,827	N/A
Liabilities	34,443	N/A
Revenue	52,230	N/A
Profit	1,483	N/A
% interest held	65%	N/A

18. Available-for-sale financial assets

	2015	2014
At 1 January	—	—
Addition	152,000	—
Fair value change recognized in other comprehensive income	3,431	—
At 31 December	155,431	—

As at 31 December 2015, available-for-sale financial assets is a wealth management product acquired from a trust company in June 2015 with both principal and interest rate being non-guaranteed. The investment principal is RMB152 million and it is fair valued using a discounted cash flow approach and main input used by the Group is estimated yield rate written in contract with the counterparty. The fair value is within level 3 of the fair value hierarchy (Note 3.3).

(All amounts in RMB thousands unless otherwise stated)

19. Inventories

	2015	2014
Raw materials	**1,646,779**	1,597,477
Work in progress	**574,858**	659,362
Finished goods - engines, parts and components	**709,604**	873,626
Finished goods - trucks	**3,766,967**	3,793,900
	6,698,208	6,924,365
Less: write-down of inventories to net realisable value	**(351,731)**	(347,031)
	6,346,477	6,577,334

The costs of inventories that have been charged to profit or loss are analysed as follows:

	2015	2014
Materials cost (Note 6)	**19,729,325**	23,642,448
Write-down of inventories to net realizable value (Note 6)	**97,756**	104,155
	19,827,081	23,746,603
Representing:		
Cost of sales	**19,568,757**	23,476,217
Administrative expenses	**258,324**	270,386
	19,827,081	23,746,603

(All amounts in RMB thousands unless otherwise stated)

20. Trade receivables, other receivables and other current assets

	2015	2014
Non-current		
Accounts receivable	**45,616**	75,850
Loans and receivables from financing services	**343,274**	453,404
Less: Provision for impairment of loans and receivables from financing services	**(5,182)**	(6,801)
Loans and receivables from financing services- net	**338,092**	446,603
Trade receivables and other receivables	**383,708**	522,453
Current		
Accounts receivable	**8,805,218**	7,099,231
Less: Provision for impairment of accounts receivable	**(549,850)**	(326,445)
Accounts receivable - net	**8,255,368**	6,772,786
Notes receivable	**2,245,625**	3,650,521
Trade receivables - net	**10,500,993**	10,423,307
Loans and receivables from financing services	**1,553,932**	1,352,304
Less: Provision for impairment of loans and receivables from financing services	**(38,167)**	(26,082)
Loans and receivables from financing services - net	**1,515,765**	1,326,222
Other receivables	**483,637**	459,031
Less: Provision for impairment of other receivables	**(6,883)**	(7,581)
Other receivables - net	**476,754**	451,450
Interest receivables	**19,794**	44,958
Receivables and other current assets before prepaid items	**12,513,306**	12,245,937
Prepayments	**211,198**	237,100
Prepaid taxes other than income tax	**317,064**	259,758
Prepaid income taxes	**91,147**	91,047
Trade receivables, other receivables and other current assets - net	**13,132,715**	12,833,842

(All amounts in RMB thousands unless otherwise stated)

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

(a) As at 31 December 2015 and 2014, 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:

	2015	2014
Opening amount	**366,909**	258,846
Provision for impairment of receivables (Note 6)	**235,601**	201,893
Receivables written off during the year as uncollectible	**(2,428)**	(93,830)
Closing amount	**600,082**	366,909

The Group's provision for impairment of receivables of approximately RMB235,601,000 (2014: RMB201,893,000) is included in administrative expenses in profit or loss.

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

	2015	2014
Less than 3 months	**6,222,122**	7,992,719
3 months to 6 months	**2,088,764**	1,585,902
6 months to 12 months	**1,181,441**	166,756
1 year to 2 years	**724,629**	391,190
2 years to 3 years	**131,405**	362,509
Over 3 years	**198,248**	81
	10,546,609	10,499,157

The credit policy of the Group generally requires customers to pay a certain amount of deposits when orders are made and settle purchase price 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. A credit period from 3 to 12 months is granted to selected customers based on credit assessment.

As at 31 December 2015, accounts receivable of the Group of approximately RMB751,201,000 (2014: RMB1,266,409,000) were secured by certain letters of credit issued by overseas third parties. No provision is provided against these receivables as at 31 December 2015 and 2014.

(d) There is no concentration of credit risk with respect to accounts and notes 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 (Continued)

(e) The notes receivable are analysed as follows:

	2015	2014
Bank acceptance notes	2,138,406	3,600,291
Commercial acceptance notes	107,219	50,230
	2,245,625	3,650,521

(f) Loans and receivables from financing services represented loans granted by Sinotruk Finance Co., Ltd and ShanDong HOWO Auto Finance Co., Ltd. which are 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.

The ageing analysis of loans and receivables from financing services – net at respective dates of statement of financial position are as follows:

	2015	2014
Less than 3 months	684,508	258,543
3 months to 6 months	279,221	316,913
6 months to 12 months	414,467	750,766
1 year to 2 years	428,924	365,333
2 years to 3 years	30,582	81,270
Over 3 years	16,155	—
	1,853,857	1,772,825

(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 for which the repayment are guaranteed by large banks and interest receivables;

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

(All amounts in RMB thousands unless otherwise stated)

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

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

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.

	2015	2014
Group 1	2,158,200	3,645,249
Group 2	107,219	50,230
Group 3	7,622,294	7,513,469
	9,887,713	11,208,948

(ii) As at 31 December 2015, accounts receivable, loans and receivables from financing services, and other receivables of RMB124,979,000 (2014: Nil) were past due but not impaired. These balances relate to a number of independent customers or other counter parties for whom there is no recent history of default. The ageing analysis of these receivables based on invoice date is as follows:

	2015	2014
within 1 year	54,381	—
1 year to 2 years	65,598	—
2 years to 3 years	5,000	—
	124,979	—

(iii) Impaired receivables

As at 31 December 2015, receivables that were impaired are analysed below:

	2015	2014
Receivables	3,484,404	1,926,351
Less: Provision for impairment	(600,082)	(366,909)
	2,884,322	1,559,442

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 (Continued)

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

	2015	2014
RMB	11,580,005	11,157,144
USD	1,224,894	1,560,064
EURO	72,523	50,198
HKD	19,506	839
AUD (Australian Dollar)	72	116
TWD (Taiwan Dollar)	14	29
	12,897,014	12,768,390

(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

	2015	2014
Listed securities - held-for-trading		
– equity securities		
RMB	1,087	1,487
HKD	128,412	109,692
	129,499	111,179

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

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

22. Cash and bank balances

	2015	2014
Restricted cash (a)	1,635,522	2,335,384
Cash and cash equivalents (b)	4,946,080	6,440,131
	6,581,602	8,775,515

(All amounts in RMB thousands unless otherwise stated)

22. Cash and bank balances (Continued)

(a) Restricted cash

The breakdown of restricted cash by nature as at 31 December 2015 and 2014 is as follows:

	2015	2014
Deposits for issuing bank acceptance notes	878,007	810,345
Deposits for issuing commercial acceptance notes	—	12,000
Deposits for issuing letters of credit	52,669	207,052
Mandatory reserve deposits (i)	693,685	1,117,311
Security for impawned bank loan	—	150,000
Security for consumer credit	10,213	37,766
Other restricted cash	948	910
	1,635,522	2,335,384

(i) The Group is required to place mandatory deposits with the People's Bank of China ("PBOC") for deposits taking.

(b) Cash and cash equivalents

	2015	2014
Cash on hand	180	200
Time deposits with initial terms of over three months (i)	276,449	748,737
Current bank deposits (ii)	4,669,451	5,691,194
Cash and cash equivalents	4,946,080	6,440,131

(i) The weighted average effective interest rate on these time deposits with initial terms of over three months was 2.76% per annum (2014: 4.40%). 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 0.53% per annum (2014: 0.58%).

(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 (Continued)

(b) 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

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.

	2015	2014
Group 1	2,591	19,787
Group 2	4,943,309	6,420,144
	4,945,900	6,439,931

(c) Cash and bank balances are dominated in:

	2015	2014
Denominated in:		
– RMB	6,282,569	8,561,424
– USD	271,257	198,521
– HKD	22,948	6,740
– EURO	2,542	7,680
– GBP (Great Britain Pound)	2,085	327
– Others	201	823
	6,581,602	8,775,515

(All amounts in RMB thousands unless otherwise stated)

23. Equity

(a) Share Capital

Ordinary shares, issued and fully paid:

	Number of shares	Share capital
Balance at 1 January 2015 and at 31 December 2015	**2,760,993,339**	**16,717,024**

	Number of shares	Share capital
Balance at 1 January 2014	2,760,993,339	261,489
Transition to no-par value regime on 3 March 2014 (a):	—	16,455,535
Balance at 31 December 2014	2,760,993,339	16,717,024

(a) In accordance with the transitional provisions set out in section 37 of Schedule 11 to Hong Kong Companies Ordinance (Cap. 622), on 3 March 2014, any amount standing to the credit of the share premium account has become part of the Company's share capital.

(b) Notes to the Group's reserves

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

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

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

(All amounts in RMB thousands unless otherwise stated)

24. Borrowings

	2015	2014
Non-current		
Long-term bank borrowings - unsecured	**2,291,276**	2,412,465
Current		
Long-term bank borrowings, current portion - unsecured	**826,700**	726,700
Short-term bank borrowings		
– secured (a)	—	500,000
– unsecured	**2,553,004**	3,587,285
	3,379,704	4,813,985
Total borrowings	**5,670,980**	7,226,450

(a) As at 31 December 2015, no borrowing is secured (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 bank deposits at the amount of RMB150,000,000).

(b) The Group's borrowings are repayable as follows:

	2015	2014
Within 1 year	**3,379,704**	4,813,985
Between 1 and 2 years	**2,291,276**	826,700
Between 2 and 5 years	—	1,585,765
	5,670,980	7,226,450

(All amounts in RMB thousands unless otherwise stated)

24. Borrowings (Continued)

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

	2015	2014
RMB	5,541,108	7,226,450
USD	129,872	—
	5,670,980	7,226,450

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

	2015	2014
Bank Borrowings	4.17%	4.76%

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.

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

	2015	2014
Within 6 months	1,779,704	3,425,241
Between 6 and 12 months	1,600,000	1,388,744
Between 1 and 5 years	2,291,276	2,412,465
	5,670,980	7,226,450

(f) 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:

	2015	2014
Carrying amount	2,291,276	2,412,465
Fair value	2,258,070	2,380,191

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.

(All amounts in RMB thousands unless otherwise stated)

24. Borrowings (Continued)

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

	2015	2014
– expiring within one year	3,399,550	3,303,031

25. Financial liabilities at fair value through profit or loss

	2015	2014
Forward foreign exchange contracts – held-for-trading	5,420	—

26. Deferred income tax

(a) The amounts are as follows:

	2015	2014
Deferred tax assets:		
– Deferred tax assets to be recovered after more than 12 months	600,760	557,467
– Deferred tax assets to be recovered within 12 months	561,002	524,055
	1,161,762	1,081,522
Deferred tax liabilities:		
– Deferred tax liabilities to be recovered after more than 12 months	(25,892)	(28,918)
– Deferred tax liabilities to be recovered within 12 months	(1,513)	—
	(27,405)	(28,918)
Deferred tax assets – net	1,134,357	1,052,604

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

	2015	2014
As at 1 January	1,052,604	922,911
Credited to profit or loss (Note 10 (a))	81,753	129,693
As at 31 December	1,134,357	1,052,604

(All amounts in RMB thousands unless otherwise stated)

26. Deferred income tax (Continued)

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

Deferred tax assets	Provisions for receivable and inventories	Pensions and other post-retirement benefits	Unrealised profit	Accrued expenses and provisions	Reversal of revaluation	Deferred income	Tax losses	Others	Total
As at 1 January 2014	141,675	4,536	144,683	171,002	103,105	63,349	284,564	39,867	952,781
Credited/(charged) to profit or loss	8,356	(1,074)	(22,825)	33,094	(15,259)	(24,408)	157,487	(6,630)	128,741
As at 31 December 2014	150,031	3,462	121,858	204,096	87,846	38,941	442,051	33,237	1,081,522
Credited/(charged) to profit or loss	**64,122**	**(762)**	**7,286**	**(43,782)**	**(15,461)**	**7,076**	**58,991**	**2,770**	**80,240**
As at 31 December 2015	**214,153**	**2,700**	**129,144**	**160,314**	**72,385**	**46,017**	**501,042**	**36,007**	**1,161,762**

Deferred tax liabilities	Accelerated tax depreciation	Fair value adjustment arising from business combination	Total
As at 1 January 2014	(3,664)	(26,206)	(29,870)
Credited to profit or loss	221	731	952
As at 31 December 2014	(3,443)	(25,475)	(28,918)
Credited to profit or loss	**889**	**624**	**1,513**
As at 31 December 2015	**(2,554)**	**(24,851)**	**(27,405)**

(All amounts in RMB thousands unless otherwise stated)

27. Trade payables, other payables and other current liabilities

	2015	2014
Trade and bills payables	**9,799,609**	10,116,689
Advances from customers	**917,923**	1,029,313
Accrued expenses	**510,298**	622,382
Staff welfare and salaries payable	**251,176**	228,848
Taxes liabilities other than income tax	**193,987**	217,964
Other payables	**1,871,446**	2,341,541
	13,544,439	14,556,737

As at 31 December 2015 and 2014, the ageing analysis of the trade and bills payables was as follows:

	2015	2014
Less than 3 months	**7,725,664**	8,294,348
3 months to 6 months	**1,989,320**	1,683,625
6 months to 12 months	**51,594**	117,025
1 year to 2 years	**17,361**	11,953
2 years to 3 years	**6,185**	6,151
Over 3 years	**9,485**	3,587
	9,799,609	10,116,689

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

	2015	2014
RMB	**11,458,592**	11,848,523
USD	**204,265**	540,232
EURO	**6,017**	6,385
HKD	**1,869**	63,090
ZAR (South African Rand)	**312**	—
	11,671,055	12,458,230

(All amounts in RMB thousands unless otherwise stated)

28. Termination and post-employment benefits

	2015	2014
Termination benefits (a)	6,660	9,440
Post-employment benefits (b)	6,370	6,430
Post-employment medical insurance plan (c)	820	1,150
	13,850	17,020

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

	2015	2014
Termination benefits, included in staff costs (Note 8)	230	450
Remeasurements of termination benefits recognised in other comprehensive income	250	5,090

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

	2015	2014
Present value of benefit plans	6,370	6,430
Unrecognised actuarial losses	—	—
Liability in the consolidated statement of financial position	6,370	6,430

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

	2015	2014
As at 1 January	6,430	6,470
Total expenses (interest cost) (Note 8)	200	250
Remeasurements of post-employment benefits recognised in other comprehensive income	520	530
Benefits paid	(780)	(820)
As at 31 December	6,370	6,430

(All amounts in RMB thousands unless otherwise stated)

28. Termination and post-employment benefits (Continued)

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

	2015	2014
Present value of benefit plan	820	1,150
Unrecognised actuarial losses	—	—
Liability in the consolidated statement of financial position	820	1,150

The movements of medical insurance plan recognised in the consolidated statement of financial position are as follows:

	2015	2014
As at 1 January	1,150	1,490
Total expenses (interest expense) (Note 8)	30	50
Remeasurements of medical insurance plan recognised in other comprehensive income	60	110
Benefits paid	(420)	(500)
As at 31 December	820	1,150

(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:

	2015	2014
Post-employment benefits and medical insurance plan discount rate	2.50%	3.50%
Average salary increase rate	10% to 12%	10% to 12%

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

(All amounts in RMB thousands unless otherwise stated)

29. Provisions for other liabilities

	Products warranties
As at 1 January 2014	356,365
Additional provision (Note 6)	735,570
Untilised during the year	(739,235)
As at 31 December 2014	352,700
Additional provision (Note 6)	**527,342**
Untilised during the year	**(563,874)**
As at 31 December 2015	**316,168**

30. Deferred income

As at 31 December 2015, deferred income represented government subsidies as the amount of RMB266,634,000 (2014: RMB243,246,000). During 2015, recognition of deferred income amounting to RMB38,312,000 is credited to profit or loss (2014: RMB75,768,000).

31 Transactions with non-controlling interests

(a) Acquisition of additional interest in a subsidiary

In February 2015, the Company acquired an additional 0.5962% of the equity of Sinotruk Finance Co., Ltd. from the non-controlling interests for a purchase consideration of RMB7,678,000 which was already paid in 2014. The carrying amount of the non-controlling interests in Sinotruk Finance Co., Ltd. on the date of acquisition was RMB272,523,000. The Group recognised a decrease in non-controlling interests of RMB7,908,000 and an increase in equity attributable to owners of the Company of RMB230,000. The effect of changes in the ownership interest of Sinotruk Finance Co., Ltd. on the equity attributable to owners of the Company during the period is summarised as follows:

	2015
Carrying amount of non-controlling interests acquired	**7,908**
Consideration paid to non-controlling interests	**(7,678)**
Gain on purchase recognised within equity	**230**

(All amounts in RMB thousands unless otherwise stated)

31 Transactions with non-controlling interests (Continued)

(b) Effects of changes in ownership interests in subsidiaries without change of control on the equity attributable to owners of the Company

	2015
Changes in equity attributable to owners of the Company arising from:	
– Acquisition of additional interests in subsidiary	230

32. Notes to the consolidated statement of cash flows

(a) Cash generated from operations

	2015	2014
Profit before income tax	426,135	804,228
Adjustments for:		
– Provision for impairment of trade and other receivables (Note 6 and Note 20(b))	235,601	201,893
– Depreciation (Note 6 and Note 14)	1,234,131	1,219,756
– Amortisation	213,759	198,898
– Write-down inventories to net realisable value (Note 6 and Note 19)	97,756	104,155
– Fair value (gains)/losses on financial assets at fair value through profit or loss (Note 7)	(11,706)	12,342
– Fair value losses on financial liabilities at fair value through profit or loss (Note 7)	5,420	—
– (Gains)/losses on disposals of property, plant and equipment (Note 7 and Note 32(b))	(77,305)	8,452
– (Gains)/losses on disposals of financial assets at fair value through profit or loss	(34,351)	1,512
– Investment income from wealth management products with principal and interests guaranteed	(15,126)	—
– Investment income from other current financial assets	(2,367)	—
– Investment income from held-to-maturity investments	—	(28,284)
– Fair value gains on investment properties (Note 7 and Note15)	(6,067)	(8,331)
– Share of profits less losses of investments accounted for using the equity method	(2,757)	2,352
– Finance income (Note 9)	(51,702)	(77,598)
– Finance costs	410,519	427,843
– Recognition of deferred income	(38,312)	(75,768)
– Foreign exchange gains	(10,610)	(25,423)
	2,373,018	2,766,027

(All amounts in RMB thousands unless otherwise stated)

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

(a) Cash generated from operations (Continued)

	2015	2014
Changes in working capital:		
– Inventories	133,101	1,122,474
– Trade and other receivables and amounts due from related parties	(621,713)	2,735,561
– Restricted cash	549,862	(930,604)
– Trade and other payables, amounts due to related parties and other liabilities	(742,686)	836,062
– Receipt of government grant	61,700	24,100
– Provisions for other liabilities	(36,532)	(3,665)
– Termination and post-employment benefits obligations	(4,000)	(10,180)
Cash generated from operations	1,712,750	6,539,775

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

	2015	2014
Net book amount (Note 14)	95,405	23,831
Gains/(losses) on disposals of property, plant and equipment (Note 7 and Note 32 (a))	77,305	(8,452)
Net-off with payables	(3,583)	(14,536)
Proceeds from disposals of property, plant and equipment	169,127	843

(c) Major non-cash transactions

For the year ended 31 December 2015, the Group endorsed bank acceptance notes to the suppliers for purchase of property, plant and equipment amounting to approximately RMB103,090,000 (2014: approximately RMB255,343,000).

33. 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 29.

(All amounts in RMB thousands unless otherwise stated)

34. Commitments

(a) Capital commitments

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

	2015	2014
Property, plant and equipment	466,537	442,144
Equity investment (i)	30,000	—

(i) Capital Holding Company entered into the capital increase agreement ("Capital Increase Agreement") with Jinan Qihui Micro-credit Co., Ltd. in December 2015. Pursuant to the Capital Increase Agreement, Capital Holding Company agreed to inject capital of RMB30,000,000. As at 31 December 2015, Capital Holding Company has yet injected capital of RMB30,000,000 and has paid it in February 2016.

(b) Operating lease commitments – As a lessee

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

	2015	2014
No later than 1 year	19,867	34,852
Later than 1 year and no later than 2 years	8,846	3,939
Later than 2 years and no later than 5 years	1,328	1,807
	30,041	40,598

(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:

	2015	2014
No later than 1 year	16,400	3,141
Later than 1 year and no later than 2 years	3,753	435
Later than 2 years and no later than 5 years	249	568
Later than 5 years	2	4
	20,404	4,148

35. Subsidiaries

As at 31 December 2015, the Company had direct or indirect interest in the following subsidiaries:

Company Name	Country/place of incorporation and operations[(i)]	Type of legal entity	Issued/paid in capital (in million)	Direct attributable equity interest	Indirect attributable equity interest	Equity interest held by non-controlling interests	Principal activities
Sinotruk Ji'nan Truck Co., Ltd. (中國重汽集團濟南卡車股份有限公司)	PRC	Joint stock company with limited liability	RMB 419.43	63.78%	—	36.22%	Manufacture and sales of trucks and spare parts
Sinotruk Ji'nan Power Co., Ltd. (中國重汽集團濟南動力有限公司)	PRC	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	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	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	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	Limited liability company	RMB 10.5	100%	—	—	Construction design and technical consulting service
Sinotruk (Hong Kong) International Investment Limited (中國重汽(香港)國際資本有限公司)	Hong Kong	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	Limited liability company	RMB 1,033.56	80.05%	—	19.95%	Taking deposits, facilitating borrowings, discounting notes, providing entrusted loan, entrusted investment and customer credit

35. Subsidiaries (Continued)

As at 31 December 2015, the Company had direct or indirect interest in the following subsidiaries: (Continued)

Company Name	Country/place of incorporation and operations[i]	Type of legal entity	Issued/paid in capital (in million)	Direct attributable equity interest	Indirect attributable equity interest	Equity interest held by non-controlling interests	Principal activities
Sinotruk Ji'nan Axle & Transmission Co., Ltd. (中國重汽集團濟南橋箱有限公司)	PRC	Limited liability company	RMB646.74	49%	32.53%	18.47%	Manufacture and sales of trucks and axle and transmission parts
ShanDong HOWO Auto Finance Co., Ltd. (山東豪沃汽車金融有限公司) (ii)	PRC	Limited liability company	RMB 500	50%	—	50%	Taking deposits, facilitating borrowings, discounting notes, providing entrusted loan, entrusted investment and customer credit
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	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	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	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	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	Limited liability company	RMB 103	—	60%	40%	Refit and sales of heavy duty trucks
Ji'nan Ganghao Development Co., Ltd. (濟南港豪發展有限公司)	PRC	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	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	Limited liability company	HKD 140	—	100%	—	Manufacture and reproduction of engines

35. Subsidiaries (Continued)

As at 31 December 2015, the Company had direct or indirect interest in the following subsidiaries: (Continued)

Company Name	Country/place of incorporation and operations(i)	Type of legal entity	Issued/paid in capital (in million)	Direct attributable equity interest	Indirect attributable equity interest	Equity interest held by non-controlling interests	Principal activities
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	Limited liability company	RMB 62.77	—	60%	40%	Refit and sales of heavy duty trucks
Sinotruk Mianyang Special Vehicles Co., Ltd. (中國重汽集團綿陽專用汽車有限公司)	PRC	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	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	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	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	Limited liability company	RMB 800	—	80%	20%	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	Limited liability company	RMB 5.1	—	80%	20%	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	Limited liability company	RMB 5	—	80%	20%	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	Limited liability company	RMB 2	—	80%	20%	Sales of spare parts and vehicle inspection
Sinotruk Fujian Haixi Vehicles Co., Ltd. (中國重汽集團福建海西汽車有限公司)	PRC	Limited liability company	RMB 200	—	80%	20%	Manufacture and sales of trucks and spare parts and related information consulting

35. Subsidiaries (Continued)

As at 31 December 2015, the Company had direct or indirect interest in the following subsidiaries: (Continued)

Company Name	Country/place of incorporation and operations[i]	Type of legal entity	Issued/paid in capital (in million)	Direct attributable equity interest	Indirect attributable equity interest	Equity interest held by non-controlling interests	Principal activities
Sinotruk Hangzhou Engines Sales Co., Ltd. (中國重汽集團杭州發動機銷售有限公司)	PRC	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	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	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	Limited liability company	RUB 15	—	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	Limited liability company	HKD 310	—	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	Limited liability company	ZAR0.000001	—	100%	—	Retail and wholesale of trucks and spare parts; agency of sales of motor vehicle and spare parts; after-sales service of trucks and other motor vehicles

Note:

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

(ii) The Directors and the Group's management are of the view that the Group has the power to govern the financial and operating policies of the subsidiary although its equity interest in it is not greater than 50%, after considering the fact that the majority of the directors of the subsidiary are representatives of the Group.

(All amounts in RMB thousands unless otherwise stated)

35. Subsidiaries (Continued)

(a) Material non-controlling interests

As at 31 December 2015, the total non-controlling interests is RMB2,377,550,000 (2014: RMB2,075,501,000), of which RMB1,396,587,000 (2014: 1,365,347,000) is attributed by Sinotruk Ji'nan Truck Co., Ltd. Besides the dividends paid to non-controlling interests and acquisition of additional interest in a subsidiary (Note 31), there was no other 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

	2015	2014
Current		
Assets	12,798,086	11,847,376
Liabilities	(9,238,941)	(8,382,606)
Total current net assets	3,559,145	3,464,770
Non-current		
Assets	996,700	1,104,825
Liabilities	(700,000)	(800,000)
Total non-current net assets	296,700	304,825
Net assets	3,855,845	3,769,595

(All amounts in RMB thousands unless otherwise stated)

35. Subsidiaries (Continued)

(a) Material non-controlling interests (Continued)

Summarised statement of comprehensive income

	2015	2014
Revenue	18,885,236	23,359,730
Profit before income tax	261,772	657,079
Income tax expense	(49,384)	(100,238)
Post-tax profit and total comprehensive income	212,388	556,841
Total comprehensive income allocated to non-controlling interests	76,927	201,688
Dividends paid to non-controlling interests	45,575	41,017

Summarised statement of cash flows

	2015	2014
Cash flows from operating activities		
Cash (used in)/generated from operations	(423,319)	648,425
Interest paid	(149,854)	(164,601)
Income tax paid	(81,952)	(128,233)
Net cash (used in)/generated from operating activities	(655,125)	355,591
Net cash (used in)/generated from investing activities	(22,541)	247,481
Net cash generated from/(used in) financing activities	1,051,124	(562,011)
Net increase in cash and cash equivalents	373,458	41,061
Cash and cash equivalents at beginning of the year	466,839	425,778
Cash and cash equivalents at end of the year	840,297	466,839

(All amounts in RMB thousands unless otherwise stated)

36. 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 which is 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-owned subsidiary of MAN SE which has been become a non-wholly owned subsidiary of Ferdinand Porsche Familien-Privatstiftung in 2015. Ferdinand Porsche Familien-Privatstiftung and its subsidiaries is referred as Ferdinand Porsche Group.

Hongye is a jointly controlled entity of the Group. Prinx Cayman, Baotou Xinhongchang and Panzhihua Mining Truck are associated companies of the Group.

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

(a) Significant related party transactions

	2015	2014
Transactions with related parties		
(i) CNHTC Group		
Sales of trucks	651,736	391,644
Purchases of trucks	1,249,087	1,344,992
Sales of spare parts	397,769	370,078
Purchases of spare parts	538,417	649,518
Supply of auxilliary production services	4,070	3,788
Purchases of general services	95,636	97,572
Rental income	7,945	7,801
Rental expenses	23,092	23,675
Purchases of construction and project management services	2,228	14,833
Provision for construction supervision design services	7,354	4,218
Purchase of technical services	17,141	27,194
Interest expenses for deposits taking services	4,513	3,254
Interest and fee income for bank bills discounting and entrustment loans	6,043	2,831
Sales of fixed assets	221	130
Purchases of fixed assets	4	9,246
Interest expenses for accepting loan service	1,835	1,788
Aggregate of interest income for loan service	1,363	—
	3,008,454	2,952,562

(All amounts in RMB thousands unless otherwise stated)

36. Related party transactions (Continued)

(a) Significant related party transactions (Continued)

		2015	2014
(ii)	Ferdinand Porsche Group		
	Purchases of spare parts	1,350	1,350
	Sales of spare parts	15,391	355
		16,741	1,705
(iii)	Baotou Xinhongchang		
	Purchases of trucks	—	9,502
(iv)	Hongye		
	Sales of trucks	48,141	—
	Sales of spare parts	1,664	—
	Purchases of spare parts	1,753	—
		51,558	—
(v)	Key management		
	Salaries and other short-term benefits	6,625	8,298
	Post-employment benefits	361	383
		6,986	8,681

(vi) 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 are of the opinion that these transactions are conducted in the ordinary business of the Group and no disclosure is presented.

(All amounts in RMB thousands unless otherwise stated)

36. Related party transactions (Continued)

(b) Balances with related parties

	2015	2014
Amounts due from related parties		
(i) CNHTC Group		
Trade receivables	2,836	3,587
Prepayments	74,509	21,029
Other receivables	400,000	—
	477,345	24,616
(ii) Ferdinand Porsche Group		
Prepayments	10	717
(iii) Hongye		
Trade receivables	13,309	—
	490,664	25,333

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

	2015	2014
RMB	490,654	24,616
EURO	10	717
	490,664	25,333

(All amounts in RMB thousands unless otherwise stated)

36. Related party transactions (Continued)

(b) Balances with related parties (Continued)

Amounts due to related parties

	2015	2014
Current		
(i) CNHTC Group		
Trade payables	4,991	10,866
Other payables	6,619	6,529
Advances from customers	10,984	14,057
Deposits taking	560,540	409,999
Borrowings	36,000	36,000
	619,134	477,451
(ii) Ferdinand Porsche Group		
Long-term payables under technology license agreement - current portion	—	77,996
(iii) Hongye		
Trade payables	1,740	—
Other payables	130,986	—
	132,726	—
	751,860	555,447

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

	2015	2014
RMB	751,860	477,451
EURO	—	77,996
	751,860	555,447

36. Related party transactions (Continued)

(b) Balances with related parties (Continued)

As at 31 December 2015 and 2014, except for deposits taking and borrowings, amounts due from/to related parties were all unsecured, interest free and due within one year. As at 31 December 2015 and 2014, deposits taking and borrowings from related parties were unsecured, bearing with interest at rate of 4.35% (2014: 6.00%) for borrowings and due within one year.

As at 31 December 2015 and 2014, trade receivables due from related parties were not past due or impaired.

Balances with Other State-owned Enterprises

As at 31 December 2015 and 2014, majority of the Group's bank balances and borrowings are with state-owned banks.

37. Events after the reporting period

Sinotruk Liuzhou Yunli Special Vehicles Co., Ltd. ("Liuzhou Yunli Special Vehicles"), a non-wholly owned subsidiary of the Company, and Kodiak America LLC. entered into agreement to set up a company named Sinotruk Liuzhou Yunli Kodiak Machinery Co., Ltd. ("Liuzhou Yunli Kodiark") in January 2016. Liuzhou Yunli Kodiark has a registered capital of USD 3,469,400 and is engaged in production, sales and rendering service of snow removal equipment, snow blower, snow broom, loader mounted blower, plow, broom, air blast and spreader multi-functional snow removal equipment and rail snow blower. According to the the agreement, Liuzhou Yunli Special Vehicles shall invest cash in the amount of USD 1,769,400 for 51% equity interest of and Kodiak America LLC. shall provide proprietary technologies worth of USD 1,700,000 for 49% equity interest of Liuzhou Yunli Kodiark.

Sinotruk Ji'nan Truck Co., Ltd. set up a wholly owned subsidiary Sinotruk Ji'nan Global Village Electronics Commerce Co., Ltd. ("Ji'nan Global Village Electronics") in February 2016. Jinan Global Village Electronics has a registered capital of RMB20,000,000 and is engaged in automobile spare parts purchase, sales and wholesale; commercial vehicles purchase, sales and services; commercial vehicles financial services, commercial vehicles related gift sales, second-hand commercial vehicles trading and data information service.

(All amounts in RMB thousands unless otherwise stated)

38. Benefits and interests of directors

(a) Directors' and chief executive's emoluments

The Company does not have a chief executive who is not also the Director. The remuneration of each director for the year ended 31 December 2015 is set out below:

Name of Director	Fees	Salaries	Discretionary bonus	Social security costs	Employer's contribution to a retirement benefit scheme	Total
Mr. Ma Chunji	—	550	—	42	27	619
Mr. Cai Dong	—	530	—	42	27	599
Mr. Tong Jingen	—	440	—	42	27	509
Mr. Wang Shanpo	—	440	—	42	27	509
Mr. Kong Xiangquan	—	440	—	42	27	509
Mr. Liu Wei	—	440	—	42	27	509
Mr. Liu Peimin	—	440	—	45	26	511
Mr. Franz Neundlinger	—	551	—	—	—	551
Mr. Andreas Hermann Renschler (a)	45	—	—	—	—	45
Mr. Joachim Gerhard Drees (a)	45	—	—	—	—	45
Mr. Anders Olof Nielsen	180	—	—	—	—	180
Dr. Lin Zhijun	180	—	—	—	—	180
Mr. Chen Zheng	180	—	—	—	—	180
Mr. Yang Weicheng	180	—	—	—	—	180
Dr. Georg Pachta-Reyhofen (b)	135	—	—	—	—	135
Mr. Jörg Astalosch (c)	105	—	—	—	—	105
Dr. Ouyang Minggao (d)	170	—	—	—	—	170
Dr. Lu Bingheng (d)	170	—	—	—	—	170
Dr. Huang Shaoan (d)	170	—	—	—	—	170

(a) Mr. Andreas Hermann Renschler and Mr. Joachim Gerhard Drees were appointed as Directors on 1 October 2015.

(b) Dr. Georg Pachta-Reyhofen resigned as Director with effect from 1 October 2015.

(c) Mr. Jörg Astalosch resigned as Director with effect from 1 August 2015.

(d) Dr. Ouyang Minggao, Dr. Lu Bingheng and Dr. Huang Shaoan resigned as Directors with effect from 11 December 2015.

(All amounts in RMB thousands unless otherwise stated)

38. Benefits and interests of directors (Continued)

(a) Directors' and chief executive's emoluments (Continued)

The remuneration of each Director for the year ended 31 December 2014 is set out below:

Name of Director	Fees	Salaries	Discretionary bonus	Social security costs	Employer's contribution to a retirement benefit 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	—	520	—	38	24	582
Mr. Liu Peimin	—	520	—	41	23	584
Mr. Franz Neundlinger	—	551	—	—	—	551
Mr. Anders Olof Nielsen	180	—	—	—	—	180
Dr. Lin Zhijun	180	—	—	—	—	180
Mr. Chen Zheng	180	—	—	—	—	180
Mr. Yang Weicheng	180	—	—	—	—	180
Mr. Wei Zhihai	—	520	—	24	13	557
Mr. Wang Haotao	—	520	—	38	24	582
Dr. Georg Pachta-Reyhofen	180	—	—	—	—	180
Mr. Jörg Astalosch	180	—	—	—	—	180
Dr. Ouyang Minggao	180	—	—	—	—	180
Dr. Lu Bingheng	180	—	—	—	—	180
Dr. Huang Shaoan	137	—	—	—	—	137

For the years ended 31 December 2015 and 2014, no Directors waived any emoluments and no emoluments were paid by the Group to any of the Directors as an inducement to join or upon joining the Group or as compensation for loss of office.

38. Benefits and interests of directors (Continued)

(b) Consideration provided to third parties for making available directors' services

The Group did not pay consideration to any third parties for making available directors' services during the year.

(c) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

No loans, quasi-loans and other dealings were made available in favour of Directors, controlled bodies corporate by and connected entities with such directors subsisted at the end of the year or at any time during the year.

(d) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

(All amounts in RMB thousands unless otherwise stated)

39. Balance sheet and reserve movement of the Company

Balance sheet of the Company

	Note	31 December 2015	31 December 2014
ASSETS			
Non-current assets			
Land use rights		**16,308**	16,327
Property, plant and equipment		**486**	535
Deferred income tax assets		**1,620**	28,095
Investments in subsidiaries		**16,629,837**	16,372,159
Amounts due from subsidiaries		**2,160,000**	2,600,000
		18,808,251	19,017,116
Current assets			
Amounts due from subsidiaries		**68,508**	94,851
Dividends receivable		**591,131**	1,116,303
Trade receivables, other receivables and other current assets		**23,608**	58,877
Cash and bank balances		**61,652**	95,826
		744,899	1,365,857
Total assets		**19,553,150**	20,382,973
EQUITY AND LIABILITIES			
Equity attributable to the owners of the Company			
Share capital		**16,717,024**	16,717,024
Retained earnings	(a)	**818,847**	748,776
Total equity		**17,535,871**	17,465,800
LIABILITIES			
Non-current liabilities			
Borrowings		**1,591,276**	1,585,765
Current liabilities			
Amounts due to subsidiaries		**103,057**	541,138
Trade and other payables		**43,149**	40,320
Borrowings		**279,797**	749,950
		426,003	1,331,408
Total liabilities		**2,017,279**	2,917,173
Total equity and liabilities		**19,553,150**	20,382,973

(All amounts in RMB thousands unless otherwise stated)

39. Balance sheet and reserve movement of the Company (Continued)

Balance sheet of the Company (Continued)

The balance sheet of the Company was approved by the Board on 31 March 2016 and was signed on its behalf.

Ma Chunji	**Kong Xiangquan**
Director	Director

(a) Reserves movement of the Company

	Share premium	Capital redemption reserve	Retained earnings
At 1 January 2014	16,444,600	10,935	630,551
Profit for the year	—	—	205,919
Dividends paid relating to 2013	—	—	(87,694)
Transition to no-par value regime on 3 March 2014	(16,444,600)	(10,935)	—
At 31 December 2014	—	—	748,776
At 1 January 2015	—	—	**748,776**
Profit for the year	—	—	**200,852**
Dividends relating to 2014	—	—	**(130,781)**
At 31 December 2015	—	—	**818,847**

FIVE YEARS FINANCIAL SUMMARY

OPERATING RESULTS

	For the year ended 31 December				
	2011 RMB'000	2012 RMB'000	2013 RMB'000	2014 RMB'000	**2015** **RMB'000**
Revenue	36,603,546	27,888,431	30,409,787	32,809,402	**28,304,893**
Profit before income tax	1,465,967	320,438	592,293	804,228	**426,135**
Income tax expense	(297,645)	(148,957)	(152,738)	(209,269)	**(102,694)**
Profit for the year	1,168,322	171,481	439,555	594,959	**323,441**
Attributed to:					
Owners of the Company	1,002,177	122,969	271,387	408,032	**205,946**
Non-controlling interests	166,145	48,512	168,168	186,927	**117,495**
Profit for the year	1,168,322	171,481	439,555	594,959	**323,441**

ASSETS, LIABILITIES AND EQUITY

	As at 31 December				
	2011 RMB'000	2012 RMB'000	2013 RMB'000	2014 RMB'000	**2015** **RMB'000**
Total assets	51,993,325	43,749,563	45,697,247	44,292,792	**42,335,438**
Total liabilities	31,424,725	23,294,451	24,884,875	23,046,413	**20,619,768**
Total equity:					
Owners of the Company	18,749,639	18,649,102	18,864,136	19,170,878	**19,338,120**
Non-controlling interests	1,818,961	1,806,010	1,948,236	2,075,501	**2,377,550**
	20,568,600	20,455,112	20,812,372	21,246,379	**21,715,670**

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