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 09

Contents

Corporate Information

DIRECTORS

Executive Directors:

Ma Chunji *(Chairman)*
Cai Dong *(President)*
Wei Zhihai *(Vice President)*
Wang Haotao *(Vice President)*
Wang Guangxi *(Vice President)*
Tong Jingen *(Chief economist)*
Wang Shanpo *(Chief engineer)*
Pan Qing *(Vice President)*

Non-executive Directors:

Georg Pachta-Reyhofen
Jörg Schwitalla
Lars Wrebo

Independent Non-executive Directors:

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

EXECUTIVE COMMITTEE

Ma Chunji *(Chairman)*
Cai Dong
Wei Zhihai
Wang Haotao
Wang Guangxi
Tong Jingen
Wang Shanpo
Pan Qing

STRATEGY AND INVESTMENT COMMITTEE

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

AUDIT COMMITTEE

Lin Zhijun *(Chairman)*
Ouyang Minggao
Chen Zheng
Wang Guangxi
Tong Jingen

REMUNERATION COMMITTEE

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

HEAD QUARTER

165 Yingxiongshan Road
Jinan, Shandong Province
China
Postal code: 250002

REGISTERED OFFICE IN HONG KONG

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

COMPANY SECRETARIES AND AUTHORIZED REPRESENTATIVES

Tong Jingen
Kwok Ka Yiu

PRINCIPAL BANKERS

Industrial and Commercial Bank of China - Jinan Branch, Tianqiao Sub-branch
Bank of China - Jinan Branch
Agricultural Bank of China- Jinan Branch, Huaiyin Sub-branch
China Construction Bank - Jinan Branch, Tianqiao Sub-branch

LEGAL ADVISERS

Hong Kong
Sidley Austin

PRC
DeHeng Law Offices

AUDITOR

PricewaterhouseCoopers

SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited

COMPANY WEBSITE

www.sinotruk.com

STOCK CODE

3808

INVESTOR RELATIONS

Securities Department

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

PUBLIC RELATIONS CONSULTANT

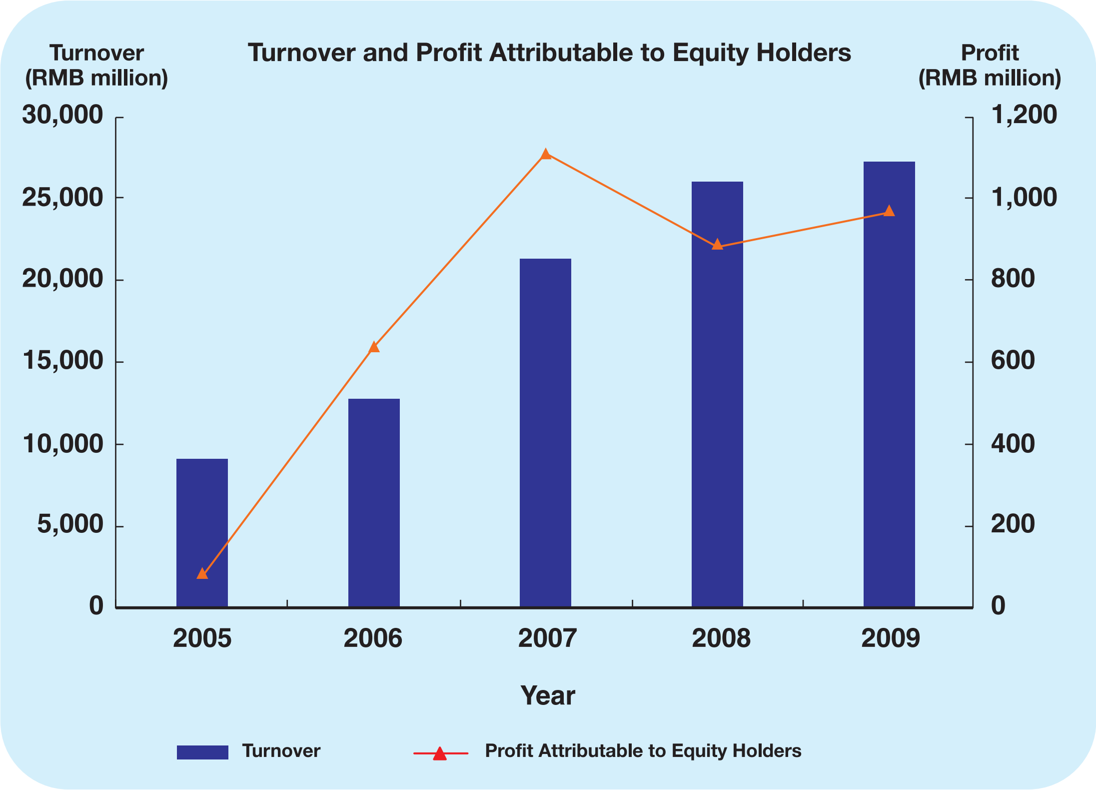
Christensen
Tel: (852) 2117 0861
Email: sinotruk@christensenir.com

Highlights

KEY FIGURES

	2009	2008	Increase/ (Decrease)
Operating results (RMB million)			
Turnover	27,223	26,000	1,223
Earnings before interest and tax	1,720	1,538	182
Profit attributable to equity holders of the Company	965	881	84
Profitability			
Gross profit margin	14.0%	14.0%	—
Operating profit margin	5.4%	4.8%	0.6%
Net profit margin	4.2%	4.3%	(0.1%)
Liquidity			
Current ratio (time)	1.6	1.4	0.2
Inventory turnover (days)	83.2	78.2	5.0
Trade receivable turnover (days)	65.5	42.0	23.5
Trade payable turnover (days)	115.5	91.6	23.9
Per share data			
Earnings per share - basic (RMB)	0.44	0.39	0.05
Dividend per share (HKD)	0.06	0.04	0.02
Share information *(as at 31 December)*			
Number of issued shares (million)	2,761	2,174	587
Market capitalisation (RMB million)	22,049	10,006	12,043

- Turnover at RMB27,223 million, 4.7% increase
- Heavy duty truck sales volume at 102,776 units, 2.7% increase; export volume at 8,502 units, 45.6% decrease
- Profit attributable to equity holders at RMB965 million, 9.5% increase
- Basic earnings per share at RMB0.44, 12.8% increase
- Proposed final dividend at HKD0.06, 50% increase
- Establishment of strategic partnership with MAN SE
- Approval of establishment of the only state-level research center for heavy duty truck production technology in PRC
- Significant increase in market capitalisation by 120% to RMB22 billion



Business and Organisation Structure

Business

The Group specialises in the research, development and manufacture of heavy duty trucks and related key parts and components. Our principal products include cargo trucks and truck chassis with GVW over 14 tons as well as semi-tractor trucks with trailing capacity over 12 tons. Our major product series include HOWO-A7, HOWO, Sitaier King, Sitaier and Huanghe, each is further divided into various subseries to target different segments of our market. We are one of the PRC heavy duty truck manufacturers who possess the most complete range of drive-type trucks with the largest variety in tonnages. Through our diverse product portfolio, we service a wide range of customers from all major industries that utilize heavy duty trucks, including infrastructure, construction, container transportation, logistics, mining, steel and chemical industries.

Heavy duty trucks are our key products. The Group also manufactures most key parts and components used in manufacturing heavy duty truck, such as engines, cabins, axles and gear. We are one of the few PRC heavy truck manufacturers that have the ability to design, innovate and produce heavy duty truck as well as have a most complete production chain. We produce most of the engines for our truck production and sell truck engines, industrial and construction machinery engines to third parties. Our products are not only sold domestically but also exported to other countries and districts.

The Group is organised into three operating segments according to the nature of products and services provided:

(i) Trucks

Our Trucks segment comprises of Sinotruk Ji'nan Truck Co., Ltd., Sinotruk Ji'nan Commercial Truck Co., Ltd., Sinotruk Ji'nan Axle & Transmission Co., Ltd., Sinotruk Import & Export Co., Ltd., Sinotruk Mianyang Special Vehicle Co., Ltd., Sinotruk Liuzhou Yunli Special Vehicle Co., Ltd., Sinotruk Hubei Huawei Special Vehicle Co., Ltd. and etc. They are responsible for production of heavy duty truck and components such as axles, domestic and export sales, truck refitting business and manufacture of special trucks.

(ii) Engines

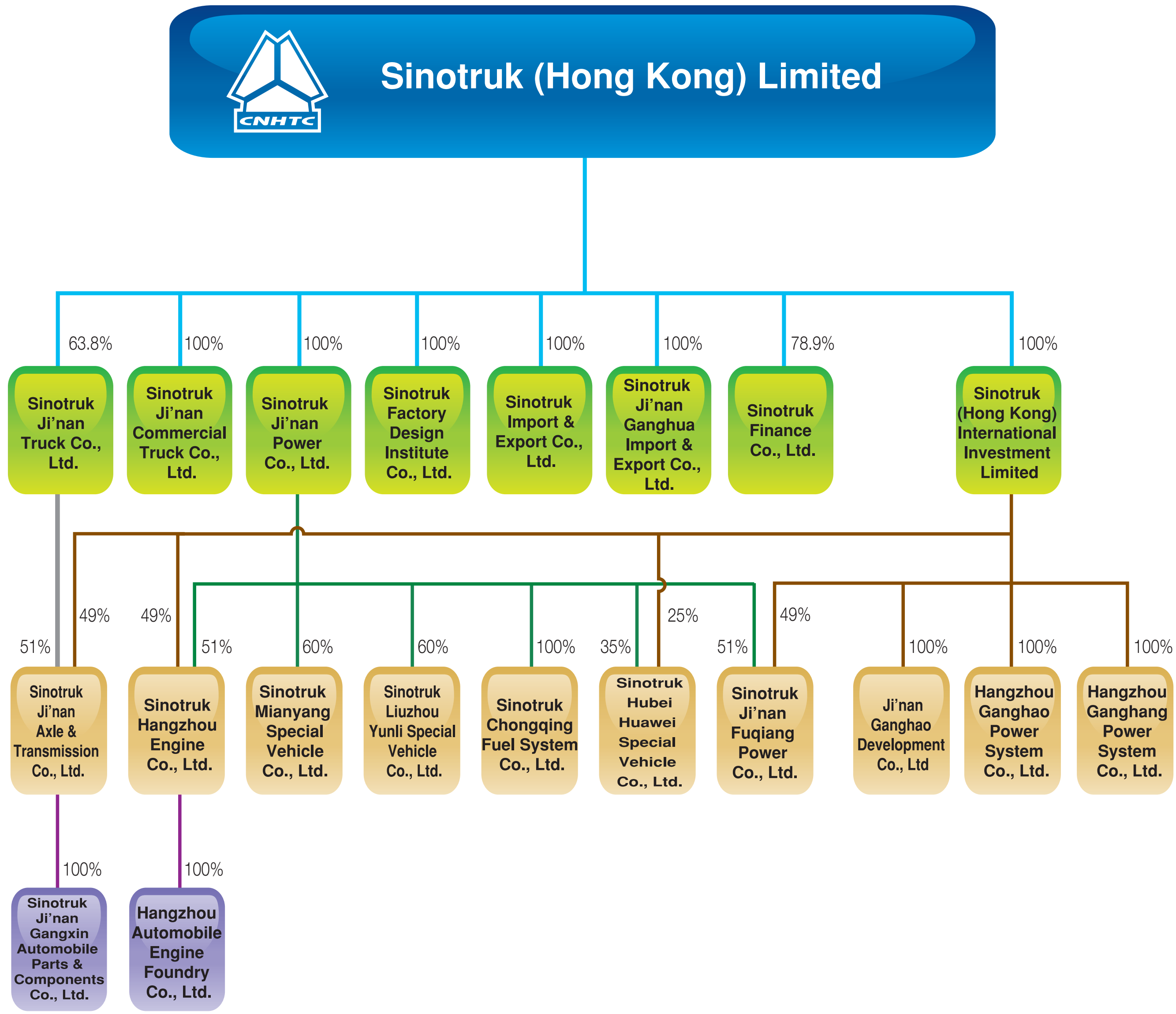
The Engines segment mainly comprises of Sinotruk Jinan Power Co., Ltd., Sinotruk Hangzhou Engine Co., Ltd., Sinotruk Ji'nan Fuqiang Power Co., Ltd., Sinotruk Chongqing Fuel System Co., Ltd. and etc. They are mainly responsible for manufacture of engines, engine parts, gear, various types of casting and forging as well as sales of engines.

(iii) Finance

Sinotruk Finance Co., Ltd. is the key subsidiary in carrying out financial services. It provides member companies various financial services such as deposits taking services, borrowings facilities, notes and bills discounting services, provision for guaranteed vehicle consumer loans and etc. to support the Group's principal business.

Organisation Structure

As at 31 December 2009



Chairman's Statement

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors"), I would like to present the annual results for Sinotruk (Hong Kong) Limited ("Sinotruk" or the "Company") and its subsidiaries (together, the "Group") for the year ended 31 December 2009 ("period under review").

Review

2009 was a difficult year for China's economy in the new century. The economic doldrums of the second half of 2008 continued well into the first half of 2009 in the country. It was only in the second half of 2009 that China's economy began to gradually recover, stabilise and regain growth on the back of the government's measures to stimulate the economy. The country's heavy duty truck market declined in the first half of the year but grew in the second half. This was in tandem with the trend of China's economy.

In face of the global financial crisis, the Group maintained its course of development on the right track because it adopted scientific and rational approaches to development and operation. It also emphasised efficiency and precision. According to China Association of Automobile Manufacturers (CAAM)(中國汽車工業協會), the Group and China National Heavy Truck Group Limited ("Parent Company" or "CNHTC") together sold 124,726 heavy duty trucks in 2009, or 11.94% more than in 2008. The Group has a leading position in the market segment for heavy duty trucks for construction projects, which is dominated by tippers.

During the period under review, the Group's turnover rose 4.7% to RMB27,223 million; its profit before income tax increased by 11.3% to RMB1,446.5 million; its net profit attributable to equity holders increased by 9.5% to RMB965 million.

During the period under review, the Group achieved progress in its operations as it insisted on development through innovation as its strategy. This has resulted in an overall technological upgrade and higher quality for its heavy duty trucks. In particular, the HOWO-A7 series has been optimized through a new round of technological upgrade.

The Group also made a breakthrough in research and development of key components. It launched a technologically advanced 12-Litre engine, AMT gear box and disc brakes, which have been recognised by the market.

Investment in technological upgrade increased, resulting in a comprehensive production chain. In particular, the Group's modernised axle production base, which is the largest of its kind in China, was completed and launched into production.

We also closely gauged the pulse of the market by improving the sales and marketing network. Enhancement of internal control and precision management proved effective. We carried out quality control and testing on the production line and have achieved consistency in yielding quality products. This has shown the enhanced management standards.

Ma Chunji
Chairman

International cooperation and acquisition

During the period under review, the Company and MAN SE entered into agreements for long-term strategic cooperation and for MAN SE to become a strategic investor in the Company. The agreements, which have already taken effect, allow the Group to acquire internationally advanced heavy duty truck technology, which will help facilitate its technological upgrade. Meanwhile, the localisation of the advanced foreign technology will help reduce production cost. The Group will have enhanced competitive strength in the international market as it will be able to supply new products with leading technology and cost advantage.

The internationally renowned truck part and component companies such as MANN+HUMMEL（曼 • 胡默爾）, Behr （貝洱）and WABCO have followed ZF and VOSS to set up production facilities in Sinotruk's production base to supply quality components and parts to the Group. Moreover, the adoption of the suspension system from Hendrickson of the United States has enhanced the quality and efficiency of Sinotruk's products.

During the period under review, the Group acquired Hubei Huawei Special Vehicle Manufacturing Co., Ltd.（湖北華威專用汽車製造有限公司) with an aim of beefing up the Group's capability for refitting. The acquisition has solved the bottleneck problem of the Group's refitting business. The Group also captured the business opportunity of rebuilding in Sichuan after an earthquake by establishing a joint venture Sinotruk Mianyang Special Vehicle Co.,Ltd.（中國重汽集團綿陽專用汽車有限公司）. It also acquired a 49% stake in Ji'nan Fuqiang Power Co., Ltd. to facilitate cooperation with MAN SE in component and part production. The Group's wholly-owned subsidiary Sinotruk Jinan Power Co., Ltd. acquires the entire equity stake in CNHTC Ji'ning Commercial Truck Co., Ltd. ("Ji'ning Commercial Truck"), which is the Parent Company's wholly-owned subsidiary, with an aim to reduce competition and connected transaction between the Group and its parent company. The acquisition has fulfilled the Company's promise as stipulated in its prospectus, and at the same time allows Ji'ning Commercial Truck to share resources with the Group to achieve synergy and economy of scale. It will also broaden the Group's product range, helping boost its competitive strength. The acquisition is in progress following to formality and requirements.

Dividend

In view of the good results for 2009 and the good financial position of the Group, the Board recommended a final dividend of HKD0.06 per share for the financial year ended 31 December 2009 representing 50% increase.

Prospect and Strategy

We believe the global economy in 2010 will be better than that in 2009. The trend of China's economic recovery has gathered momentum and the improved national economy should benefit the development of heavy duty truck industry.

The Group will capture the opportunities in the industry and adopts measures to boost its development. These measures are:

1. To effectively carry out the marketing of new products and continue to maintain the Group's leading position in the country's heavy duty truck technology.
2. To achieve breakthrough in building the sales network. In particular, to keep the Group's leading position in the market for heavy duty trucks for construction projects; to boost the Group's share of the market for cargo trucks by speeding up the establishment of a sales network for tractor trucks and through closer cooperation with distributors.
3. To positively localise internationally advanced technology according to the corporation agreements with MAN SE.
4. To step up efforts to expand overseas market through optimising the functions and structure of the import / export department.
5. To diversify into production of coaches with an aim to optimise the product mix and enhance profitability.

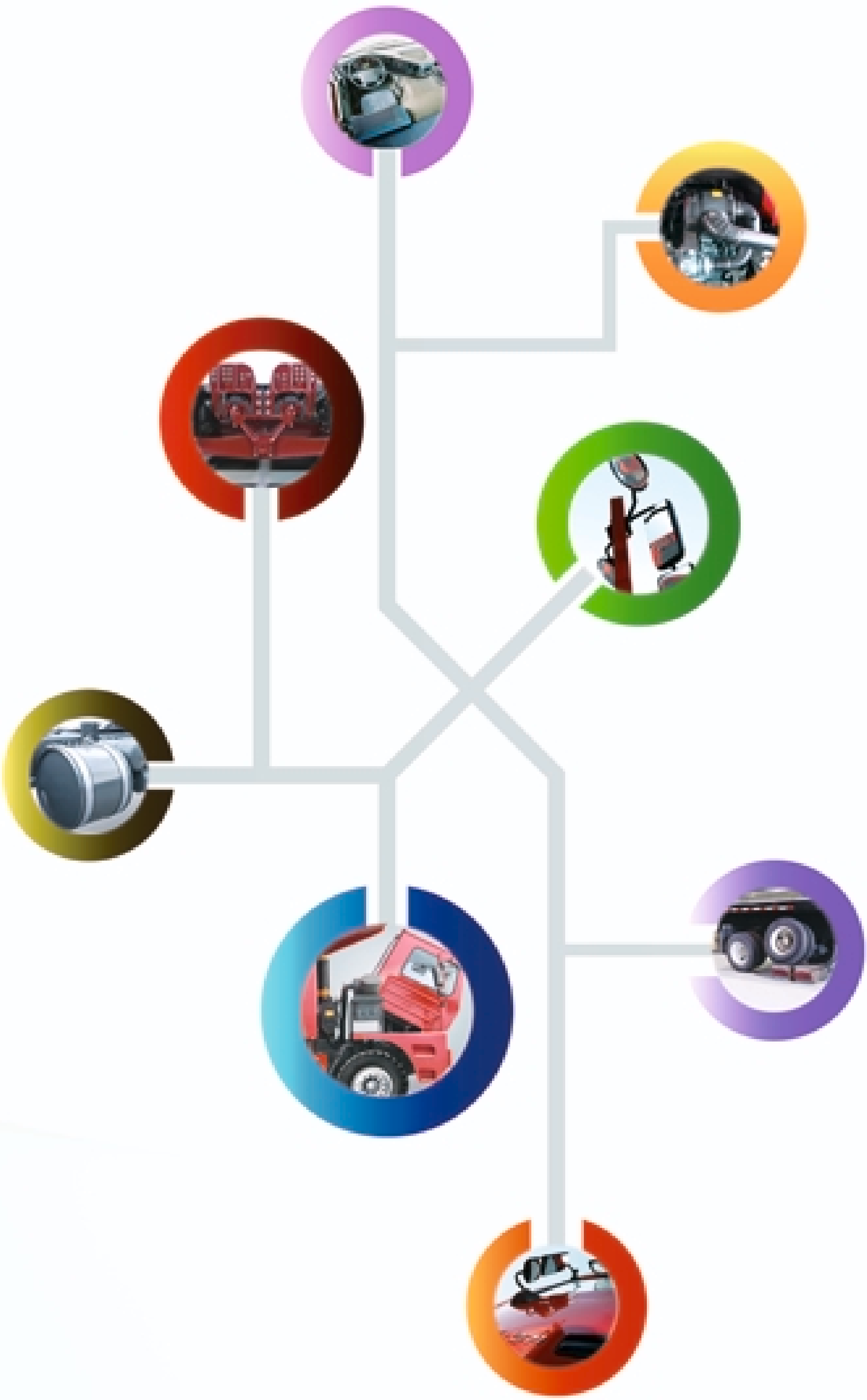
Appreciation

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

Chairman

23 March 2010

Continue to Stride Forword



Management Discussion and Analysis

Market Overview

During the period under review, the PRC domestic heavy duty truck market declined in the first half of 2009 but grew in the second half. This was in tandem with the trend of China's economy. The structure of the demand for heavy duty truck also changed. In the first half of 2009, the start of infrastructural projects stimulated demand for heavy duty trucks for construction projects, especially the tippers. In the second half of 2009, the recovery of economy led to higher volume in cargo transportation, which in turn generated big demand for cargo trucks, especially tractor trucks. According to China Association of Automobile Manufacturers (CAAM)（中國汽車工業協會）, about 636,000 heavy duty trucks (of more than 14 tons) were sold in China in 2009, or 17.7% more than in 2008.

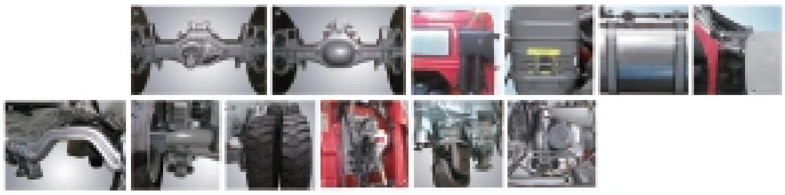
Review of operations

Trucks segment

During the period under review, the Group's heavy duty truck sales grew by 2.7% to 102,776 units. Truck sales (including sales of components and internal consumption) increased by 4.9% to RMB25,634 million as a result of increase in volume sold.

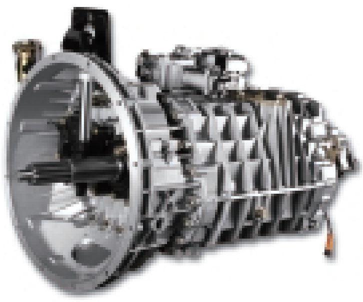
In the first half of 2009, a number of infrastructural projects commenced under the government-led investment drive. This generated large demand for tippers and concrete mixer trucks. As a result, the demand for heavy duty trucks for construction projects accounted for a higher proportion of the total demand. The Group capitalised on its competitive advantages in this niche market and its well established network for sales and refitting to boost its market share. In March 2009, the Group and its Parent Company together produced and sold more than 18,000 heavy duty trucks, breaking the monthly record. In the second half of 2009, the domestic demand for cargo trucks recovered. While the Group maintained the growth momentum in sales of trucks for construction projects, the Group's cargo truck sales increased.

During the period under review, the Group continued to actively build up and optimise its networks for sales, after-sales services, component provision and refitting, with emphasis on the establishment of 4S centers (independent shops that exclusively sells the Group's trucks and components, provide after-sales services and gather market intelligence) and Sinotruk brand franchise stores. As a result, a solid framework of the four mutually dependent businesses of sales, refitting, services and component provision has been established. The Group has raised the standard and efficiency of its sales and after-sales services through intensive training of its sales and after-sales services staff in business operation and repair know-how.



During the period under review, the refitting business made new progress. As the government stepped up its efforts to invest in the infrastructural projects in the country's western region, the demand for heavy duty trucks continued to grow there in tandem. In order to beef up its capability for truck refitting and to consolidate and expand its market share in the country's western region, the Group established joint ventures such as Sinotruk Mianyang Special Vehicle Co., Ltd.（中國重汽集團綿陽專用汽車有限公司）and Sinotruk Baotou Xinhongchang Special Vehicle Co., Ltd.（中國重汽集團包頭新宏昌專用車有限公司）, following its acquisition of Liuzhou Yunli Special Vehicle Co., Ltd.（柳州運力專用汽車有限公司）and Hubei Huawei Special Vehicle Manufacturing Co., Ltd.（湖北華威專用汽車製造有限公司）. As the two joint ventures were launched into operation, the Group's capability for refitting has been enhanced and the coverage of its refitting network has been optimized. The refitting network also boosted the development of the Group's sales network in the western region and thus boosted its market share.

During the period under review, the Group offered 851 models of China III emission standards to satisfy various demand. It has established a comprehensive sales service network that comprises 821 distributors (47 more than in 2008) selling the Group's products in the country, including 175 4S centers (25 more than in 2008), 180 shops under Sinotruk's own brand, 1,110 services stations (243 more than in 2008) which provide quality after-sales services for users of the Group's products, and 1,016 shops (382 more than in 2008) which supply the Group's components

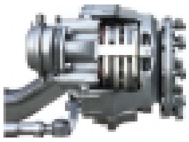


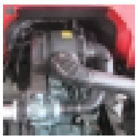
(including 44 component sales centres), and 226 refitting companies (23 more than in 2008) which provide refitting services to the Group's customers.

International demand for heavy duty trucks continued to be depressed by the decline in global economy during the period under review. China's heavy duty truck export was faced with challenging market conditions. The Group's heavy duty truck export decreased by 45.6% to 8,502 units.

Although the global economy has now shown signs of recovery, different economies have mixed performance. The recovery of the global economy has been slow and difficult. There is still obstacle to a full recovery of the international market for heavy duty trucks. The Group will actively adopt measures to cope with the challenges and look set to capitalise on the recovery of the international market for heavy duty trucks. Such measures include optimisation of functions and structure of the import/export department; finer segmentation of the international market; spearheading the development of the Group's overseas business units and marketing and sales network. The Group will divide its overseas business into major geographical areas and establish regional departments there. It will also establish offices and representative offices under each regional department. It will also restructure its overseas sales and support operations.

Management Discussion and Analysis





Engines segment

During the period under review, the Group's annual engine production capacity was 200,000 units. The Group's engine production supplies to its own heavy duty truck production as well as connected parties and other manufacturers of heavy duty trucks, coaches and engineering machinery. The Group aims to raise the proportion of external sales in the total sales of the engine segment and to increase its domestic market share.

During the period under review, sales volume of engine segment rose by 18.3% to 133,616 units, and engine sales (including sales of components and internal consumption) increased by 17.3% to RMB7,907 million. External sales accounted for 21.8% of the Group's engine sales.

After years of research and development, the Group leads the domestic industry in terms of the quality and energy saving of engines. In order to meet the government's higher requirement for vehicle exhaust gas emission, the Group has successfully developed a proprietary engine which meets China IV emission standards. In addition, the Group continued to raise the upper limit of the power range of its engines. It has succeeded in developing a 12-litre large horse power engine and has begun installing them in its heavy duty trucks for sales. It has also developed engines fuelled by compressed natural gas and liquefied natural gas. The key components of the engines are of leading international and domestic brands. The Group not only ensures that most of the natural gas engines' components are common to those used in the diesel engines of China III emission standards but also redesigns some of the components to make the engines fit for natural gas combustion. As a result, the Group's engines have a leading position in domestic market in terms of power, reliability and economic efficiency. Presently, the Group's products including tractor trucks and tippers are compatible with natural gas engines. This type of trucks will have good market prospect in natural gas-rich regions such as Xinjiang and other overseas markets.

Finance Segment

In 2009, external income at the Group's finance segment decreased by RMB50 million to RMB65 million, compared with RMB115 million recorded in 2008. The decrease was mainly due to the reduction in its discounting bill business and the decrease in discount rates.

In order to allow Sinotruk Finance Company Limited to fulfill its finance function and to satisfy the domestic consumers' demand for loans to purchase heavy duty trucks. From 2010, the Group will, with tight risk control and emphasis on profitability, take great efforts to develop the vehicle loan business principally undertaken by Sinotruk Finance Company Limited. The business model mainly includes mortgages business, automobile loan insurance business and comprehensive credit business to guarantor. We believe various business categories are able to meet different consumers' needs on consumption credit.

Investment and Capacity

During the period under review, the main purpose of the Group's substantial project investments was to enhance production technology, product quality and capacity for producing finished trucks, engines, gearbox and forged parts. The completion of the axles production base removal project put the Group's axle production in the leading position in China. The technology of production of axle, the vehicle's case, assembly and painting reached international standards. The Group thus became the largest producer of quality axle in China.

During the period under review, the Group's capital expenditure was approximately RMB2.72 billion. The Group had established more than 30 production lines for heavy duty truck assembly and key parts production. The Group had production bases and research and development centers for heavy duty trucks, engines, axles and gearbox in Jinan and engines in Hangzhou. The Group also owned refitting enterprises, namely Sinotruk Liuzhou Yunli Speical Vehicle Co., Ltd. ("Liuzhou Yunli"), Sinotruk Hubei Huawei Speical Vehicle Co., Ltd. ("Hubei Huawei") and Sinotruk Mianyang Speical Vehicle Co., Ltd. ("Sinotruk Mianyang"). These enterprises had a combined annual production capacity of 150,000 heavy duty trucks and 200,000 engines. The production management and capability will be more scientific and market oriented.

According to the analysis of market demand and the fluctuation in monthly demand in the industry, the Group's overall production capacity was able to meet the market demand and was able to remain at higher utilisation rate. Meanwhile, the Group's current capacity is able to meet the market demand during peak season with its current capacity by adjusting internal production schedule and increasing key parts inventory.

New product development

During the period under review, the Group continued to lead the development of domestic heavy duty truck and technology by improving and enhancing the entire series of current products. Meanwhile, it also developed new heavy duty trucks and key parts because new products are key factors to increasing market share.

Heavy duty truck

During the period under review, the Group launched the most advanced HOWO-A7 series tractors. Because of the technological advantages and outstanding performance, the HOWO-A7 series products were instantly well-recognised by the market and sales continued to increase. The Group therefore further upgraded the series of HOWO-A7 products to meet the market demand; new products such as concrete mixer, tipper and platform trucks were developed and launched to the market.

Numerous practices and users' experiences were collected accumulatively in the production of HOWO Mine King Dumper (HOWO 礦山王) and HOWO Mine Overload Dumper (HOWO 礦山霸王) . The models were developed in accordance to the characteristics of tipper for mining used and the technology of special truck. We believe the launch of HOWO Mine King Dumper and HOWO Mine Overload Dumper will further consolidate the Group's position in the market segment of tipper for mining.

Energy saving and emission reduction are principle issues currently encountered by all countries. The Group had successfully developed natural gas ("NG") trucks in line with the global and domestic market demand. It will launch the NG trucks to the market. In addition, these NG trucks were environment-friendly and economical. With the installation of powerful NG engines, we believe these NG trucks will have a good market potential in the future.

Key parts

In order to accommodate the demand of the assembly of the new truck models, the Group continued to develop various gearboxes, such as 12-gearshift and 10-shift AMT gearbox, following the launch of 16-shift AMT gearbox and 10-gearshift in 2009. As a result, it was able to widen the power range of HOWO gearbox to fit various engines, enlarge the range of torque and increase the number of shifts.

To reduce the weight of heavy duty trucks and hence boost the sales of tractors, the Group, while ensuring the products' reliability, introduced components of new technology such as Hendrickson rubber frame suspension system and gearbox with aluminium alloy case. As a result, the Group manufactures the lightest tractor among domestic heavy duty trucks of the same power to help users enhance transportation efficiency.

The Group had developed AC drive axles of 16 tons and 26 tons by taking into account users' conditions and product benefits. These drive axles were ratified to be of the highest standard in PRC, approaching or the same as international standards. In 2010, all branded tippers are installed with AC16 axle except for the model of Sitaier King. The Group will maintain its technological advantages in tippers.

Research and development

The Group's strong technological research and development capability enables the continuous innovation of new products. The Group increased the investment in technological research and development in recent years. Our research and development are principally carried out in our technical centre. This center has the best heavy vehicle engineering talent in China. Our research and development maintained a top position in China since we have the most advanced design platform and laboratory equipment. Also, we have been assigned to lead the heavy duty truck research project in State Plan 863.

During the period under review, the Group was approved by the PRC Ministry of Science and Technology to establish the state-level research center for heavy duty truck production technology ("Research Center"). The Research Center is the only state-level research center for heavy duty trucks in China. The establishment of the Research Center will provide support for the enhancement of the Group's research and development capability and technology advancement. It will promote the application of the most advanced heavy duty truck technology.

The Group places emphasis on the application for patent rights. We believe it is an essential factor in business success. As at the end of the period under review, the Group and its parent company together had applied for 1,310 patents, in which 1,074 patents had been granted. They continued to rank first in the domestic heavy duty truck industry in terms of the number of patents owned.

Material Investment and Cooperation

In April 2009, Sinotruk Jinan Power Co., Ltd.（中國重汽集團濟南動力有限公司）("Jinan Power") reached an agreement with minority shareholder of Liuzhou Yunli that both parties, according to their equity proportion, contributed additional capital at total of RMB26,530,000.

In May 2009, Jinan Power signed an agreement with Sichuan Fulin Industrial Group Co., Ltd.（四川富臨實業集團有限公司）and Mianyang Hi-tech Zone Heping Automobile Co., Ltd.（綿陽高新區和平車業有限公司）to establish Sinotruk Mianyang Special Vehicle Co., Ltd.（中國重汽集團綿陽專用汽車有限公司）with a registered capital of RMB50 million. Jinan Power invested RMB30 million, representing 60% of the total investment. Sinotruk Mianyang Special Vehicle Co., Ltd. is principally engaged in the manufacturing and sales of special vehicles, key parts and commercial vehicles.

In June 2009, Jinan Power and Sanhe City Xinhongchang Special Vehicles Co., Ltd.（三河市新宏昌專用車有限公司）signed a joint-venture agreement to establish Sinotruk Baotou Xinhongchang Special Vehicle Co., Ltd.（中國重汽集團包頭新宏昌專用車有限公司）with a registered capital of RMB50 million. Jinan Power contributed RMB7.5 million in cash, representing 15% of the investment. Sinotruk Baotou Xinhongchang Special Vehicle Co., Ltd. is principally engaged in the manufacturing and sales of special vehicles, key parts and commercial vehicles, as well as export and import businesses.

In July 2009, the Company, among others, entered into the cooperation agreements (the "Cooperation Agreements") with MAN SE, a renowned German industrial group with internationally leading truck technologies to form a long term strategic partnership involving capital investment and technology license. Under the Cooperation Agreements, the Company's controlling shareholder, Sinotruk (BVI) Limited, agreed to sell and MAN Finance and Holdings S.á.r.l. ("MAN"), a wholly-owned subsidiary of MAN SE, agreed to purchase 91,185,497 existing shares of the Company, and the Company agreed to issue and MAN agreed to subscribe the convertible note convertible into 599,062,839 new shares of the Company, with both the share purchase price and conversion price being approximately Euro 0.8113 per share. Pursuant to the terms of the Cooperation Agreements, upon closing of the Cooperation Agreements and the full conversion of the convertible note, the Company's Parent Company will hold 51% of the then issued share capital of the Company through Sinotruk (BVI) Limited, while MAN SE will become a holder of 25% plus one share of the then issued shares of the Company through MAN. Subject to the terms and conditions of the Cooperation Agreements, MAN Nutzfahrzeuge AG ("MN"), a wholly-owned subsidiary of MAN SE, will grant relevant members of the Group the exclusive license to use its advanced truck and engine technology in mainland China, and the parties will have shared global distribution rights in specified territories with respect to the technology-upgraded trucks manufactured by the Group utilising MN's licensed technology. The Cooperation Agreements have been approved by the shareholders of the Company at the Company's extraordinary general meeting on 12 August 2009. Closing of the Cooperation Agreements took place on 7 October 2009 and MAN had completed the conversion of convertible note in full on 8 December 2009.

In October 2009, Sinotruk (Hong Kong) International Investment Limited agreed to purchase a 49% equity interest in Ji'nan Fuqiang Power Co., Ltd.（濟南復強動力有限公司）at the consideration of USD6,000,000. The acquisition had been completed.

In November 2009, Jinan Power signed an agreement with the Parent Company to acquire 100% equity interest in CNHTC Ji'ning Commercial Truck Co., Ltd.（中國重汽集團濟寧商用車有限公司）at the consideration of not more than RMB97,401,300. CNHTC Ji'ning Commercial Truck Co., Ltd. is principally engaged in the manufacturing and sale of heavy duty trucks used for mining. The acquisition is still in progress.

In addition, the subsidiaries of the Group executed transfer of equities during the period under review. Jinan Power transferred its holding of 49% equities in Sinotruk Hangzhou Engine Co., Ltd. and 49% equities in Sinotruk Jinan Axle & Transmission Co., Ltd. to Sinotruk (Hong Kong) International Investment Limited.

Human Resources

As at the end of the period under review, the Group had a total of 16,242 employees. The Group cares about the development and use of human resources. We will follow Labour Contract Law of PRC to optimise the allocation of human resources. A scientific work plan was able to solve the shortage of human resource under different market conditions. It could plan the allocation of human resources and introduce different types of professionals to certain positions.

The Group places emphasis on cultivating high caliber people. It continues to increase investment in human resources development and increase the number of technicians and skilled talent for operations through a combination of internal and external training programmes in order to meet the needs of the Group's fast-growing business.

In order to motivate the employees, the Group pegs their salaries to business and individual performance. It also continues to improve remuneration system and establish a mechanism to standardise staff's appraisal.

Prospects

China's economy will maintain its momentum of rapid growth in year 2010. The Government will further expand the investment in infrastructure. The continuous recovery of the economy will also boost the cargo transportation volume. The Group will adopt various measures to seize market opportunity.

1. To improve marketing for new products. We will convert product advantages into market advantages. Moreover, we will establish "Sinotruk" as a brand of leading technology. Sinotruk will continue to lead the industry in the development of heavy duty truck technology in China.

2. To realise a break-through in establishment of sales network. We will step up efforts to build the sales network as the demand for the Group's products grows. This will also help to solve the problem of unbalanced development of different regional sales network. In order to enlarge our share of the market for cargo trucks, we will keep consolidating our advantages in sales of heavy duty truck for construction projects, and at the same time will accelerate the development of our cargo trucks sales network. In addition, we will step up our efforts to boost sales through closer cooperation with distributors.

3. According to the Cooperation Agreements signed with MAN SE, we will actively localise the German partner's technology and the production of trucks which adopt MAN SE's technology. Meanwhile, we will expand the international market through cooperation with MAN SE as well as to increase investment in the projects with MAN SE as planned. Such projects include the construction of production facilities and factories.

4. To do a good job with the export business. We will increase efforts to reform our import/export department. We will also capitalise on the opportunities in China's plan of offering assistance to foreign countries' infrastructural constructions, which will generate demand for heavy duty truck. Moreover, we will step up the efforts to train our import / export department with an aim of enhancing the quality of after-sale services. We will continue to develop our international sales and marketing network in order to increase exports.

5. To diversify our product mix by introducing coaches into the market. The move will help to raise the Company's profitability. We will increase the volume of coach production and step up efforts in research and development of coaches in view of the bright prospects of the coach industry.

Financial review

Turnover, gross profit and gross profit margin

For the year ended 31 December 2009, the Group's turnover rose by RMB1,223 million or 4.7% to RMB27,223 million (2008: RMB26,000 million). The increase in turnover was mainly contributed by the growth in truck sales.

Gross profit increased by RMB165 million or 4.5% to RMB3,806 million (2008: RMB3,641 million). Gross profit margin remained unchanged at 14.0% (2008: 14.0%). The increase in gross profit was mainly contributed by the growth in truck sales.

Distribution costs

Distribution costs increased from RMB1,371 million for 2008 to RMB1,503 million for 2009, rising by RMB132 million or 9.6%. The increase was due to (i) the increase in advertisement and promotion of brand names at domestic and overseas markets and (ii) higher warranty expenses as a result of more trucks sold.

Administrative expenses

Administrative expenses increased from RMB986 million for 2008 to RMB1,086 million for 2009, growing by RMB100 million or by 10.1%. The increase was mainly due to (i) increase in research and development expenses and (ii) the expansion of the Group's operation scale.

Other gains/losses – net

There was a net other gain of RMB265 million in year 2009 against the net other losses of RMB36 million in year 2008. The turnaround was mainly due to a fair value gain in financial assets and significant decrease in foreign exchange losses.

Financial costs/income – net

Net financial costs for 2009 was RMB36 million against the net finance income was RMB50 million for 2008. The net financial costs was mainly resulted by the decrease in deposit interest rate, decrease in interest income and increase in interest expense as a result of larger loan portfolio.

Income tax expense

Income tax expense increased by RMB117 million or 62.9% to RMB303 million in year 2009 from RMB186 million in year 2008. The main reason is due to the entitlement of a tax benefit in respects of revaluation of certain assets in year 2008 causing the reduction of that year tax expenses.

Profit for the year and earnings per share

Profit for the year ended 31 December 2009 increased by 2.8% to RMB1,144 million from RMB1,113 million in 2008. The basic earnings per share attributable to the equity holders of the Company in year 2009 increased by 12.8% from RMB0.39 in 2008 to RMB0.44 in year 2009.

Net proceeds from the 2007 Global Offering

The Board announced on 24 August 2009 that the remaining unutilized net proceeds from 2007 Global Offering for the purposes other than general working capital of approximately HKD1,926.9 million had been re-allocated as general working capital of the Group.

Cash flow

During the year ended 31 December 2009, net cash inflow from operating activities was about RMB1,712 million. Compared with net cash outflow from operating activities at RMB944 million in year 2008, the cash flow from operating activities increased by RMB2,656 million. It was mainly contributed by (i) changes in business policies, the cash sales to total sales increased and (ii) the increase in use of commercial bills to settle the purchases.

Net cash outflow from investing activities in year 2009 was RMB2,156 million, a decrease of RMB559 million compared to that of previous year. The decrease was mainly due to the significant reduction in cash spent for acquisition of property, plant and equipment.

In year 2009, net cash inflow from financing activities was RMB5,104 million while it was RMB315 million in year 2008. The cash inflow from financing activities was increased by RMB4,789 million. The significant increase was due to the issue of convertible note.

Liquidity and Financial Resources

The Group had cash and cash equivalents of RMB11,373 million, fixed deposit of RMB1,038 million and bank acceptance bills of RMB3,247 million at 31 December 2009. Cash and cash equivalents, fixed disposit and bank acceptance bills recorded an increase of RMB4,651 million , RMB1,038 million and RMB1,129 million respectively as compared with those of year 2008. The Group's total borrowings (including long-term and short-term borrowings) were about RMB8,526 million as at 31 December 2009. Its gearing ratio was 22.1% (2008: 28.0%), which was calculated by dividing borrowings by total assets. 87.6% (2008: 99.8%) of borrowings were made in RMB. Most of the borrowings had floating rates, which were lower than the bank benchmark interest rate, and were due within one year. The current ratio (total current assets divided by total current liabilities) as at 31 December 2009 was 1.6 (2008: 1.4).

As at 31 December 2009, the Group's total available credit facilities amounted to RMB 22,542 million, of which RMB7,512 million had been utilised. A total net book value of RMB3,818 million of the Group's deposits and bank deposits was pledged to secure its borrowings and loan facilities. Sinotruk Finance Co., Ltd. had made mandatory deposits at RMB240 million to PBOC for its financial operations. The Group meets the daily liquidity needs by matching operating cash flow patterns with funds on hand and enhances its liquidity by way of application of longer credit periods from suppliers, utilisation of banking facilities and issue of bills such as short-term commercial acceptance notes and bank acceptance notes.

Financial Management and Policy

The finance department is responsible for financial risk management of the Group. One of our key financial policies is to manage exchange rate risk. Our financial policy prohibited the Group from participating in any speculative activities. As at 31 December 2009, most of the Group's assets and liabilities were denominated in RMB, except for fixed deposit, restricted cash and bank deposits of foreign currencies which are totally equivalent to approximately RMB3,293 million, accounts receivable of approximately RMB433 million, foreign currency borrowings of approximately RMB1,059 million and accounts payable of approximately RMB71 million which were denominated in foreign currencies.

Capital Structure

As at 31 December 2009, owner's equity was RMB18,205 million, representing an increase of RMB5,761 million or 46.3% when compared with RMB12,444 million at the end of the last year.

As at 31 December 2009, the Company's market capitalisation was RMB22,049 million (calculated by issued share capital: 2,760,993,339 shares, closing price: HKD9.07 per share and at the exchange rate of 0.88048 between HKD and RMB).

Going Concern

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

Contingent Liabilities, Legal Proceedings and Potential Litigation

During the period under review, the Group was not involved in any litigation, arbitration or administrative proceedings that could have a materially adverse effect on its financial condition and results of operations. The Group estimates that the total amount of claims of all lawsuits is approximately RMB22 million. The total provision for legal claims was RMB3 million. The Group has already made full provisions for claims with high risk of loss, and, as such, it did not have other material contingent liability with respect to legal claims to declare.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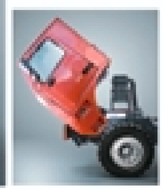

Directors and Senior Management

Executive Directors

Ma Chunji (馬純濟), aged 56, is the chairman of our Board. Mr Ma is a senior economist with over 30 years' experience in government, corporate management and strategic planning. Mr Ma graduated from the Central Party College in 1995 with a diploma in economic management. He is currently the vice-chairman of China Association of Automobile Manufacturers (中國汽車工業協會) and a member of the Eleventh National People's Congress. Mr Ma joined us in August 2000. Mr Ma received a "National Model Worker" award from the State Council in 2005. In 2006, he was conferred a lifetime membership at the World Confederation of Productivity Science (世界生產力科學院) and was awarded the title "Star Entrepreneur of Jinan City (濟南市明星企業家)" in 2007, the title "Shandong Province Top Ten Confucianist Merchants" (山東省十大儒商) in 2008, and in 2009 the title "Brilliant 60 years, Top Ten Persons of the Year in Automobile (輝煌60年中國十大汽車風雲人物)" and the title "Top Hundred of Heroic Models in Shandong Province for Outstanding Contributions to the Establishment and Construction of New China (山東省一百位為新中國成立、建設做出突出貢獻的英雄模範人物)". He is also the Chairman of our parent company. Prior to joining us, Mr Ma had been vice mayor of Jinan Municipal Government, the head of Jinan Auto Accessory Works (濟南汽車配件廠) and the district head of Huaiyin District, Jinan City (濟南市槐蔭區) and the director of the Economic Committee of Jinan (濟南市經委), and deputy commissioner of Jinan Mechanics and Industrial Bureau (濟南市機械工業局).

Cai Dong (蔡東), aged 46, is our executive Director and president. Mr Cai is a senior engineer with a bachelor degree in engineering from Jiangsu Polytechnic University (江蘇工學院) and an executive MBA degree from Nankai University (南開大學). He joined Jinan Auto Manufacturing Factory in 1983 and later leads our research and development, production and marketing. He received an "Outstanding National Entrepreneur" award conferred jointly by the China United Enterprises Association (中國企業聯合會), China Entrepreneurs Association (中國企業家協會) and China Enterprise Management Science Foundation (中國企業管理科學基金會) in April 2006. Mr Cai was previously director of the technology center of our parent company. Mr Cai was a director, chief engineer and the general manager of our parent company from 2001 to 2007.

Wei Zhihai (韋志海), aged 55, is our executive Director and vice president. Mr Wei graduated from Tsinghua University with a diploma in legal studies in 2005. Mr Wei is a senior economist with over 20 years of experience in business development and corporate management. Mr Wei is the chairman of Sinotruk (Hong Kong) International Investment Limited and Jinan Ganghao Development Co., Ltd. as well as chief legal advisor of our parent company. Prior to joining us, Mr Wei was the deputy director of the Economic Committee of Jinan, and the head of Jinan No. 4 Machine Tool Works (濟南第四機床廠). Mr Wei was a director and the deputy general manager of our parent company from 2004 to 2007.

Wang Haotao (王浩濤), aged 46, is our executive Director and vice president. Mr Wang is an engineer with extensive experience in business development. Mr Wang graduated from Shandong Agricultural Machinery College (山東農業機械學院) with a diploma in machinery engineering in 1987 and a master degree in engineering from Jiangsu University (江蘇大學). He joined the Parent Company in 1987. Mr Wang is currently the vice general manager and director of our parent company as well as the chairman of Sinotruk Jinan Truck Co., Ltd ("Sinotruk Jinan Truck Company"). Sinotruk Jinan Truck Company is a subsidiary of the Company, the shares of which are listed on the Shenzhen Stock Exchange in the PRC. He was the director of business development and international cooperation department of our Parent Company from 1994 to 1998, the deputy general manager of our parent company in 2001 and the chairman of CNHTC Jinan Bus Co., Ltd. in 2002.

Wang Guangxi (王光西), aged 56, is our executive Director and vice president. Mr Wang graduated from Shandong Economic Management Cadres College (山東經濟管理幹部培訓學院) with a diploma in economic management in 1994. Mr Wang is a senior accountant with over 20 years of experience in financial management and internal control. He joined us in 2000 and is currently also the deputy general manager, chief accountant and director of our parent company. Prior to 2000, Mr Wang had been the director of the finance department and deputy chief accountant of Jinan Auto Accessory Works. Mr Wang is responsible for our accounting and financial functions.

Tong Jingen (童金根), aged 47, is our executive Director, company secretary and chief economist. Mr Tong graduated with a master's degree in engineering from Tsinghua University in 1989. Mr Tong is a senior economist with 20 years of experience in corporate management and business development in the automotive industry. He joined Jinan Auto Manufacturing Factory in 1983 and was the chief economist and director of our parent company from July 2002 to April 2007. Mr Tong was the deputy director of the corporate management department of Jinan Motor Vehicle Company (濟南汽車製造廠) from 1995 to 1996, and was the deputy manager of sales department of our parent company from 1998 to 2001.

Wang Shanpo (王善坡), aged 45, is our executive Director and chief engineer. Mr Wang graduated with a bachelor degree in engineering from Jilin University of Technology (吉林工業大學) in 1984 and with a master's degree in engineering from Shandong Industrial University (山東工業大學) in 1991. Mr Wang is a senior engineer with 20 years of experience in automotive research and development and engineering. He joined the parent company in 1984 and was the chief engineer of our Parent Company. Mr Wang was the director of Sinotruk Technical Center from 1999 to 2000.

Pan Qing (潘慶), aged 42, is our executive Director and vice president. Mr Pan studied material science in University of Science and Technology Beijing in the PRC in 1987 and later obtained a Master of Science degree in material science from Technical University Berlin in 1994. Mr Pan joined us in October 2009. Mr Pan used to be a director of Volkswagen (China) Investment Co., Ltd. mainly

responsible for dealer network management and corporate strategy. Mr Pan has had extensive experience in marketing strategy and planning with many renowned automobile companies including Daimler Chrysler Group, Mercedes-Benz AG and Mitsubishi Fuso Truck & Bus Corp. Mr. Pan entered into a service contract with the Company for a term from 6 January 2010 to 31 December 2012 and such service contract may be terminated by either party giving not less than three months' prior notice in writing. Pursuant to the service contract, Mr. Pan is entitled to a fixed annual remuneration in the amount of RMB550,700 payable in arrears by equal monthly installments every calendar month. Mr. Pan will also be entitled to the social insurance, medical insurance and other benefits to the extent required under PRC laws and regulations.

Non-executive Directors

Georg Pachta-Reyhofen, aged 54, is our non-executive Director. Dr. Pachta-Reyhofen is member of the Executive Board and the spokesman of the Executive Board of MAN SE (together with its subsidiaries, the "**MAN Group**"). MAN SE's shares are listed on the German Stock Exchange in Frankfurt (ISIN DE 0005937007, WKN 593700). He is also member of the Executive Board of MAN Nutzfahrzeuge AG and the Executive Board member responsible for labour relations. In addition, he is spokesman of the Executive Board of MAN Nutzfahrzeuge AG. Following a mechanical engineering degree and a doctorate in engineering science at Technical University of Vienna, Dr. Pachta-Reyhofen started working for the MAN Group when he joined ÖAF Gräf und Stift AG (now MAN Nutzfahrzeuge Immobilien GesmbH) in 1986. From 1996 to 1999, he worked with MAN A.S. (now MAN Türkiye A.S.) as Head of Engineering and became a member of the Executive Board with responsibility for development, quality assurance and logistics in 1998. In 1999, he was made Head of Engine Development at the Nuremberg works of MAN Nutzfahrzeuge AG. Dr. Pachta-Reyhofen became a member of the MAN Nutzfahrzeuge AG's Executive Board in 2001 and was responsible for its technical and purchasing activities. He was chairman of the Executive Board of MAN Diesel SE from July 2006 until the end of 2009. He has been a member of MAN SE's Executive Board since July 2006 and became spokesman of the Executive Board of MAN SE in January 2010. Dr. Pachta-Reyhofen is also currently member of the supervisory board of MAN Diesel SE and MAN Turbo AG.

Jörg Schwitalla, aged 49, is our non-executive Director. Mr. Schwitalla is a member of the Executive Board of MAN SE responsible for labour relations. Mr. Schwitalla graduated with a degree in business administration in 1987. He worked for over ten years for tire manufacturer Michelin in various personnel and production functions at different locations. He was Senior Vice President Human Resources in the CompAir/Invensys Group for two years. He spent seven years with automotive components supplier Valeo in personnel and management functions in Germany and France and became Vice President Human Resources in Paris. He initially joined the MAN Group as Vice President Human Resources for MAN Nutzfahrzeuge AG in October 2006 before assuming responsibility for the MAN Group in the same capacity in June 2007. He was made Senior Vice President Human Resources for the MAN Group in January 2009 and subsequently Chief Human Resources Officer of the MAN SE's Executive Board in May 2009. Mr. Schwitalla is currently also member of the supervisory board of MAN Nutzfahrzeuge AG, MAN Turbo AG, MAN Diesel SE and MAN Pensionsfonds AG.

Lars Wrebo, aged 48, is our non-executive Director. Mr. Wrebo is a member of the Executive Board of MAN Nutzfahrzeuge AG and responsible for production and logistics. He graduated in mechanical engineering and production systems from KTH Royal Institute of Technology in Sweden in 1986. Mr. Wrebo joined Saab-Scania as a trainee, progressing to hold various managerial positions in Saab engine production. He was made Technical Manager for Scania in 1992 before being appointed as Managing Director of Scania Production in France. In 2001 he was made responsible for Group Management SVP Chassis and Cabs Production. Mr. Wrebo joined the MAN Group in 2006 as a member of the Executive Board of MAN Nutzfahrzeuge AG. Mr. Wrebo is currently also member of the supervisory board of MAN Nutzfahrzeuge Austria AG, MAN Bus Sp.z.o.o. Poland and MAN Turkiye A.S..

Independent Non-executive Directors

Shao Qihui (邵奇惠), aged 75, is our independent non-executive Director. Mr Shao is a senior professor stage engineer who has extensive experience in engineering. Mr Shao has designed and invented lever vehicle steering with variable transmission ratio and processing machine tools and was among the first professionals awarded with “Outstanding Contributor” by the State. Mr Shao currently is the chairman of the China Auto Talents Society (中國汽車人才研究會) and the honorary chairman of the Society of Automotive Engineers of China (中國汽車工程學會) and the honorary chairman of the Federation of Machinery Industry of China (中國機械工業聯合會). He was the Governor of Heilongjiang Province from 1989 to 1994 and the head of the State Bureau of Mechanical Industry (國家機械工業局) from 1998 to 1999.

Lin Zhijun (林志軍), aged 55, is our independent non-executive Director. Dr Lin graduated from Xiamen University in 1982 with a master degree in economics and later received a Ph.D. degree in Economics (Accounting) from Xiamen University (廈門大學) in 1985 and received a master degree (MSc in Accounting) from University of Saskatchewan in 1991. He is a member of the American Institute of Certified Public Accountants (AICPA), the Chinese Institute of Certified Public Accountants (CICPA) and the Certified Management Accountants of Australia (CMA). He is currently a professor and the head of the Department of Accountancy and Law in the Hong Kong Baptist University. Dr Lin was previously an auditing staff at an international accounting firm (Touche Ross International, now known as "Deloitte Touche Tohmatsu") in Toronto. He has been teaching in accounting faculty at Xiamen University in China; The University Lethbridge in Canada; The Uinversity of Hong Kong, and Hong Kong Baptist University since 1983. He is a member of various educational accounting associations including the American Accounting Association, the International Association for Accounting Education and Research and the Hong Kong Association for Academic Accounting. Dr Lin currently is also an independent non-executive director of China Everbright Limited (stock code: 0165), a company whose securities are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Ouyang Minggao (歐陽明高), aged 51, is our independent non-executive Director. Professor Ouyang graduated from the Technical University of Denmark with a Doctorate degree in engineering in 1993. He is one of the nationally recognized experts in the area of strategic development of automobile technology and energy. He is currently a Standing Member of the Chinese People's Consultative Conference (全國政協常委), deputy director of academic committee in Tsinghua University and director of the National Laboratory of Automobile Safety and Energy Saving (汽車安全與節能國家重點實驗室). In addition, he is an vice president of the Society of Automobile Engineering of China (中國汽車工程協會) and director of the engine division. Professor Ouyang has extensive experience in the research and development in automobile transmission system and has worked over 40 patents. Professor Ouyang has been granted various awards for his inventions, including "State Science and Technology Awards – Second Prize" (國家技術發明二等獎) and Prize for Scientific and Technological Achievements from The Ho Leung Ho Lee Foundation (何梁何利科學技術創新獎).

Hu Zhenghuan (胡正寰), aged 75, is our independent non-executive Director. Professor Hu graduated from University of Science and Technology Beijing (北京科技大學), formerly Beijing Institute of Metallurgy (北京鋼鐵學院) in 1956. Professor Hu is a professor in University of Science and Technology Beijing and a postgraduate candidate teacher and the head of the Research Centre of Parts Rolling (國家高效零件軋製研究推廣中心). He was the vice-dean of the mechanical engineering department in University of Science and Technology Beijing, the head of Mechanical Engineering Research Centre. Professor Hu has engaged in the research of parts rolling technology in China since 1958. His team launches parts rolling technology in all 24 provinces in the PRC and this technology received the remarkable economic benefits and received three national awards and more than ten provincial awards. Professor Hu has been one of the core innovators of parts rolling technology in PRC. He has been granted various awards, including "State Outstanding

Contributor"(國家級有突出貢獻科技專家) "State Outstanding Technical Officer" (全國優秀科技工作者), "National Labor Day Medal"(全國五一勞動獎章) and "Technology Achievement Award of Chinese Mechanical Engineering Society" (中國機械工程學會科技成就獎). Professor Hu was elected the member of the Chinese Academy of Engineering (中國工程院) in 1997.

Chen Zheng (陳正), aged 64, is our independent non-executive Director. Mr Chen graduated from the Beijing University of Technology (北京工業大學) in 1970 with a bachelor degree in mechanical engineering. Mr Chen has over 30 years of experience in the mechanical design and automotive engineering field. He has been the deputy head of the technology division of China Auto Parts and Accessories Corporation (中國汽車零部件工業公司), the department head of the international cooperation department of China National Automotive Industrial Corporation (中國汽車工業總公司), the vice general manager of China National Automotive Industry Import and Export Corporation (中國汽車工業進出口公司) and the vice chairman of the board of directors of China Automotive Finance Company Limited (中汽財務有限責任公司).

Li Xianyun (李羨雲), aged 78, is our independent non-executive Director. Mr Li graduated from the Jilin University of Technology (吉林工業大學) in 1956 with a bachelor degree in automotive engineering. Mr Li has been an engineer of Beijing Automotive and Tractor Research Laboratory (北京汽車拖拉機研究所) and Changchun Automotive Research Institute (長春汽車研究所), the chief engineer of China Auto Parts and Accessories Corporation (中國汽車零部件工業公司) and the senior engineer of China Automobile Industry Federation (中國汽車工業聯合會). He has substantial experience in the research and development of automobile technology and corporate strategic management. Mr Li has been appointed as one of the members of the expert committee of China Association of Automobile Manufacturers (中國汽車工業協會) since 2004.

Company secretaries

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

Kwok Ka Yiu (郭家耀), aged 45, is our company secretary and financial controller. Mr Kwok has nearly seven years of audit experience in one of the prestigious international audit firms, KPMG and over ten years of financial and accounting experiences with companies listed on the Stock Exchange. Mr Kwok holds an MBA degree from the University of Hong Kong and is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Mr Kwok joined us in May 2007.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICE

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

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct for securities transactions by the Directors. After making specific enquiries with all Directors, the Company confirmed that all Directors have compiled with the standards required by the Model Code during the year under review.

BOARD OF DIRECTORS

Separation of Responsibilities

The Board is responsible for formulating group policies and business directions, and monitoring internal controls and performances. Executive Committee is responsible for implementing the decisions made by the Board. President is responsible for daily operation. The Executive Committee is formed by eight executive Directors including Mr Ma Chunji, Mr Cai Dong, Mr Wei Zhihai, Mr Wang Haotao, Mr Wang Guangxi, Mr Tong Jingen, Mr Wang Shanpo and Mr Pan Qing. In addition, the Board has set up Strategic and Investment Committee, Remuneration Committee and Audit Committee to deal with different businesses and matters and authorised administrative management personnel to handle daily matters. Details of different committees will be discussed below.

Composition of the Board

As at 31 December 2009, the Board had a total number of 14 Directors comprising 8 executive Directors including Mr Ma Chunji, Mr Cai Dong, Mr Wei Zhihai, Mr Wang Haotao, Mr Wang Guangxi, Mr Tong Jingen, Mr Wang Shanpo and Mr Pan Qing, and 6 independent non-executive Directors including Mr Shao Qihui, Mr Lin Zhijun, Mr Ouyang Minggao, Mr Hu Zhenghuan, Mr Chen Zheng and Mr Li Xianyun. Mr Ma Chunji is the chairman of the Board and Mr Cai Dong is the President. Biographies of the Directors are set out in the section "Directors and Senior Management".

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

Board Meetings

The Company generally convenes 4 regular full Board meetings per year or more meetings may be convened when necessary. During the year 2009, in addition to written resolutions, 5 regular full Board meetings were convened, and the following major agenda items had reviewed, amended or approved respectively:

(1) 2008 annual report, 2009 interim report and the respective documents and announcements;

(2) amendments of annual caps for connected transactions caps and new connected transactions;

(3) certain internal control standards such as investment policy and management system of guarantee ;

(4) the internal controls reports;

(5) suspension of trading of shares;

(6) cooperation with MAN including amendments on memorandum and articles, issue of convertible note and appointment of directors nominated by MAN and etc;

(7) operation and financial reports;

(8) budget; and

(9) acquisition of CNHTC Jining Commercial Truck Co., Ltd.

In year 2009, details of Directors' attendance in the following meetings are set out below:

	Regular Full Board Meeting	Audit Committee Meeting
Executive Directors		
Mr Ma Chunji	5/5	
Mr Cai Dong	5/5	
Mr Wei Zhihai	5/5	
Mr Wang Haotao	5/5	
Mr Wang Guangxi	5/5	2/3
Mr Tong Jingen	5/5	2/3
Mr Wang Shanpo	5/5	
Mr Pan Qing (Note 1)	1/1	
Independent non-executive Directors		
Mr Shao Qihui (Note 2)	4/5	
Mr Lin Zhijun	5/5	3/3
Mr Ouyang Minggao	5/5	2/3
Mr Hu Zhenghuan	5/5	
Mr Chen Zheng	5/5	3/3
Mr Li Xianyun	5/5	

Mr Samuelsson, Prof Hornung and Mr Weinmann were appointed and resigned as non-executive Directors from 7 October 2009 and 21 December 2009 respectively and, during that period, the Company only held one regular full board meeting. They did not attend the meeting but appointed Mr Pan Qing as their alternate Director who voted on their behalves.

Note 1: Mr Pan Qing was appointed as executive Director from 7 October 2009 and thereafter, the Company only held one regular full board meeting having been held.

Note 2: Mr Shao Qihui was absent from one meeting but he appointed Mr Chen Zheng as his alternate Director who voted on his behalf.

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 including the studying and recommendation of significant investment financing initiatives and significant capital operations and asset operation projects.

The Strategy and Investment Committee is currently comprising 7 members, namely, Mr Ma Chunji, Mr Cai Dong, Mr Shao Qihui, Mr Ouyang Minggao, Mr Hu Zhenghuan, Mr Wang Haotao and Mr Wang Shanpo. Mr Ouyang Minggao, Mr Shao Qihui and Mr Hu Zhenghuan are independent non-executive Directors. Mr Ma Chunji is the chairman of the committee.

During year 2009, the committee members had discussed significant investments such as fixed assets investment, foreign equity investment and etc.

REMUNERATION COMMITTEE

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

The Remuneration Committee is currently comprising 5 members, namely, Mr Chen Zheng, Mr Lin Zhijun, Mr Li Xianyun, Mr Wei Zhihai and Mr Tong Jingen. Mr Chen Zheng, Mr Lin Zhijun and Mr Li Xianyun are independent non-executive Directors. Mr Chen Zheng is the chairman of the committee.

REMUNERATION AND BENEFITS FOR DIRECTORS AND THE SENIOR MANAGEMENT

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

AUDIT COMMITTEE

The Audit Committee is mainly responsible for reviewing and monitoring the financial control, internal control and risk management systems, including reassessment of the financial and accounting policies, review of interim reports, annual reports and accounts, etc. In addition, the Audit Committee is responsible for the appointment, re-appointment and removal of external auditor, and for reporting to the Board on the recommendation, review and supervision of the external auditor in respect of its independence and objectivity, the effectiveness of the audit procedures, formulation of policies on the provision of non-audit services by the external auditor, the handling of any issues related to the resignation of auditor or the removal of such auditor, and the communication with the external auditor on auditing matters.

The Audit Committee is currently comprising 5 members, namely, Mr Lin Zhijun, Mr Ouyang Minggao, Mr Chen Zheng, Mr Wang Guangxi and Mr Tong Jingen. Mr Lin Zhijun, Mr Ouyang Minggao and Mr Chen Zheng are independent non-executive Directors. Mr Lin Zhijun is the chairman of the committee. With Mr Lin's past working experience as auditor and his academic background in finance and accounting, the Company considers that Mr Lin is a qualified person with the proper professional knowledge in accounting and finance required by Rule 3.10(2) of the Listing Rules. In addition, Mr Ouyang Minggao and Mr Chen Zheng possess rich experience in the industry.

During year 2009, the Committee had convened three times and had discussed, reviewed and approved the following items respectively:

(1) 2009 interim review plan and 2009 annual audit plan;

(2) auditor's reports to the Audit Committee in respect of 2008 annual audit and 2009 interim review;

(3) 2008 annual report and 2009 interim report and related results announcements;

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

(5) re-appointment of auditor;

(6) internal controls reports; and

(7) internal control system of the Group.

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

ACCOUNTABILITY AND AUDITING

The Directors are responsible for preparing the financial statements for the financial year ended 31 December 2009 to reflect a true and fair view of the Group's financial conditions and the results and cash flows during the year. In preparing the financial statements for the year ended 31 December 2009, the generally accepted accounting principles in Hong Kong, Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards are adopted, with consistent use of appropriate accounting policies, for making reasonable and prudent judgments and estimates.

INTERNAL CONTROL

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

NON-COMPETING UNDERTAKING

In order to protect the Group's current interests, CNHTC entered into a non-competition undertaking (the "Non-competition Undertaking") with the Company in November 2007.

The Board has received an annual confirmation from CNHTC for its compliance with the Non-competition Undertaking. After conducting the review, the Directors, including all independent non-executive Directors, are of the view that the Non-competition Undertaking have been complied with by all parties.

REMUNERATION OF AUDITORS

For the year ended 31 December 2009, the amounts of remuneration paid or payable to the auditors of the Group for their services rendered are approximately:

PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian CPAs Limited Company	Interim review and annual audit services for 2009	RMB 12,800,000
Crowe Horwath China CPAs Co., Ltd	Annual audit services for a subsidiary for 2009	RMB 50,000

COMMUNICATIONS WITH SHAREHOLDERS

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

The Securities Department of the Company is responsible for promoting investor relations actively for increased communications and ensuring that the investors are able to obtain information about the Company on a fair and timely basis to assist them in making the best investment decisions. For cultivating good relationship with shareholders and potential investors, the Company has participated in a number of one-on-one meetings, investors' conferences, road shows and production base site visits during the year 2009. 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 www.sinotruk.com for the latest information available in respect of the Group including information on the financial conditions and the latest business developments of the Group.

The Board and the senior management are well aware of their important tasks of acting on behalf of the interests of all shareholders and raising the shareholders' returns. The Board considers that annual general meeting is an important opportunity for direct communication with the shareholders. The Company encourages all shareholders to participate in the 2010 annual general meeting, where the members of the Board and the external auditor will be present, providing an effective platform for interflows and communications between the shareholders and the Board.

Report of the Directors

The Directors are pleased to present their report and the audited financial statements of the Group for the year ended 31 December 2009.

PRINCIPAL BUSINESS

The Company is principally engaged in investment holding. The principal subsidiaries of the Company primarily specialise in the research, development and manufacturing of heavy duty trucks and related key parts and components, including engines, cabins, axles, steel frames and gearboxes. Details of principal activities of the Company's subsidiaries are set out in note 36 to the consolidated financial statements. There has been no significant changes in the principal business of the Group during the year under review.

OPERATING RESULTS AND DIVIDENDS DISTRIBUTION

The results and reserves movement of the Group for the year ended 31 December 2009 are set out in the consolidated statement of comprehensive income and consolidated statement of changes in equity respectively.

The Directors recommend the payment of a final dividend of HKD0.06 per share for the year ended 31 December 2009 ("2009 Final Dividend") totalling approximately HKD165,660,000 (approximately RMB: 145,734,000), which is subject to shareholders' approval at the forthcoming annual general meeting to be held on 18 May 2010. According to the "Notice Regarding Matters on Determination of Tax Residence Status of Chinese-controlled Offshore Incorporated Enterprises under Rules of Effective Management"《關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》(國稅發 [2009]82 號) issued by the State Administration of Taxation of the People's Republic of China ("PRC"), the Company is likely to be regarded 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. Hence, 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 2009 Final Dividend. In respect of all shareholders whose names are not registered as natural persons (including HKSCC Nominees Limited, corporate nominees or trustees such as securities companies and banks, and other entities or organisations, which are all considered as non-PRC resident enterprise shareholders), the Company will distribute the 2009 Final Dividend after deducting enterprise income tax of 10%. The Company will not withhold and pay the income tax in respect of the 2009 Final Dividend payable to any natural person shareholders or exempted entities. In the event that the Company is not regarded as a Chinese-Resident Enterprise and hence no enterprise income tax should have been withheld, to the extent that such tax remains in the custody of the Company and so far it is legally able to do so, the Company will procure such tax to be refunded to the relevant shareholders.

CLOSURE OF REGISTER OF MEMBERS

The proposed 2009 Final Dividend, if approved, will be distributed on or about 25 May 2010 to shareholders of the Company whose names appear on the register of members of the Company on 18 May 2010. The register of members of the Company will be closed from 13 May 2010 to 18 May 2010 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for receiving the proposed 2009 Final Dividend, holders of the Company's shares (the "Shares") must lodge their share certificates together with the relevant share transfer documents with Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 12 May 2010.

RESERVES

Movements in the reserve of the Group during the year under review are set out in the consolidated statement of changes in equity on page 65 and note 26 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Movements in the share capital of the Company during the year under review are set out in the consolidated statement of changes in equity on page 65 and note 26 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

The Company's distributable reserves as at 31 December 2009 were approximately RMB313,955,000.

CHARITABLE DONATION

The Group's total charitable donation for the year under review amounted to RMB368,400 (2008: RMB949,995).

BANK BORROWINGS

Details of the Group's bank borrowings as at 31 December 2009 are set out in note 27 to the consolidated financial statements.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results as well as assets and liabilities of the Group in the past five financial years is set out on page 160.

PURCHASE, SALE OR REDEMPTION OF SHARES

During year 2009, the Company repurchased its 11,575,000 ordinary shares at total consideration of HKD67,881,964 from open market. Details of the shares repurchased are disclosed as follows:

Month of shares repurchased	Number of ordinary shares repurchased	Price per each ordinary share		Total consideration
		Maximum	Minimum	
		HKD	HKD	HKD
January	11,575,000	5.97	5.29	67,723,490
Other expenses				158,474
Total payment				67,881,964

The above total payment was offset with the retained earnings. The above shares repurchased together with the 101,693,500 shares repurchased in year 2008 by the Company at total of 113,268,500 shares were cancelled on 26 February 2009. The above repurchase of the Company's shares was effected by the Directors, pursuant to the mandate approved by shareholders, with a view to benefit shareholders as a whole by enhancing the net asset value per share and earnings per share of the Company.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company during the year under review.

CONVERTIBLE SECURITIES

In July 2009, the Company and MAN Finance and Holdings S.á.r.l. ("MAN") entered into a subscription agreement whereby the Company agreed to issue and MAN agreed to subscribe the convertible note (the "Convertible Note") in the principal amount of EURO 486,021,005 and convertible into 599,062,839 new shares of the Company, with both the share purchase price and conversion price being approximately EURO 0.8113 per share. The Convertible Note is due on 31 December 2012. The issue of the Convertible Note and the conversion shares had been approved by the shareholders of the Company at the Company's extraordinary general meeting on 12 August 2009. MAN had completed the conversion of Convertible Note in full on 8 December 2009.

SHARE OPTION SCHEME

The Company did not have any share option scheme during the year ended 31 December 2009.

DIRECTORS

Directors during the year 2009 were as follows:

Executive Directors:

Ma Chunji *(Chairman)*
Cai Dong *(President)*
Wei Zhihai *(Vice President)*
Wang Haotao *(Vice President)*
Wang Guangxi *(Vice President)*
Tong Jingen *(Chief Economist)*
Wang Shanpo *(Chief Engineer)*
Pan Qing *(appointed on 7 October 2009 and Vice President)*

Independent non-executive Directors:

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

Non-executive Directors:

Hakan Samuelsson (appointed on 7 October 2009 and resigned on 21 December 2009)
Karlheinz Hornung (appointed on 7 October 2009 and resigned on 21 December 2009)
Anton Weinmann (appointed on 7 October 2009 and resigned on 21 December 2009)

The Company has received the annual confirmation from each of the independent non-executive Directors in accordance with Rule 3.13 of the Listing Rules, and the Company considers that all the independent non-executive Directors to be independent.

Pursuant to article 84 of the articles of association of the Company, Lin Zhijun, Hu Zhenghuan and Li Xianyun will retire by rotation at the forthcoming annual general meeting and, being eligible, will be available for re-election as Directors.

On 19 March 2010, Georg Pachta-Reyhofen, Jörg Schwitalla and Lars Wrebo were appointed as non-executive Directors.

Pursuant to article 83 of the articles of association of the Company, all directors appointed by the Board shall be retired at the first annual general meeting after such appointment. Accordingly, Pan Qing, Georg Pachta-Reyhofen, Jörg Schwitalla and Lars Wrebo will retire at the forthcoming annual general meeting and, being eligible, will be available for re-election as Directors.

DIRECTORS' SERVICE CONTRACTS

Except Pan Qing, each of the executive Directors entered into a service contract with the Company on 3 November 2007 for a term of three years commencing from 1 November 2007. Pan Qing entered into a service contract with the Company on 6 January 2010 for a term commencing from 6 January 2010 ending on 31 December 2012. Each of the service contracts can be terminated by either party giving not less than three months' prior written notice.

In addition, each of the independent non-executive Directors entered into an appointment letter with the Company on 26 July 2007 for a term of three years, which can be terminated by or either party by giving not less than three months' prior written notice.

Each of the present non-executive Directors will enter into an appointment letter with the Company. It is proposed that each of their appointment as a non-executive Director will be for a fixed term of three years and subject to retirement by rotation and re-election in accordance with the articles of association of the Company. It is also proposed that each of them will be entitled to an annual remuneration of RMB120,000, which is determined based on the average remunerations of all existing independent non-executive Directors of the Company.

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

Mr Ma Chunji is the chairman of CNHTC, Mr Wang Haotao is the vice general manager and director of CNHTC and Mr Wang Guangxi is the deputy general manager, chief accountant and director of CNHTC. During the period under review, Mr Hakan Samuelsson, Prof. Karlheinz Hornung and Mr Anton Weinmann used to be the directors of MAN SE. Save as significant transactions between the Group and CNHTC (including its associates) and between the Group and MAN SE (including its associates) as disclosed in below connected transactions in the report of the Directors and in the related party transactions in note 37 to the consolidated financial statements, no contract of significance to the business of the Group subsisted during or at the end of the year under review in which a Director was materially interested, either directly or indirectly.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Company are set out on page 26 to page 31.

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

As of 31 December 2009, so far is known to the Directors, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions therein that they shall be deemed to have pursuant to such provisions of the SFO), or any interests or short positions which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or any interests or short positions which have to be notified to the Company and the Stock Exchange pursuant to Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules.

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

As at 31 December 2009, so far as it is known to the Directors, the person (other than a Director or chief executive of the Company) who had, or were deemed or taken to have interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register of the Company required to be kept under section 336 of the SFO or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group was as follows:

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

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

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

Save as disclosed above, as at 31 December 2009, so far as it is known to the Directors, there was no other person (other than a Director or chief executive of the Company) who had, or were deemed or taken to have interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register of the Company required to be kept under section 336 of the SFO or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

MANAGEMENT CONTRACTS

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

MAJOR CUSTOMERS AND SUPPLIERS

The followings are the percentages of purchases and sales attributable to the major customers and suppliers of the Group as at 31 December 2009:

Purchases	
– the largest supplier	2.3%
– the five largest suppliers	7.2%
Sales	
– the largest customer	5.0%
– the five largest customers	11.1%

The ultimate parent company of the Company, CNHTC, owns 100% equity interest in CNHTC Jining Commercial Truck Co., Ltd. and CNHTC Jinan Investment Co., Ltd., each being one of the five largest customers. Save as disclosed, none of the Directors, or any of their associates or any shareholders who, to the knowledge of the Directors, hold over 5% of the issued share capital of the Company, had any beneficial interest in the major customers or suppliers of the Group.

CONNECTED TRANSACTIONS

Details of non-exempt connected transactions and continuing connected transactions of the Group under the Listing Rules during the year under review are set out as below which includes significant related party transactions that are set out in note 37(a) (i) to the consolidated financial statements.

A) Connected Transactions Not Exempt from the Reporting, Announcement and Independent Shareholders' Approval Requirements

1) Construction Contract

Date of agreement	:	18 August 2008
Parties	:	• CNHTC Jinan Construction Co., Ltd. ("CNHTC Jinan Construction", formerly known as "CNHTC Jinan Construction Project Management Co., Ltd."), a wholly-owned subsidiary of CNHTC • Jinan Ganghao Development Co., Ltd. ("Jinan Ganghao"), a wholly-owned subsidiary of the Company
Term	:	from 18 August 2008 to August 2009
Objective	:	CNHTC Jinan Construction acts as the contractor for the construction of factory premises of Jinan Ganghao in Jinan City, Shangdong Province, the PRC (the "Construction Project")
Consideration	:	Such consideration was determined by reference to the term of the construction work, material costs and labour costs to be consumed in the Construction Project as well as the Price List of Installation Works of Shangdong Province and the Lists of Consumption Quotas for Construction Works and Installation Works of Shangdong Province.
Total cap	:	RMB 76,560,000 (subject to adjustment)
Actual consideration upto 31 December 2009	:	RMB 37,400,000

The Construction Project was completed in August 2009 but the consideration was not yet finalised at the end of year 2009.

2) Subscription Agreement

Date of agreement	:	15 July 2009
Parties	:	• the Company, the issuer; • CNHTC; • MAN Finance and Holding S.à.r.l. (a wholly-owned subsidiary of MAN SE), the subscriber; and • MAN SE.
Objecive	:	Pursuant to the subscription agreement, the Company issued the convertible note due 2012 to MAN Finance and Holding S.à.r.l. at an aggregate consideration of Euro 486,021,005. The convertible note is convertible into 599,062,839 shares. The proceeds from the issue of the convertible note are applied for and in preparation for the localization of the licensed technology and know-how, improvement of design and manufacturing level, upgrading of manufacturing facilities, setting up of new production lines and enhancement of production capability and (ii) are used as general working capital of the Group.
Consideration	:	Euro486,021,005

3) Equity Transfer Agreement

Date of agreement	:	19 October 2009
Parties	:	• Sinotruk (Hong Kong) International Investment Limited ("Sinotruk International Investment"), a wholly owned subsidiary of the Company, as purchaser • R. A. Lister, minority shareholder of a non-wholly owned subsidiary of the Company, as seller
Objective	:	Sinotruk International Investment acquired 49% equity interest of Jinan Fuqiang Power Co.,Ltd. ("Fuqiang Power") from R. A. Lister to enhance the corporate governance of and the Group's control over Fuqiang Power and to strength control on supply of engines parts, improve overall engines production efficiency
Consideration	:	USD6,000,000

The acquisition was completed in December 2009.

4) Equity Transfer Agreement

Date of agreement	:	25 November 2009
Parties	:	• Sinotruk Ji'nan Power Co., Ltd. ("Jinan Power"), a wholly owned subsidiary of the Company and as purchaser • CNHTC as seller
Objective	:	Jinan Power acquires 100% equity interest of CNHTC Jining Commercial Truck Co., Ltd. ("Jining") from CNHTC so as to diversify the product offerings of the Group, broaden the Group's income and customer base and further enhance the Group's production capacity and to effectively minimize potential competition between the Company and CNHTC and reduce connected transactions between Jining and the Group
Consideration	:	Not more than RMB97,401,300

The acquisition was duly approved by the shareholders of the Company at the extraordinary general meeting of the Company on 18 January 2010. Upto the date of approval of this annual report, the acquisition was still in progress.

B) Continuing Connected Transactions Not Exempt from the Reporting, Announcement and Independent Shareholders' Approval Requirements

1) General Services Purchase Agreement

Date of agreement	:	3 November 2007
Parties	:	• CNHTC • the Company
Term	:	3 years from 1 November 2007
Objective	:	CNHTC (including its associates) will continue to provide services such as property management, transportation, staff training, medical services and products testing and improvement services to the Group
Consideration	:	(a) the prices proposed by the PRC government; or (b) if there are no prices proposed by the PRC government, the market price or cost with a reasonable margin
Annual cap for the year ended 31 December 2009	:	RMB109,000,000
Actual consideration for the year ended 31 December 2009	:	RMB76,630,000

On 21 April 2009, the Company and CNHTC entered into the renewed general services purchase agreement for a term of two years commencing from 1 January 2010 with terms substantially the same as the General Services Purchase Agreement, under which the parties agreed that CNHTC (including its associates) will continue to provide services such as property management, transportation, staff training, medical services and products testing and improvement services to the Group.

2) Mutual Leasing Framework Agreements

Date of agreement :	21 April 2009
Parties :	• CNHTC • the Company
Term :	3 years from 1 January 2009
Objective :	CNHTC Leasing Framework Agreement: to lease from CNHTC (including its associates) for production, offices, sale services, research and development purposes Sinotruk Leasing Framework Agreement: to lease to CNHTC (including its associates) for offices and production purposes
Consideration :	(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 2009 :	CNHTC leasing Framework Agreement: RMB25,000,000 Sinotruk Leasing Framework Agreement: RMB17,000,000
Actual consideration for the year ended 31 December 2009 :	CNHTC Leasing Framework Agreement: RMB20,351,000 Sinotruk Leasing Framework Agreement: RMB4,484,000

3) Construction Service Agreement

Date of agreement	:	26 September 2008
Parties	:	• CNHTC Jinan Construction Co., Ltd. (formerly known as "CNHTC Jinan Construction Project Management Co., Ltd."), a wholly-owned subsidiary of CNHTC • the Company
Term	:	From 26 September 2008 to 31 December 2009
Objective	:	To provide construction and project management services to the members of the Group
Consideration	:	(a) the relevant PRC state-fixed prices; or (b) if transactions under the Construction Service Agreement not subject to PRC state-fixed prices, the market prices; or (c) if the parties cannot ascertain the prevailing market prices, costs plus a reasonable margin
Annual cap for the year ended 31 December 2009	:	RMB330,000,000
Actual consideration for the year ended 31 December 2009	:	RMB160,640,000

On 15 July 2009, the Company (for itself and on behalf of its subsidiaries) and Jinan Construction Co., Ltd. entered into the renewed construction service agreement for a term of one year commencing from 1 January 2010 with terms substantially the same as the Construction Service Agreement, under which the parties agreed that Jinan Construction Co., Ltd. will provide construction and project management services to the members of the Group.

4) Technology Support and Services Agreement

Date of agreement	:	3 November 2007
Parties	:	• CNHTC • the Company
Term	:	3 years from 1 November 2007
Objective	:	To provide to CNHTC Group services such as technology research and development, technology consultancy and support services
Consideration	:	Technology research and development services will be based on cost plus a 10% margin
Annual cap for the year ended 31 December 2009	:	RMB13,000,000
Actual consideration for the year ended 31 December 2009	:	RMB3,775,000

On 21 April 2009, the Company and CNHTC entered into the renewed technology support and services agreement for a term of two years commencing from 1 January 2010 with terms substantially the same as the Technology Support and Services Agreement, under which the parties agreed that the Group will provide to CNHTC Group services such as technology research and development, technology consultancy and support services.

5) Products Purchase and Sales Agreements

Date of agreement	:	3 November 2007
Parties	:	• CNHTC • the Company
Term	:	3 years from 1 November 2007
Objective	:	Products Purchase Agreement: CNHTC (including its associates) will sell products include refitted trucks to the Group Products Sales Agreement: the Group will supply products, including trucks, chassis and semi-tractor trucks to CNHTC (including its associates)
Consideration	:	(a) the prices proposed by the PRC government; or (b) if there are no prices proposed by the PRC government, the market price or cost with a reasonable margin
Annual cap for the year ended 31 December 2009	:	Products Purchase Agreement: RMB1,944,000,000 Products Sales Agreement: RMB777,000,000
Actual consideration for the year ended 31 December 2009	:	Products Purchase Agreement: RMB633,078,000 Products Sales Agreement: RMB249,954,000

On 15 July 2009, the Group and CNHTC Group entered into the renewed products purchase agreement and the renewed products sales agreement each for a term of one year commencing from 1 January 2010 with terms substantially the same as the Products Purchase Agreement and Products Sales Agreement respectively. Under the renewed products purchase agreement, the parties agreed that CNHTC Group will sell products include refitted trucks to the Group. Under the renewed products sales agreement, the parties agreed that the Group will supply products include trucks, chassis and semi-tractor trucks to CNHTC Group.

6) Mutual Supply Agreement

Date of agreement	:	3 November 2007
Parties	:	• CNHTC • the Company
Term	:	3 years from 1 November 2007
Objective	:	Parts Purchase Agreement: CNHTC (including its associates) will provide to the Group raw materials, parts and components and semi-finished products Parts Supply Agreement: the Group will supply raw materials, parts and components and semi-finished products to CNHTC (including its associates)
Consideration	:	(a) the prices proposed by the PRC government; or (b) if there are no prices proposed by the PRC government, the market price or cost with a reasonable margin
Annual cap for the year ended 31 December 2009	:	Parts Purchase Agreement: RMB607,450,000 Parts Supply Agreement: RMB2,259,000,000
Actual consideration for the year ended 31 December 2009	:	Parts Purchase Agreement: RMB409,116,000 Parts Supply Agreement: RMB1,120,518,000

On 15 July 2009, the Group and CNHTC Group entered into the renewed parts purchase agreement and renewed parts sales agreement each for a term of one year commencing from 1 January 2010 with terms substantially the same as the Parts Purchase Agreement and the Parts Sales Agreement respectively. Under the renewed parts purchase agreement, the parties agreed that CNHTC Group will supply raw materials, parts and components and semi-finished products to the Group. Under the renewed sales purchase agreement, the parties agreed that the Group will supply raw materials, parts and components and semi-finished products to CNHTC Group.

7) Financial Services Framework Agreement

Date of agreement	:	21 April 2009
Parties	:	• CNHTC • Sinotruk Finance Co., Ltd., a non-wholly owned subsidiary of the Company
Term	:	From 21 April 2009 to 31 December 2011
Objective	:	To provide a range of financial services to members of CNHTC Group including settlement services, deposit taking services, bank bill discounting services and arrangement of entrustment loan
Consideration	:	(i) settlement services: free of charge; (ii) deposit services: the interest rates for such deposits are determined in accordance with the standard rates promulgated by the People's Bank of China ("PBOC") from time to time; (iii) bank bill 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 (iv) arrangement of entrustment loans: the service fee is set at a rate with regard to the policy implemented by relevant PRC government authorities and the individual circumstances (including term of the loan).
Annual cap for the year ended 31 December 2009	:	Maximum day-end balance for deposit taking and bank bill discounting services : RMB350,000,000 Aggregate of interest expenses for deposit taking services; interest income from bank bill discounting services and fee income from arrangement of entrustment loans : RMB50,000,000
Actual consideration for the year ended 31 December 2009	:	Maximum day-end balance : RMB220,377,000 Aggregate amount : RMB170,000

8) The Technology License Agreement

Date of agreement	:	15 July 2009
Parties	:	• the Company • Sinotruk Ji'nan Commercial Truck Co., Ltd, a wholly-owned subsidiary of the Company as licensee; • Sinotruk Jinan Power Co., Ltd., a wholly-owned subsidiary of the Company as licensee; and • MAN Nutzfahrzeuge AG, a wholly-owned subsidiary of MAN SE as licensor
Term	:	7 years from 7 October 2009
Objective	:	(i) to grant an exclusive and non-transferable right in the PRC to use the licensed technology and know-how relating to the complete TGA truck, D08, D20 and D26 engines, each type available at different engine power output ranges and compliant with Euro III, IV and V emission standards and the related parts and components (ii) the right to use the licensed technology and know-how in connection with the distribution, after-sale maintenance and services for the products and trucks manufactured by this technology
Consideration	:	Fixed at EURO85,000,000
Total cap	:	EURO85,000,000
Actual consideration up to 31 December 2009	:	EURO31,875,000

None of the above continuing connected transactions exceeded the relevant annual caps during the period under review.

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

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

ii. on normal commercial terms; and

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

Pursuant to Rule 14A.38 of the Listing Rules, the Board has appointed the auditor of the Company to carry out certain procedures on the above continuing connected

transactions on the sample basis in accordance with the Hong Kong Standard on Related Services 4400 "Engagements to Perform Agreed-Upon Procedures Regarding Financial Information" promulgated by the Hong Kong Institute of Certified Public Accountants.

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

PricewaterhouseCoopers, the auditor of the Company, has provided a letter to the Board in respect of the continuing connected transactions disclosed above for the year ended 31 December 2009 and confirmed:

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

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

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

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

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

During the year under review, the Company has been in compliance with the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules.

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 Listing Rules.

EVENTS AFTER THE BALANCE SHEET DATE

On 25 November 2009, Jinan Power entered into an agreement to acquire 100% equity interest of CNHTC Jining Commercial Truck Co., Ltd. with a cash consideration not more than RMB97,401,300. On 18 January 2010, the acquisition was duly approved by the shareholders of the Company at the extraordinary general meeting of the Company. Upto the date of approval of this report, the acquisition was in progress.

AUDITOR

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

By Order of the Board
Chairman

Beijing, 23 March 2010

Independent Auditor's Report

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22nd Floor Prince's Building
Central, Hong Kong

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

We have audited the consolidated financial statements of Sinotruk (Hong Kong) Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 60 to 159, which comprise the consolidated and company balance sheets as at 31 December 2009, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements 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 financial statements.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2009 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 23 March 2010

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2009
(All amounts in RMB thousands unless otherwise stated)

	Note	2009	2008
Turnover	5	27,222,543	26,000,199
Cost of sales	7	(23,416,478)	(22,359,252)
Gross profit		3,806,065	3,640,947
Distribution costs	7	(1,502,709)	(1,370,835)
Administrative expenses	7	(1,085,903)	(985,770)
Other gains/(losses) – net	8	265,334	(35,667)
Operating profit		1,482,787	1,248,675
Finance income		236,865	289,415
Finance costs		(273,121)	(238,985)
Finance (costs)/income - net	10	(36,256)	50,430
Profit before income tax		1,446,531	1,299,105
Income tax expense	11	(302,616)	(185,909)
Profit for the year		1,143,915	1,113,196
Other comprehensive income:			
Gains on currency translation		2,537	8,433
Gains on revaluation of own-occupied properties		—	1,053
Total comprehensive income for the year		1,146,452	1,122,682
Profit attributable to:			
– equity holders of the Company		964,625	880,774
– minority interests		179,290	232,422
		1,143,915	1,113,196
Total comprehensive income attributable to:			
– equity holders of the Company		967,162	890,260
– minority interests		179,290	232,422
		1,146,452	1,122,682
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in RMB per share)			
– basic	14	0.44	0.39
– diluted	14	0.42	0.39

The notes on page 67 to 159 are an integral part of these consolidated financial statements. Details of dividends payable to equity shareholders of the Company are set out in Note 15 to these consolidated financial statements.

Consolidated Balance Sheet

As at 31 December 2009

(All amounts in RMB thousands unless otherwise stated)

	Note	2009	2008
ASSETS			
Non-current assets			
Land use rights	16	851,088	441,699
Property, plant and equipment	17	7,906,964	6,498,830
Investment properties	18	5,609	4,171
Intangible assets	19	361,273	33,808
Goodwill	6	3,868	—
Deferred income tax assets	28	321,532	316,178
Investment in an associate		7,500	—
		9,457,834	7,294,686
Current assets			
Inventories	20	5,352,721	5,327,669
Trade and other receivables	21	7,033,763	5,138,973
Financial assets at fair value through profit or loss	22	14,731	8,622
Amounts due from related parties	37(b)	190,484	71,317
Fixed deposit	23	1,038,492	—
Restricted cash	24	4,087,468	3,739,575
Cash and cash equivalents	25	11,372,932	6,721,470
		29,090,591	21,007,626
Total assets		38,548,425	28,302,312
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	26	261,489	219,648
Reserves		16,659,659	11,085,844
		16,921,148	11,305,492
Minority interests		1,283,832	1,138,240
Total equity		18,204,980	12,443,732

Consolidated Balance Sheet

As at 31 December 2009

(All amounts in RMB thousands unless otherwise stated)

	Note	2009	2008
LIABILITIES			
Non-current liabilities			
Borrowings	27	1,500,250	344,434
Deferred income tax liabilities	28	10,880	1,461
Termination benefits, post-employment benefits and medical insurance plan	30	51,760	64,570
Deferred income	32	329,321	17,064
		1,892,211	427,529
Current liabilities			
Trade and other payables	29	10,732,502	7,589,845
Current income tax liabilities		112,030	15,639
Borrowings	27	7,025,625	7,680,211
Amounts due to related parties	37(b)	360,263	19,307
Provisions for other liabilities	31	220,814	126,049
		18,451,234	15,431,051
Total liabilities		20,343,445	15,858,580
Total equity and liabilities		38,548,425	28,302,312
Net current assets		10,639,357	5,576,575
Total assets less current liabilities		20,097,191	12,871,261

Director Director

The notes on page 67 to 159 are an integral part of these consolidated financial statements.

Company Balance Sheet

As at 31 December 2009

(All amounts in RMB thousands unless otherwise stated)

	Note	2009	2008
ASSETS			
Non-current assets			
Land use rights	16	16,422	16,440
Property, plant and equipment	17	730	771
Intangible assets		3	5
Investments in subsidiaries	36	13,106,130	11,406,130
		13,123,285	11,423,346
Current assets			
Amounts due from subsidiaries		1,148,184	11,267
Financial assets at fair value through profit or loss	22	14,731	—
Dividends receivable		919,625	596,507
Other receivables		43,534	446
Fixed deposit	23	1,038,492	—
Restricted cash	24	744,580	—
Cash and cash equivalents	25	760,904	65,585
		4,670,050	673,805
Total assets		17,793,335	12,097,151
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	26(a)	261,489	219,648
Reserves		16,769,490	11,859,631
Total equity		17,030,979	12,079,279

Company Balance Sheet

As at 31 December 2009

(All amounts in RMB thousands unless otherwise stated)

	Note	2009	2008
LIABILITIES			
Current liabilities			
Amounts due to subsidiaries		**1,604**	5,788
Trade and other payables		**16,172**	12,084
Borrowings	27	**744,580**	—
		762,356	17,872
Total liabilities		**762,356**	17,872
Total equity and liabilities		**17,793,335**	12,097,151
Net current assets		**3,907,694**	655,933
Total assets less current liabilities		**17,030,979**	12,079,279

Director

Director

The notes on page 67 to 159 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2009

(All amounts in RMB thousands unless otherwise stated)

	Attributable to equity holders of the Company												Minority interests	Total equity
	Share capital	Share premium	Capital redemption reserve	Convertible note reserve	Other capital reserve	Property revaluation reserve	Statutory reserve	Discretionary reserve	Merger reserve	Translation reserve	Retained earnings	Total		
Balance at 1 January 2008	219,648	11,727,145	—	—	(3,723,244)	—	219,314	—	1,045,473	(4,871)	1,503,614	10,987,079	916,228	11,903,307
Total comprehensive income for the year	—	—	—	—	—	1,053	—	—	—	8,433	880,774	890,260	232,422	1,122,682
Dividends of the Company relating to 2007	—	—	—	—	—	—	—	—	—	—	(145,112)	(145,112)	—	(145,112)
Dividends to minority shareholders	—	—	—	—	—	—	—	—	—	—	—	—	(6,381)	(6,381)
Appropriation to reserves	—	—	—	—	—	—	102,468	—	—	—	(102,468)	—	—	—
Repurchase of the Company's shares	—	—	—	—	—	—	—	—	—	—	(443,101)	(443,101)	—	(443,101)
Purchase of minority interests	—	—	—	—	16,366	—	—	—	—	—	—	16,366	(40,644)	(24,278)
Acquisition of a subsidiary	—	—	—	—	—	—	—	—	—	—	—	—	36,615	36,615
Balance at 31 December 2008	219,648	11,727,145	—	—	(3,706,878)	1,053	321,782	—	1,045,473	3,562	1,693,707	11,305,492	1,138,240	12,443,732
Total comprehensive income for the year	—	—	—	—	—	—	—	—	—	2,537	964,625	967,162	179,290	1,146,452
Dividends of the Company relating to 2008	—	—	—	—	—	—	—	—	—	—	(76,153)	(76,153)	—	(76,153)
Dividends to minority shareholders	—	—	—	—	—	—	—	—	—	—	—	—	(29,950)	(29,950)
Repurchase of the Company's shares (Note 26(a)(ii))	—	—	—	—	—	—	—	—	—	—	(59,725)	(59,725)	—	(59,725)
Cancellation of the shares repurchased (Note 26(a)(iii))	(10,935)	—	10,935	—	—	—	—	—	—	—	(751)	(751)	—	(751)
Appropriation to reserves	—	—	—	—	—	—	135,638	104,294	—	—	(239,932)	—	—	—
Purchase of minority interests	—	—	—	—	14,892	—	—	—	—	—	—	14,892	(72,212)	(57,320)
Issue of convertible note (Note 26(a)(iv))	—	—	—	4,770,231	—	—	—	—	—	—	—	4,770,231	—	4,770,231
Conversion of the convertible note (Note 26(a)(iv))	52,776	4,717,455	—	(4,770,231)	—	—	—	—	—	—	—	—	—	—
Capital injection from minority shareholders	—	—	—	—	—	—	—	—	—	—	—	—	30,612	30,612
Acquisition of a subsidiary (Note 6)	—	—	—	—	—	—	—	—	—	—	—	—	37,852	37,852
Balance at 31 December 2009	261,489	16,444,600	10,935	—	(3,691,986)	1,053	457,420	104,294	1,045,473	6,099	2,281,771	16,921,148	1,283,832	18,204,980

The notes on page 67 to 159 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2009

(All amounts in RMB thousands unless otherwise stated)

	Note	2009	2008
Cash flows from operating activities			
Cash generated from/(used in) operations	33	2,176,959	(203,655)
Interest paid		(333,712)	(304,807)
Income tax paid		(131,694)	(435,049)
Net cash generated from/(used in) operating activities		1,711,553	(943,511)
Cash flows from investing activities			
Acquisition of a subsidiary, net of cash acquired	6	7,305	17,590
Prepaid operating lease payments for land use rights	16	(398,759)	(108,191)
Purchase of property, plant and equipment		(797,356)	(2,782,011)
Proceeds from sale of property, plant and equipment	33(b)	13,285	8,625
Purchase of intangible assets		(179,673)	(7,230)
Purchase of financial assets at fair value through profit or loss		—	(7,729)
Proceeds from sale of financial assets at fair value through profit or loss		7,709	—
Acquisition of investment in an associate		(7,500)	—
Purchase of minority interests		(57,320)	(24,278)
Interest received		294,469	188,310
Increase in fixed deposit		(1,038,493)	—
Net cash used in investing activities		(2,156,333)	(2,714,914)
Cash flows from financing activities			
Increase/(decrease) in restricted cash		344	(1,675,444)
Proceeds from borrowings		12,685,486	11,852,689
Repayments of borrowings		(12,222,828)	(9,266,976)
Proceeds from minority interests shareholders' capital injection		30,612	—
Issue of convertible note	26(a)	4,770,231	—
Cash used for repurchase and cancellation of the Company's shares	26(a)	(60,476)	(443,101)
Dividends paid to the equity shareholders of the Company		(68,763)	(145,112)
Dividends paid to minority interests shareholders		(30,686)	(6,971)
Net cash generated from financing activities		5,103,920	315,085
Net increase/(decrease) in cash and cash equivalents		4,659,140	(3,343,340)
Cash and cash equivalents at beginning of the year	25	6,721,470	10,077,093
Exchange losses on cash	33(a)	(7,678)	(12,283)
Cash and cash equivalents at end of the year	25	11,372,932	6,721,470

The notes on page 67 to 159 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

For the year ended 31 December 2009
(All amounts in RMB thousands unless otherwise stated)

1. General information of the Group

Sinotruk (Hong Kong) Limited (the "Company") was incorporated in Hong Kong on 31 January 2007 as a limited liability company as a result of a group reorganisation (the "Reorganisation") of China National Heavy Duty Truck Group Company Limited ("CNHTC") as detailed in section headed "History, Reorganisation and Corporate Structure" of the global offering prospectus dated 15 November 2007. The Company's shares were listed on the Stock Exchange of Hong Kong Limited.

The Company together with its subsidiaries are hereinafter collectively referred to as the Group. The Group is principally engaged in the manufacturing and sales of heavy duty trucks, engines, and the provision of finance services. The address of the Company's registered office is Units 2102-2103, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong.

2. Summary of significant accounting policies

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

(a) Basis of preparation

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

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

2. Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

Changes in accounting policy and disclosures

(1) New and amended standards and interpretation to existing standard effective in 2009 and relevant to the Group

- HKFRS 7 'Financial Instruments – Disclosures' (amendment) – effective from 1 January 2009. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on earnings per share.

- HKAS 1 (revised). 'Presentation of financial statements' – effective from 1 January 2009. The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. As a result the group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

- In respect of borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009, the group capitalises borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The Group had capitalised borrowing costs before. The adoption of HKAS 23 (Revised) Borrowing Costs had no material impact on earnings per share.

- HKFRS 8, 'Operating segments' (effective from 1 January 2009). HKFRS 8 replaces HKAS 14, 'Segment reporting', and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. In addition, the segments are reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-maker. The standard does not have any impact on the Group's financial statements except for certain changes in note disclosure.

2. Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

Changes in accounting policy and disclosures (Continued)

(2) Amended standard to existing standard effective in 2009 but not relevant

- HKFRS 2 (amendment), 'Share-based payment' (effective from 1 January 2009).

(3) Standards and amendments to existing standards that are not yet effective and have not been early adopted by the Group

The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2010 or later periods, but the Group has not early adopted them:

- HKAS 27 (revised), 'Consolidated and separate financial statements', (effective from 1 July 2009). The revised standard requires the effects of all transactions with minority interest to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The Group will apply HKAS 27 (revised) prospectively to transactions with minority interest from 1 January 2010.
- HKFRS 3 (revised), 'Business combinations' (effective from 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the consolidated statement of comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply HKFRS 3 (revised) prospectively to all business combinations from 1 January 2010.
- HKAS 38 (amendment), 'Intangible Assets' (effective from 1 July 2009). The amendment is part of the HKICPA's annual improvements project published in April/May 2009. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and it permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives. The Group will apply HKAS 38 (amendment) from the date HKFRS 3 (revised) is adopted.

2. Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

Changes in accounting policy and disclosures (Continued)

(3) Standards and amendments to existing standards that are not yet effective and have not been early adopted by the Group (Continued)

- HKAS 1 (amendment), 'Presentation of financial statements'. The amendment is part of the HKICPA's annual improvements project published in April/May 2009. The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The Group will apply HKAS 1 (amendment) from 1 January 2010.

(4) Interpretations and amendments to existing standards that are not yet effective and not relevant for the Group's operations

The following interpretations and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2010 or later periods but are not relevant for the Group's operations:

- HK(IFRIC) 17 'Distribution of non-cash assets to owners' (effective on or after 1 July 2009).
- HKFRS 5 (amendment), 'Measurement of non-current assets (or disposal groups) classified as held for sale' (effective on or after 1 July 2009).
- HKFRS 2 (amendments), 'Group cash-settled share-based payment transactions' (effective from 1 January 2010).

2. Summary of significant accounting policies (Continued)

(b) Merger accounting and consolidation

(i) Subsidiaries

Subsidiaries are entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

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

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

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

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

Except for the business combination under common control as described above, the purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interests. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated statement of comprehensive income.

Inter-company 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 asset transferred.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted by the Company on the basis of dividend received and receivable.

2. Summary of significant accounting policies (Continued)

(b) Merger accounting and consolidation (Continued)

(ii) Transactions non-controlling interest

The Group treats transactions with non-controlling interest as transactions with equity holders of the company. For purchases from minority interest, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to minority interest are also recorded in equity.

(iii) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss. See Note 2(i) for the impairment of investments in subsidiaries, associates and non-financial assets.

The Group's share of its associates' post-acquisition profits or losses is recognised in the consolidated statement of comprehensive income, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against 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 obligations or made payments on behalf of the associate.

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

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

2. Summary of significant accounting policies (Continued)

(c) Segment reporting

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

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Renminbi ("RMB"), which is the Company's functional and 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. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated statement of comprehensive income within 'finance income or cost'. All other foreign exchange gains and losses are presented in the consolidated statement of comprehensive income within 'other gains/(losses) - net'.

2. Summary of significant accounting policies (Continued)

(d) Foreign currency translation (Continued)

(iii) Group companies

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

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

(2) 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 dates of the transactions); and

(3) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the consolidated statement of comprehensive income as part of the gain or loss on sale.

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.

(e) Land use rights

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

2. Summary of significant accounting policies (Continued)

(f) Property, plant and equipment

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

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

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

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

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

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

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

2. Summary of significant accounting policies (Continued)

(g) Investment property

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

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

(h) Intangible assets

(i) Proprietary technology

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

(ii) Computer software

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

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

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

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

2. Summary of significant accounting policies (Continued)

(j) Financial assets

(i) Classification

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

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

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivative financial instruments are also categorised as financial assets held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(2) Loans and receivables

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

(ii) Recognition and measurement

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

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

(iii) Offsetting financial instruments

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

2. Summary of significant accounting policies (Continued)

(j) Financial assets (Continued)

(iv) Impairment of financial assets

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

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a delay of payments;
- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
  - (i) adverse changes in the payment status of borrowers in the portfolio;
  - (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists.

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 asset's carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statement of comprehensive income.

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

2. Summary of significant accounting policies (Continued)

(k) Inventories

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

(l) Trade and other receivables

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

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

(m) Cash and cash equivalents

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. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(n) Share capital

Ordinary shares are classified as equity.

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

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

2. Summary of significant accounting policies (Continued)

(o) Trade and other payables

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

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

(p) Borrowings

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

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

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

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

(q) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed.

2. Summary of significant accounting policies (Continued)

(r) Current and deferred income tax

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

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

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

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

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

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

2. Summary of significant accounting policies (Continued)

(s) Employee benefits

(i) Pension obligations

For staff in Mainland China:

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

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

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

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

2. Summary of significant accounting policies (Continued)

(s) Employee benefits (Continued)

(i) Pension obligations (Continued)

For staff in Mainland China: (Continued)

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

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

(ii) Termination benefits

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

2. Summary of significant accounting policies (Continued)

(s) Employee benefits (Continued)

(iii) Other post-employment benefits

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

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

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

(iv) Housing funds

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

2. Summary of significant accounting policies (Continued)

(t) Provisions

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

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

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

(u) Government assistance and grants

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

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

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

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

2. Summary of significant accounting policies (Continued)

(v) Revenue recognition

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

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

(i) Sales of goods

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

(ii) Sales of services

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

(iii) Rental income

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

(iv) Interest income

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

(v) Dividend income

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

2. Summary of significant accounting policies (Continued)

(w) Operating leases

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

(a) As a lessee

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

(b) As a lessor

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

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

(x) Dividend distribution

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

(y) Research and development

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

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

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

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

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

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

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

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

2. Summary of significant accounting policies (Continued)

(z) Contingent liabilities and contingent assets

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

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

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

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

(aa) Financial guarantee contracts

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

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

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

3. Financial risk management

3.1 Financial risk factors

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

(i) Foreign exchange risk

The Group mainly operates in the PRC with most of the transactions denominated and settled in RMB. The major foreign exchange risk exposure arises from its exporting and import activities as well as the financing activities in Hong Kong. Accordingly, the Group has certain derivative financial instruments, trade receivables, fixed deposit, restricted cash, cash and cash equivalents, borrowings and trade payables denominated in foreign currencies, mainly USD, EURO and HKD, which are exposed to foreign currency translation risk. Details of the Group's maximum exposures to the foreign exchange risks are disclosed in Note 21, 22, 23, 24, 25, 27 and 29 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 2009, 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 3,651,000 (2008: RMB 25,326,000) lower/higher, mainly as a result of foreign exchange losses/gains on translation of USD-denominated trade receivables, cash and cash equivalents, trade payables and borrowings.

As at 31 December 2009, if RMB had strengthened/weakened by 5% against the EURO with all other variables held constant, profit before income tax for the year would have been approximately RMB 25,094,000 (2008: RMB 13,706,000) lower/higher, mainly as a result of foreign exchange losses/gains on translation of EURO-denominated fixed deposit, restricted cash, cash and cash equivalents, trade receivables and borrowings.

As at 31 December 2009, if RMB had strengthened/weakened by 5%, against the HKD respectively with all other variables held constant, profit before income tax for the year would have been approximately RMB 12,436,000 (2008: RMB 19,491,000) lower/higher, respectively, mainly as a result of foreign exchange losses/gains on translation of HKD-denominated trade and other receivables, cash and cash equivalents and other payables.

3. Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(ii) Cash flow and fair value interest rate risk

The Group's operating income and operating cash flows are substantially independent of changes in market interest rates as the Group has no significant interest-bearing operating assets. The Group's exposure to changes in interest rates is mainly attributable to its bank deposits and borrowings. Certain borrowings bear variable rates and expose the Group to cash flow interest-rate risk. Bank deposits and borrowings issued at fixed rates expose the Group to fair value interest-rate risk. The maximum exposures to the interest rate risk have been disclosed in Note 23, 24, 25 and 27.

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

As at 31 December 2009, if the interest rates on bank borrowings had been 150 basis points higher/lower than the weighted average effective interest rate 3.77% (2008: 5.44%) per annum with all other variables held constant, profit before income tax for the years would have been RMB 34,885,000 (2008: RMB 43,534,000) lower/higher, mainly as a result of higher/lower interest expense on floating rate of bank borrowings.

(iii) Credit risk

The Group has no significant concentrations of credit risk. The carrying amounts of fixed deposit (Note 23), restricted cash (Note 24), cash and cash equivalents (Note 25), trade and other receivables (Note 21) and amounts due from related parties (Note 37(b)) represent the Group's maximum exposure to credit risk in relation to financial assets. The Group generally requires customers to pay a certain amount of deposits when orders are made and settle full purchase price to the Group before delivery. Majority of the sales transactions are settled by cash, cheque, bank draft or cashier order. The Group also accepts bank acceptance notes with maturity within 6 months. The granting or extension of any credit period must be approved by the general manager of the Group. There is no recent history of material default in relation to those customers. For bank and financial institutions, the Group has policies that deposits are put in reputable banks.

(All amounts in RMB thousands unless otherwise stated)

3. Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(iv) Liquidity risk

The liquidity risk of the Group is controlled by maintaining sufficient cash and cash equivalents, together with adequate banking facilities.

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

As at 31 December 2009	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	Over 5 years
	Repayment period					
Borrowings	7,025,625	1,500,250	—	—	—	—
Interests payments on borrowings (a)	160,878	29,214	—	—	—	—
Trade and other payables (b)	9,296,623	—	—	—	—	—
Amount due to related parties	360,263	—	—	—	—	—
	16,843,389	1,529,464	—	—	—	—

As at 31 December 2008	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	Over 5 years
	Repayment period					
Borrowings	7,680,211	41,306	294,956	1,306	1,306	5,560
Interests payments on borrowings (a)	204,208	7,148	4,098	243	243	843
Trade and other payables (b)	6,575,444	—	—	—	—	—
Amount due to related parties	19,307	—	—	—	—	—
	14,479,170	48,454	299,054	1,549	1,549	6,403

(a) The interest on borrowings is calculated based on borrowings held as at 31 December 2009 and 2008 without taking into account of future issues. Floating-rate interest is estimated using current interest rate as at 31 December 2009 and 2008 respectively.

(b) Trade and other payables include trade and bills payables and other payables as stated in Note 29.

(All amounts in RMB thousands unless otherwise stated)

3. Financial risk management (Continued)

3.2 Capital risk management

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

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

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

	As at 31 December 2009	As at 31 December 2008
Total borrowings	**8,525,875**	8,024,645
Equity attributable to equity holders of the Company	**16,921,148**	11,305,492
Debt-to-equity ratio	**0.50**	0.71

The significant decrease in the debt-to-equity ratio is resulted from the issue of new shares.

3.3 Fair value estimation

Effective 1 January 2009, the Group adopted the amendment to HKFRS 7 for financial instruments that are measured in the balance sheet at fair value, this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- 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).

3. Financial risk management (Continued)

3.3 Fair value estimation (Continued)

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2009.

	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss	—	14,731	—	14,731
Total assets	—	14,731	—	14,731

4. Critical accounting estimates and judgements

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

4.1 Critical accounting estimates and assumptions

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

(a) Current tax and deferred tax

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

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

4. Critical accounting estimates and judgements (Continued)

4.1 Critical accounting estimates and assumptions (Continued)

(b) Termination benefits and other post-employment benefits obligation

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

Key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in Note 30.

(c) Warranty claims provision

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

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

(d) Net realisable value of inventories

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

(e) Impairment of trade receivables

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

4. Critical accounting estimates and judgements (Continued)

4.1 Critical accounting estimates and assumptions (Continued)

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

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

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

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

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

(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.

5. Segment information

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

The decision-maker considers the business from both a geographic and business perspective. From a geographic perspective, the decision maker assesses the revenue from mainland China and overseas. From a business perspective, the decision maker assesses the performance of trucks, engines and finance.

(i) Trucks – Manufacture and sale of trucks;

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

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

5. Segment information (Continued)

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

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

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

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

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

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

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

(All amounts in RMB thousands unless otherwise stated)

5. Segment information (Continued)

The segment results for the year ended 31 December 2009 are as follows:

	Trucks	Engines	Finance	Elimination	Total
External segment revenue	25,429,940	1,727,167	65,436	—	27,222,543
Inter-segment revenue	204,144	6,179,651	20,397	(6,404,192)	—
Segment revenue	25,634,084	7,906,818	85,833	(6,404,192)	27,222,543
Operating profit before unallocated expenses	1,162,045	568,847	69,554	(291,208)	1,509,238
Unallocated expenses					(26,451)
Operating profit					1,482,787
Finance costs – net					(36,256)
Profit before income tax					1,446,531
Income tax expense					(302,616)
Profit for the year					1,143,915

(All amounts in RMB thousands unless otherwise stated)

5. Segment information (Continued)

The segment results for the year ended 31 December 2008 are as follows:

	Trucks	Engines	Finance	Elimination	Total
External segment revenue	24,218,729	1,665,984	115,486	—	26,000,199
Inter-segment revenue	208,092	5,071,679	43,458	(5,323,229)	—
Segment revenue	24,426,821	6,737,663	158,944	(5,323,229)	26,000,199
Operating profit before unallocated expenses	839,799	303,410	102,744	150,676	1,396,629
Unallocated expenses					(147,954)
Operating profit					1,248,675
Finance income - net					50,430
Profit before income tax					1,299,105
Income tax expense					(185,909)
Profit for the year					1,113,196

Other segment items included in the consolidated statement of comprehensive income for the year ended 31 December 2009 are as follows:

	Trucks	**Engines**	**Finance**	**Unallocated**	**Total**
Depreciation	**237,206**	**278,933**	**767**	**48**	**516,954**
Amortisation of intangible assets and land use rights	**14,803**	**11,273**	**19**	**20**	**26,115**

Other segment items included in the consolidated statement of comprehensive income for the year ended 31 December 2008 are as follows:

	Trucks	Engines	Finance	Unallocated	Total
Depreciation	155,753	191,098	661	47	347,559
Amortisation of intangible assets and land use rights	4,687	5,397	23	20	10,127

(All amounts in RMB thousands unless otherwise stated)

5. Segment information (Continued)

The segment assets and liabilities as at 31 December 2009 and capital expenditure for the year then ended are as follows:

	Trucks	Engines	Finance	Unallocated	Total
Segment assets	21,981,823	11,706,865	3,751,368	5,034,978	42,475,034
Elimination					(3,926,609)
Total assets					38,548,425
Segment liabilities	9,200,731	3,406,114	2,596,862	7,026,600	22,230,307
Elimination					(1,886,862)
Total liabilities					20,343,445
Segment capital expenditure	1,430,450	1,286,910	76	6	2,717,442
Elimination					—
Total capital expenditure					2,717,442

Segment assets and liabilities are reconciled to entity assets and liabilities as follows:

	Assets	Liabilities
Segment assets/liabilities after elimination	33,513,447	13,316,845
Unallocated:		
Deferred tax assets/liabilities	321,532	10,880
Current tax assets/liabilities	27,845	112,029
Current borrowings	—	5,627,519
Non-current borrowings	—	1,260,000
Assets/Liabilities of the Company	4,685,601	16,172
Total	38,548,425	20,343,445

(All amounts in RMB thousands unless otherwise stated)

5. Segment information (Continued)

The segment assets and liabilities as at 31 December 2008 and capital expenditure for the year then ended are as follows:

	Trucks	Engines	Finance	Unallocated	Total
Segment assets	18,021,176	11,300,633	2,374,688	1,157,318	32,853,815
Elimination					(4,551,503)
Total assets					28,302,312
Segment liabilities	8,247,237	3,368,789	1,269,245	7,209,740	20,095,011
Elimination					(4,236,431)
Total liabilities					15,858,580
Segment capital expenditure	1,422,660	1,424,603	227	3	2,847,493
Elimination					—
Total capital expenditure					2,847,493

Segment assets and liabilities are reconciled to entity assets and liabilities as follows:

	Assets	Liabilities
Segment assets/liabilities after elimination	27,144,994	8,648,840
Unallocated:		
Deferred tax assets/liabilities	316,178	1,461
Current tax assets/liabilities	108,407	15,639
Current borrowings	—	7,129,773
Non-current borrowings	—	50,784
Assets/liabilities of the Company	732,733	12,083
Total	28,302,312	15,858,580

(All amounts in RMB thousands unless otherwise stated)

5. Segment information (Continued)

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

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

	2009	2008
Turnover		
Mainland China	25,479,879	22,166,492
Overseas	1,742,664	3,833,707
	27,222,543	26,000,199

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

	2009	2008
Total assets		
Mainland China	34,760,176	27,101,279
Overseas	3,788,249	1,201,033
	38,548,425	28,302,312

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

	2009	2008
Capital expenditure		
Mainland China	2,504,935	2,847,490
Overseas	212,507	3
	2,717,442	2,847,493

(All amounts in RMB thousands unless otherwise stated)

6. Business combinations

On 4 March 2009, the Group acquired 60% of the shares in Hubei Huawei Special Vehicle Co., Ltd., a company that refits and sells heavy duty trucks, for a cash consideration of RMB 60,000,000.

The acquired business contributed revenues of approximately RMB 294,854,000 and net profit of approximately RMB 3,821,000 to the Group for the period from 4 March 2009 to 31 December 2009. If the acquisition had occurred on 1 January 2009, consolidated revenue and consolidated profit attributable to equity holders of the Company for the year ended 31 December 2009 would have been approximately RMB 27,362,669,000 and RMB 967,881,000 respectively.

These amounts have been calculated using the Group's accounting policies and by adjusting the results of the subsidiary to reflect the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment, land use rights and intangible assets had applied from 1 January 2009, together with the consequential tax effects.

Details of net assets acquired and goodwill are as follows:

Purchase consideration:	
– cash paid	60,000
Total purchase consideration	60,000
Fair value of net identifiable assets acquired, attributable to equity holders of the Company	56,132
Goodwill recognised	3,868

The goodwill is attributable to Hubei Huawei Special Vehicle Co., Ltd.'s position and profitability in its market and the synergies expected to arise after its acquisition by the Group. The goodwill is attributable to the trucks segment.

(All amounts in RMB thousands unless otherwise stated)

6. Business combinations (Continued)

The assets and liabilities arising from the acquisition are as follows:

	Acquiree's carrying amount	Fair value
Cash and cash equivalents	67,305	67,305
Property, plant and equipment (Note 17)	54,742	71,821
Land use rights (Note 16)	8,736	25,999
Intangible assets (Note 19)	2,388	7,908
Inventories	51,998	51,998
Receivables	62,698	62,698
Payables	(150,915)	(150,442)
Employee benefit liabilities, including pensions	(1,259)	(1,206)
Borrowings	(32,000)	(32,000)
Deferred tax liabilities arising from the acquisition (Note 28(b))	—	(10,097)
Minority interest	(430)	(430)
Net identifiable assets acquired	63,263	93,554
Minority interest (40%)		(37,422)
Net assets acquired		56,132
Inflow of cash to acquire business, net of cash acquired:		
– cash and cash equivalents in subsidiary acquired		67,305
– cash consideration		(60,000)
Net cash inflow from the acquisition		7,305

On 31 May 2008, the Group acquired 60% of equity interest in Liuzhou Yunli Special Vehicle Co., Ltd., a company that refits and sells heavy duty trucks, for a cash consideration of approximately RMB 49,249,000.

The acquired business contributed revenues of approximately RMB 209,930,000 and net profit attributable to the equity holders of the Company of approximately RMB 6,114,000 to the Group for the period from 31 May 2008 to 31 December 2008. If the acquisition had occurred on 1 January 2008, the Group's consolidated revenue and consolidated profit attributable to the equity holders of the Company for the year ended 31 December 2008 would have been approximately RMB 26,615,258,000 and RMB 883,185,000 respectively.

These amounts have been calculated using the Group's accounting policies and by adjusting the results of the subsidiary to reflect the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment, land use rights and intangible assets had applied from 1 January 2008, together with the consequential tax effects.

(All amounts in RMB thousands unless otherwise stated)

6. Business combinations (Continued)

Details of net assets acquired and excess of share of acquired assets over purchase consideration are as follows:

Purchase consideration:	
- cash paid	49,249
Total purchase consideration	49,249
- fair value of net identifiable assets acquired, attributable to equity holders of the Company	54,923
Excess of share of acquired assets over purchase consideration	(5,674)

The excess of the Group's share of the fair value of Liuzhou Yunli Special Vehicle Co., Ltd.'s net identifiable assets, over the purchase consideration is recognised as other gains.

The assets and liabilities arising from the acquisition are as follows:

	Acquiree's carrying amount	Fair value
Cash and cash equivalents	66,839	66,839
Financial assets at fair value through profit or loss	360	367
Property, plant and equipment (Note 17)	75,021	77,257
Land use rights (Note 16)	18,941	21,563
Intangible assets (Note 19)	120	1,950
Inventories	90,095	104,158
Receivables	52,629	58,822
Payables	(176,244)	(176,244)
Employee benefit liabilities, including pensions	(933)	(933)
Borrowings	(59,000)	(59,000)
Net deferred tax assets/(liabilities) arising from the acquisition (Note 28(b))	784	(3,241)
Net identifiable assets acquired	68,612	91,538
Minority interest (40%)		(36,615)
Net assets acquired		54,923
Inflow of cash to acquire business, net of cash acquired:		
– cash and cash equivalents in the subsidiary acquired		66,839
– cash consideration		(49,249)
Net cash inflow from the acquisition		17,590

(All amounts in RMB thousands unless otherwise stated)

7. Expenses by nature

	2009	2008
Materials cost (Note 20)	20,806,384	19,903,635
Employee benefit expenses (Note 9)	1,149,187	1,160,851
Warranty expenses (Note 31)	602,628	385,174
Utilities	537,378	519,382
Depreciation of property, plant and equipment (Note 17)	516,954	347,559
Transportation expenses	492,391	622,979
Advertising costs	193,422	148,095
Travel and office expenses	163,049	153,486
Transaction taxes	57,592	40,740
Write-down of inventories to net realisable value (Note 20)	24,225	64,560
Amortisation of land use rights (Note 16)	15,369	7,259
Auditors' remuneration	12,850	13,490
Amortisation of intangible assets (Note 19)	10,746	2,868
Provision for legal claims (Note 31)	266	555
(Reversal of)/provision for impairment of trade and other receivables (Note 21(b))	(3,537)	78,154
Other charges	1,426,186	1,267,070
Total	26,005,090	24,715,857
Representing:		
Cost of sales	23,416,478	22,359,252
Distribution costs	1,502,709	1,370,835
Administrative expenses	1,085,903	985,770
Total	26,005,090	24,715,857

8. Other gains/(losses) – net

	2009	2008
Gains of financial assets at fair value through profit or loss	139,879	893
Disposal of scraps	81,306	53,256
Government grants related to income	46,696	86,086
Fair value gains/(losses) of investment properties (Note 18)	1,438	(882)
Excess of share of acquired assets over the purchase consideration	—	5,674
Losses on disposals of property, plant and equipment	(4,077)	(3,049)
Foreign exchange losses – net	(37,586)	(196,410)
Others	37,678	18,765
Total	265,334	(35,667)

(All amounts in RMB thousands unless otherwise stated)

9. Employee benefit expenses

	2009	2008
Salaries, wages and bonuses	888,671	879,511
Contributions to pension plans	91,971	90,291
Termination benefits (Note 30(a))	970	2,280
Post-employment benefits (Note 30(b))	240	360
Medical insurance plan (Note 30(c))	80	190
Housing benefits	35,230	35,348
Other welfare expenses	132,025	152,871
Total (Note 7)	1,149,187	1,160,851

10. Finance costs/(income) - net

	2009	2008
Interest expense:		
– Bank borrowings	236,843	189,321
– Discount of notes receivable	29,706	51,347
Net foreign exchange losses/(gains) on financing activities	6,572	(1,683)
Finance costs	273,121	238,985
Finance income:		
– Interest income from bank deposits	(236,865)	(289,415)
Finance costs/ (income) – net	36,256	(50,430)

(All amounts in RMB thousands unless otherwise stated)

11. Taxation

(a) Income tax expense

The Company and Sinotruk (Hong Kong) International Investment Limited are subject to Hong Kong profits tax at the rate of 16.5% (2008: 16.5%) on their estimated assessable profit for the year.

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 Truck Co., Ltd has been recognised as the New/High Tech Enterprise in 2009. Sinotruk Jinan Power Co., Ltd., Sinotruk Ji'nan Axle & Tramsmission Co., Ltd., Sinotruk Ji'nan Fuqiang Power Co., Ltd. and Sinotruk Hangzhou Engine Co., Ltd. have been recognised as the New/High Tech Enterprises in 2008. According to the tax incentives of the Corporate Income Tax Law of the People's Republic of China (the "CIT Law") for New/High Tech Enterprises, these companies are subject to a reduced corporate income tax rate of 15% for three years.

Sinotruk Hubei Huawei Special Vehicle Co. Ltd. is subject to a corporate income tax rate of 25%. According to the Income Tax Law for Foreign Investment Enterprises and Foreign Enterprises and other policies related to income tax relief, Sinotruk Hubei Huawei Special Vehicle Co., Ltd. is exempted from corporate income tax for two years, starting from its first profitable year, which was 2006, and is then entitled to a 50% reduction in corporate income tax for three years thereafter until 2010.

Sinotruk Chongqing Fuel System Co., Ltd. and Sinotruk Liuzhou Yunli Special Vehicle Co., Ltd. are subject to a corporate income tax rate of 15% according to the Western Development tax incentives of the CIT Law.

Remaining subsidiaries are subject to the PRC corporate income tax, which has been calculated based on the corporate income tax rate of 25% (2008: 25%).

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

	2009	2008
Current tax:		
– Hong Kong profits tax	651	(665)
– PRC corporate income tax	307,997	301,314
Total current tax	308,648	300,649
Deferred tax (Note 28 (b))	(6,032)	(114,740)
Income tax expense	302,616	185,909

(All amounts in RMB thousands unless otherwise stated)

11. Taxation (Continued)

(a) Income tax expense (Continued)

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

	2009	2008
Profit before tax	1,446,531	1,299,105
Tax calculated at tax rates applicable to profits of the respective entities	333,962	273,529
Tax effects of:		
Tax exemption of certain subsidiaries	(122,997)	(45,540)
Income not subject to tax	(931)	(4,974)
Expenses not deductible for tax purposes	42,200	61,805
Tax losses for which no deferred tax asset was recognised	2,752	3,828
Additional allowance for research and development expenditures	(17,975)	(19,621)
Deferred tax assets arising from tax revaluation	—	(138,753)
Re-measurement of deferred tax resulted from changes in tax rates of certain subsidiaries	48,599	30,585
Withholding income tax	17,006	25,050
Taxation	302,616	185,909

The Group has unrecognised tax losses of approximately RMB 13,869,000 (2008: RMB 23,197,000), which can be carried forward against future taxable income.

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

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

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

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

(All amounts in RMB thousands unless otherwise stated)

12. Directors' and senior management's emoluments

(a) Remunerations

(i) The remuneration of every director of the Company (the "Director") for the year ended 31 December 2009 is set out below:

Name of Director	Fee, salary and bonuses	Other benefits	Employer's contribution to pension scheme	Total
Mr Ma Chunji	530	4	13	547
Mr Cai Dong	503	20	17	540
Mr Wei Zhihai	434	2	12	448
Mr Wang Haotao	434	20	17	471
Mr Wang Guangxi	434	20	17	471
Mr Tong Jingen	429	20	17	466
Mr Wang Shanpo	429	20	17	466
Mr Pan Qing	—	—	—	—
Mr Shao Qihui	120	—	—	120
Mr Lin Zhijun	120	—	—	120
Mr Ou Yang Minggao	120	—	—	120
Mr Hu Zhenghuan	120	—	—	120
Mr Chen Zheng	120	—	—	120
Mr Li Xianyun	120	—	—	120
Mr Hakan Samuelsson	—	—	—	—
Prof. Karlheinz Hornung	—	—	—	—
Mr Anton Weinmann	—	—	—	—

(All amounts in RMB thousands unless otherwise stated)

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

(a) Remunerations (Continued)

(ii) The remuneration of every Director for the year ended 31 December 2008 is set out below:

Name of Director	Fee, salary and bonuses	Other benefits	Employer's contribution to pension scheme	Total
Mr Ma Chunji	651	4	22	677
Mr Cai Dong	599	13	14	626
Mr Wei Zhihai	521	2	12	535
Mr Wang Haotao	521	13	14	548
Mr Wang Guangxi	521	13	14	548
Mr Tong Jingen	521	13	14	548
Mr Wang Shanpo	521	13	14	548
Mr Shao Qihui	120	—	—	120
Mr Lin Zhijun	120	—	—	120
Mr Ouyang Minggao	120	—	—	120
Mr Hu Zhenghuan	120	—	—	120
Mr Chen Zheng	120	—	—	120
Mr Li Xianyun	120	—	—	120

During the year 2009 and 2008, no Directors or senior management of the Company waived any emoluments and no emoluments were paid by the Group to any of the Directors or senior management as an inducement to join or upon joining the Group or as compensation for loss of office.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group during the year 2009 include four Directors whose emoluments have been included in Note (a) above. The emoluments payable to the remaining individual during the year are as follows:

	2009	2008
Basic salaries, housing allowances and other allowances	1,111	1,129

The emoluments fell within the following bands:

	2009	2008
Emolument bands (in HK dollars)		
HKD 1,000,000 – HKD 2,000,000	1	1

13. Profit attributable to equity holders of the Company

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of RMB 318,098,000 (2008: RMB 555,408,000).

14. Earnings per share

(a) Basic

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

	2009	2008
Profit attributable to equity holders of the Company (RMB thousands)	**964,625**	880,774
Weighted average number of ordinary shares in issue (thousands)	**2,201,739**	2,267,893
Basic earnings per share (RMB per share)	**0.44**	0.39

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The dilutive potential ordinary shares of the Company are the convertible note issued (Note 26). The convertible note is assumed to have been converted into ordinary shares at the date of the issue of the convertible note.

	2009	2008
Profit used to determine diluted earnings per share (RMB thousands)	**964,625**	880,774
Weighted average number of ordinary shares in issue (thousands)	**2,201,739**	2,267,893
Adjustment for:		
– Assumed conversion of convertible note (thousands)	**103,172**	—
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**2,304,911**	2,267,893
Diluted earnings per share (RMB per share)	**0.42**	0.39

(All amounts in RMB thousands unless otherwise stated)

15. Dividends

(a) At a meeting held on 23 March 2010, the board of directors ("Board") proposed a final dividend in respect of the year ended 31 December 2009 of approximately HKD 165,660,000, (2008: HKD 86,477,000) (approximately RMB 145,734,000, 2008: RMB 76,153,000), representing HKD 0.06 (2008: HKD 0.04) per ordinary share. Such dividend is to be approved by the shareholders at the annual general meeting on 18 May 2010. These consolidated financial statements do not reflect this dividend payable.

(b) In May 2009, the Company was alert that the Company is likely to be regarded as a Chinese-Resident Enterprise and, if so, the Company could be required to withhold and pay Enterprise Income Tax for its non-PRC resident enterprise shareholders to whom the Company pays dividend. Accordingly, the Company had withheld Enterprise Income Tax for the final dividend in respect of the year 2008 for its non-PRC resident enterprise at approximately HKD 8,383,000 (approximately to RMB 7,381,000) (Note 29). Up to the date of the approval of these consolidated Financial statements, the status of Chinese-Resident Enterprise of the Company was not yet confirmed by the relevant PRC tax authorities

16. Land use rights

Land in the Mainland China is state-owned or collectively-owned and no individual land ownership right exists. The Group has acquired the right to use certain land. Land use rights in the Mainland China represent the Group's interests in land which are held on leases between 36 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 40 to 875 years.

The location is as follows:

	Group		Company	
	2009	2008	**2009**	2008
In Hong Kong				
– Leases of over 50 years	**16,422**	16,440	**16,422**	16,440
– Leases of between 10 to 50 years	**210,797**	21,425	**—**	—
Outside Hong Kong	**623,869**	403,834	**—**	—
	851,088	441,699	**16,422**	16,440

(All amounts in RMB thousands unless otherwise stated)

16. Land use rights (Continued)

The movement is as follows:

	Group		Company	
	2009	2008	**2009**	2008
Opening net book amount	**441,699**	319,204	**16,440**	16,459
Acquisition of a subsidiary (Note 6)	**25,999**	21,563	**—**	—
Other additions	**398,759**	108,191	**—**	—
Amortisation charge (Note 7)	**(15,369)**	(7,259)	**(18)**	(19)
Closing net book amount	**851,088**	441,699	**16,422**	16,440
Cost	**886,892**	461,856	**16,467**	16,467
Accumulated amortisation	**(35,804)**	(20,157)	**(45)**	(27)
Net book amount	**851,088**	441,699	**16,422**	16,440

As at 31 December 2009, no land use right was secured for the credit facilities (2008: net carrying amount of approximately RMB37,865,000) (Note 27(a)).

(All amounts in RMB thousands unless otherwise stated)

17. Property, plant and equipment

	Buildings	Machinery	Furniture, fittings and equipment	Vehicles	Construction in progress	Total
The Group						
At 1 January 2008						
Cost	1,153,814	2,664,394	135,402	143,535	1,413,634	5,510,779
Accumulated depreciation	(175,024)	(1,033,836)	(51,390)	(62,949)	—	(1,323,199)
Net book amount	978,790	1,630,558	84,012	80,586	1,413,634	4,187,580
Year ended 31 December 2008						
Opening net book amount	978,790	1,630,558	84,012	80,586	1,413,634	4,187,580
Acquisition of a subsidiary (Note 6)	35,723	21,254	2,523	1,310	16,447	77,257
Other additions	13,315	92,453	15,888	9,174	2,500,472	2,631,302
Transfers	611,903	626,371	13,584	16,940	(1,268,798)	—
Fair value gains upon transfer to investment properties	1,261	—	—	—	—	1,261
Transfer to investment properties (Note 18)	(5,053)	—	—	—	—	(5,053)
Transfer to intangible assets (Note 19)	—	—	—	—	(21,595)	(21,595)
Disposals	(2,222)	(19,906)	(845)	(1,390)	—	(24,363)
Depreciation charge (Note 7)	(51,872)	(272,086)	(16,052)	(7,549)	—	(347,559)
Closing net book amount	1,581,845	2,078,644	99,110	99,071	2,640,160	6,498,830
At 31 December 2008						
Cost	1,806,032	3,334,844	166,149	167,512	2,640,160	8,114,697
Accumulated depreciation	(224,187)	(1,256,200)	(67,039)	(68,441)	—	(1,615,867)
Net book amount	1,581,845	2,078,644	99,110	99,071	2,640,160	6,498,830

(All amounts in RMB thousands unless otherwise stated)

17. Property, plant and equipment (Continued)

	Buildings	Machinery	Furniture, fittings and equipment	Vehicles	Construction in progress	Total
The Group						
Year ended 31 December 2009						
Opening net book amount	1,581,845	2,078,644	99,110	99,071	2,640,160	6,498,830
Acquisition of a subsidiary (Note 6)	43,584	21,671	553	3,765	2,248	71,821
Other additions	22,642	62,997	24,731	31,326	1,740,956	1,882,652
Transfers	1,041,496	1,800,076	22,375	7,934	(2,871,881)	—
Disposals	(223)	(23,786)	(1,093)	(4,283)	—	(29,385)
Depreciation charge (Note 7)	(72,594)	(408,331)	(22,717)	(13,312)	—	(516,954)
Closing net book amount	2,616,750	3,531,271	122,959	124,501	1,511,483	7,906,964
At 31 December 2009						
Cost	2,919,185	5,193,178	204,036	183,761	1,511,483	10,011,643
Accumulated depreciation	(302,435)	(1,661,907)	(81,077)	(59,260)	—	(2,104,679)
Net book amount	2,616,750	3,531,271	122,959	124,501	1,511,483	7,906,964

(All amounts in RMB thousands unless otherwise stated)

17. Property, plant and equipment (Continued)

	Buildings	Furniture, fittings and equipment	Total
The Company			
At 1 January 2008			
Cost	813	21	834
Accumulated depreciation	(17)	(2)	(19)
Net book amount	796	19	815
Year ended 31 December 2008			
Opening net book amount	796	19	815
Additions	—	3	3
Depreciation charge	(41)	(6)	(47)
Closing net book amount	755	16	771
At 31 December 2008			
Cost	813	25	838
Accumulated depreciation	(58)	(9)	(67)
Net book amount	755	16	771
Year ended 31 December 2009			
Opening net book amount	**755**	**16**	**771**
Additions	**—**	**6**	**6**
Depreciation charge	**(40)**	**(7)**	**(47)**
Closing net book amount	**715**	**15**	**730**
At 31 December 2009			
Cost	**813**	**31**	**844**
Accumulated depreciation	**(98)**	**(16)**	**(114)**
Net book amount	**715**	**15**	**730**

(All amounts in RMB thousands unless otherwise stated)

17. Property, plant and equipment (Continued)

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

	Group		Company	
	2009	2008	**2009**	2008
Cost of sales	**443,460**	303,283	**—**	—
Distribution costs	**1,174**	64	**—**	—
Administrative expenses	**72,320**	44,212	**47**	47
	516,954	347,559	**47**	47

(b) As at 31 December 2009, no property, plant and equipment was secured for credit facilities (2008: property, plant and equipment with carrying amount of approximately RMB 2,472,000) (Note 27(a)).

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

	Group		Company	
	2009	2008	**2009**	2008
Borrowing cost capitalised	**66,521**	63,865	**—**	—
Average capitalisation rate	**4.64%**	5.57%	**—**	—

(d) As at 31 December 2009, the Group was in the process of applying the certificates of ownership for the buildings, with the amount of approximately RMB 594,650,000 (2008: RMB 24,896,000). As at the date of these consolidated financial statements were approved, the process was still undergoing. The Directors are of the opinion that the process will be completed before 31 December 2010.

(All amounts in RMB thousands unless otherwise stated)

18. Investment properties

	2009	2008
At 1 January	4,171	—
Transfer from property, plant and equipment (Note 17)	—	5,053
Fair value gains/(losses) (Note 8)	1,438	(882)
At 31 December	5,609	4,171

The investment properties are located in Hong Kong and valued at fair value as at 31 December 2009, comprising market value by an independent, professionally qualified valuer.

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

	2009	2008
Rental income	203	194

The Group's interests in investment properties are analysed as follows:

	2009	2008
In Hong Kong, held on:		
Leases of between 10 to 50 years	5,609	4,171

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

	2009	2008
Within 1 year	176	181

(All amounts in RMB thousands unless otherwise stated)

19. Intangible assets

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

	Proprietary technology	Computer software	Total
At 1 January 2008			
Cost	10,982	2,564	13,546
Accumulated amortisation	(6,520)	(1,125)	(7,645)
Net book amount	4,462	1,439	5,901
Year ended 31 December 2008			
Opening net book amount	4,462	1,439	5,901
Acquisition of a subsidiary (Note 6)	—	1,950	1,950
Transfer from construction in progress (Note 17)	18,547	3,048	21,595
Other additions	—	7,230	7,230
Amortisation charge (Note 7)	(1,788)	(1,080)	(2,868)
Closing net book amount	21,221	12,587	33,808
At 31 December 2008			
Cost	29,529	14,792	44,321
Accumulated amortisation	(8,308)	(2,205)	(10,513)
Net book amount	21,221	12,587	33,808
Year ended 31 December 2009			
Opening net book amount	**21,221**	**12,587**	**33,808**
Acquisition of a subsidiary (Note 6)	**2,289**	**5,619**	**7,908**
Other additions	**322,902**	**7,401**	**330,303**
Amortisation charge (Note 7)	**(6,832)**	**(3,914)**	**(10,746)**
Closing net book amount	**339,580**	**21,693**	**361,273**
At 31 December 2009			
Cost	**355,031**	**27,588**	**382,619**
Accumulated amortisation	**(15,451)**	**(5,895)**	**(21,346)**
Net book amount	**339,580**	**21,693**	**361,273**

(All amounts in RMB thousands unless otherwise stated)

19. Intangible assets (Continued)

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

	2009	2008
Cost of sales	6,832	1,788
Administrative expenses	3,914	1,080
Total (Note 7)	10,746	2,868

(b) Research expenditures and development expenditures that do not meet criteria for capitalisation are recognised as an expense as incurred. The total amount of expenses charged into the consolidated statement of comprehensive incomes is approximately RMB 388,231,000 (2008: RMB 204,755,000). No capitalised development costs was recorded as intangible assets during the year ended 31 December 2009 and 2008.

20. Inventories

	2009	2008
Raw materials	1,366,028	1,712,142
Work in progress	579,339	551,694
Finished goods – parts and components	1,055,947	928,903
Finished goods – trucks	2,434,789	2,235,496
	5,436,103	5,428,235
Less: Write-down of inventories to net of realisable value	(83,382)	(100,566)
	5,352,721	5,327,669

The costs of inventories are analysed as follows:

	2009	2008
Materials cost (Note 7)	20,806,384	19,903,635
Write-down of inventories to net realisable value (Note 7)	24,225	64,560
	20,830,609	19,968,195
Representing:		
Cost of sales	20,823,604	19,961,613
Administrative expenses	6,295	5,669
Distribution costs	710	913
	20,830,609	19,968,195

(All amounts in RMB thousands unless otherwise stated)

21. Trade and other receivables

	2009	2008
Accounts receivable	2,171,211	1,678,702
Less: Provision for impairment of accounts receivable	(98,155)	(102,788)
Accounts receivable – net	2,073,056	1,575,914
Notes receivable	3,925,970	2,194,502
Trade receivables – net	5,999,026	3,770,416
Other receivables	219,691	384,172
Less: Provision for impairment of other receivables	(2,780)	(4,858)
Other receivables – net	216,911	379,314
Interest receivables	80,950	138,554
Trade and other receivables before prepaid items	6,296,887	4,288,284
Prepayments for purchase of inventories	580,276	481,083
Prepaid taxes other than income tax	128,755	261,199
Prepaid income taxes	27,845	108,407
Trade and other receivables	7,033,763	5,138,973

(a) As at 31 December 2009 and 2008, the carrying amounts of the Group's trade and other receivables approximated their fair values.

(All amounts in RMB thousands unless otherwise stated)

21. Trade and other receivables (Continued)

(b) Movements on the provision for impairment of trade and other receivables are as follows:

	2009	2008
Opening amount	107,646	28,592
(Reversal of)/provision for receivable impairment (Note 7)	(3,537)	78,154
Receivables written off during the year as uncollectible	(3,174)	(236)
Acquisition of a subsidiary	—	1,136
Closing amount	100,935	107,646

Reversal of impairment of approximately RMB 3,537,000 (2008: provision for impairment of approximately RMB 78,154,000) is included in administrative expenses (Note 7) in the consolidated statement of comprehensive income.

(c) Ageing analysis of trade receivables - net at respective balance sheet dates are as follows:

	2009	2008
Less than 3 months	4,748,540	2,593,402
3 months to 6 months	1,002,996	1,050,543
6 months to 12 months	190,189	115,604
1 year to 2 years	57,301	10,867
	5,999,026	3,770,416

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

As at 31 December 2009, accounts receivable of approximately RMB 246,498,000 (2008: RMB 402,450,000) were secured by certain letters of credit issued by overseas third parties. No provision is provided against these receivables as at 31 December 2009 and 31 December 2008.

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

(All amounts in RMB thousands unless otherwise stated)

21. Trade and other receivables (Continued)

(e) Notes receivable are analysed as follows:

	2009	2008
Bank acceptance notes issued by related parties	74,114	2,800
Bank acceptance notes issued by third parties	3,172,734	2,114,762
Commercial acceptance notes issued by related parties	8,160	26,140
Commercial acceptance notes issued by third parties	670,962	50,800
	3,925,970	2,194,502

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

	2009	2008
Bank acceptance notes		
CNHTC Ji'nan Investment Co., Ltd.	37,233	1,000
CNHTC Taian Wuyue Special Truck Co., Ltd.	21,507	—
CNHTC Ji'nan Construction Co., Ltd.	8,874	—
CNHTC Ji'nan Special Truck Co., Ltd.	6,450	—
CNHTC Special Vehicle Company	50	1,800
	74,114	2,800
Commercial acceptance notes		
CNHTC Datong Gear Group Co., Ltd.	4,000	—
CNHTC Ji'ning Commercial Truck Co., Ltd.	2,000	—
CNHTC Taian Wuyue Special Truck Co., Ltd.	1,000	1,300
CNHTC Special Vehicle Company	1,000	—
CNHTC Ji'nan Investment Co., Ltd.	160	24,840
	8,160	26,140

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

	2009	2008
Commercial acceptance notes endorsed – issued by related parties	23,290	7,520

(All amounts in RMB thousands unless otherwise stated)

21. Trade and other receivables (Continued)

(f) Credit quality of the accounts receivable, notes receivable , other receivables and interest receivables

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

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

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

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

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

	2009	2008
Group 1	3,327,798	2,256,116
Group 2	679,122	76,940
Group 3	2,040,161	1,710,144
	6,047,081	4,043,200

(ii) As at 31 December 2009, no accounts receivable, notes receivable and other receivables were past due but not impaired (2008: Nil).

(iii) Impaired receivables

As at 31 December 2009, receivables that were impaired are analysed below:

	2009	2008
Accounts and other receivables	350,741	352,730
Less: Provision for impairment	(100,935)	(107,646)
	249,806	245,084

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

(All amounts in RMB thousands unless otherwise stated)

21. Trade and other receivables (Continued)

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

	2009	2008
RMB	5,863,937	3,692,374
USD	260,123	371,987
EURO	172,628	223,923
HKD	199	—
	6,296,887	4,288,284

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

22. Financial assets at fair value through profit or loss

	Group		Company	
	2009	2008	2009	2008
Listed securities				
– equity securities				
– Hong Kong (a)	—	8,622	—	—
Forward foreign exchange contracts (b)	14,731	—	14,731	—
Total	14,731	8,622	14,731	—

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

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

22. Financial assets at fair value through profit or loss (Continued)

(b) The Group entered into a number of foreign exchange forward contracts. As at 31 December 2009, the changes in fair value of these contracts recorded as gains of RMB 139,879,000 (2008: Nil) were recognised in the consolidated statement of comprehensive income. The majority of these contracts is deliverable and non-deliverable forward contracts. Such contracts were entered into as part of the Group's treasury operation for the purpose of capturing the price differential between the spot and forward foreign exchange markets and reducing the exchange fluctuation of EURO funds on hand. The notional principal amount of the outstanding forward foreign exchange contract as at 31 December 2009 was EURO 30,000,000 (2008: Nil).

The Group does not currently designate any hedging relationship on the foreign exchange forward contracts for the purpose of hedging accounting.

The above foreign exchange forward contracts are measured at fair value at each balance sheet date. The fair value of forward foreign exchange contracts is determined using forward foreign exchange rates at the balance sheet date.

23. Fixed deposit

The Company placed a six-month fixed deposit in a reputable PRC bank located in Hong Kong with amount of EURO106,000,000 (equivalent to approximately RMB1,038,492,000) (2008: Nil).

(All amounts in RMB thousands unless otherwise stated)

24. Restricted cash

	Group		Company	
	2009	2008	**2009**	2008
Restricted cash denominated in EURO	**744,580**	—	**744,580**	—
Restricted cash denominated in RMB	**3,342,888**	3,739,575	**—**	—
	4,087,468	3,739,575	**744,580**	—

The breakdown of restricted cash in nature as at 31 December 2009 and 2008 was as follows:

	Group		Company	
	2009	2008	**2009**	2008
Deposits for issuing bank acceptance notes	**1,943,438**	1,688,796	**—**	—
Deposits for issuing letters of credit	**80,751**	199,766	**—**	—
Security for bank borrowings	**1,793,640**	1,793,984	**744,580**	—
Security for confirming business	**30,000**	30,000	**—**	—
Mandatory reserve deposits (a)	**239,639**	27,029	**—**	—
	4,087,468	3,739,575	**744,580**	—

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

(All amounts in RMB thousands unless otherwise stated)

25. Cash and cash equivalents

	Group		Company	
	2009	2008	**2009**	2008
Cash on hand	**266**	367	**3**	4
Time deposits with initial term of over three months (a)	**3,077,743**	2,886,192	**—**	—
Short-term bank deposits (b)	**8,294,923**	3,834,911	**760,901**	65,581
Cash and cash equivalents	**11,372,932**	6,721,470	**760,904**	65,585
Denominated in:				
– RMB	**9,863,106**	6,187,906	**—**	—
– HKD	**248,862**	416,508	**3,419**	65,585
– USD	**92,601**	66,845	**24**	—
– GBP	**940**	50,194	**—**	—
– EURO	**1,167,403**	—	**757,459**	—
– others	**20**	17	**2**	—
	11,372,932	6,721,470	**760,904**	65,585

(a) The weighted average effective interest rates on time deposits, with maturities over 3 months, were 2.15% (2008: 4.11%) per annum.

(b) The weighted average effective interest rate on short-term bank deposits, with maturities ranging from one to three months, was 0.69% per annum (2008: 0.69%).

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)

25. Cash and cash equivalents (Continued)

(c) 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 cash and bank deposit with financial institution are relatively minimum as each counter party either bears a high credit rating or is large state-owned or listed PRC bank with good reputation.

	Group		Company	
	2009	2008	**2009**	2008
Group 1	**106,294**	39,529	**—**	—
Group 2	**11,266,372**	6,681,574	**760,901**	65,581
	11,372,666	6,721,103	**760,901**	65,581

(All amounts in RMB thousands unless otherwise stated)

26. Equity

(a) Movement in components of equity

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

The Companay	Share capital	Share premium	Capital redemption reserve	Convertible note reserve	Retained earnings	Total
At 1 January 2008	219,648	11,727,145	—	—	165,291	12,112,084
Dividends relating to 2007	—	—	—	—	(145,112)	(145,112)
Repurchase of the shares (i)	—	—	—	—	(443,101)	(443,101)
Total comprehensive income for the year	—	—	—	—	555,408	555,408
At 31 December 2008	219,648	11,727,145	—	—	132,486	12,079,279
At 1 January 2009	**219,648**	**11,727,145**	**—**	**—**	**132,486**	**12,079,279**
Repurchase of the shares (ii)	**—**	**—**	**—**	**—**	**(59,725)**	**(59,725)**
Cancellation of shares repurchased (iii)	**(10,935)**	**—**	**10,935**	**—**	**(751)**	**(751)**
Dividends relating to 2008	**—**	**—**	**—**	**—**	**(76,153)**	**(76,153)**
Issue of convertible note (iv)	**—**	**—**	**—**	**4,770,231**	**—**	**4,770,231**
Issue of conversion shares (iv)	**52,776**	**4,717,455**	**—**	**(4,770,231)**	**—**	**—**
Total comprehensive income for the year	**—**	**—**	**—**	**—**	**318,098**	**318,098**
At 31 December 2009	**261,489**	**16,444,600**	**10,935**	**—**	**313,955**	**17,030,979**

(i) During the year 2008, the Company had repurchased 101,693,500 ordinary shares of the Company through The Stock Exchange of Hong Kong Limited (the "Stock Exchange") at an aggregate consideration of approximately RMB 443,101,000, which had been deducted from retained earnings within shareholder's equity.

(ii) On 2 January 2009, the Company repurchased 11,575,000 ordinary shares of the Company at an aggregate consideration of approximately HKD 67,723,000 (approximately RMB 59,725,000) through the Stock Exchange.

(iii) On 26 February 2009, the Company cancelled 113,268,500 ordinary shares repurchased. Directly attributable expenses of approximately HKD 798,000 (approximately RMB 751,000) relating to the cancellation were charged against the retained earnings of the Company. After the cancellation, the Company's ordinary shares in issue were reduced from 2,275,199,000 to 2,161,930,500. The amount of share capital cancelled at RMB10,935,000 was transferred from share capital to capital redemption reserve.

(All amounts in RMB thousands unless otherwise stated)

26. Equity (Continued)

(a) Movement in components of equity (Continued)

(iv) As announced by the Company on 15 July 2009, the Company and MAN SE, entered into a subscription agreement, pursuant to which MAN SE agreed to subscribe for the convertible note due 2012 at an aggregate consideration of EURO 486,021,005 (equivalent to RMB 4,899,432,000) subject to terms and conditions thereof. On 7 October 2009, the Company received the consideration of EURO 486,021,005.

8 December 2009, the Company received an irrevocable conversion notice from MAN SE, pursuant to which MAN elected to convert the convertible note in full. Therefore, the Company issued 599,062,839 conversion shares to MAN SE, credited as paid up in full.

(b) Share capital

Authorised and issued share capital

The total authorised number of ordinary shares is 100,000 million shares with par value of HKD 0.1 per share.

Oridinary share, issued and fully paid

	2009		2008	
	Number of shares	Amount	**Number of shares**	Amount
At 1 January	**2,275,199,000**	219,648	**2,275,199,000**	219,648
Cancellation of shares repurchased (a)(iii)	**(113,268,500)**	(10,935)	**—**	—
Conversion of convertible note (a)(iv)	**599,062,839**	52,776	**—**	—
At 31 December	**2,760,993,339**	261,489	**2,275,199,000**	219,648

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

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

(e) 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.

(All amounts in RMB thousands unless otherwise stated)

27. Borrowings

	Group		Company	
	2009	2008	2009	2008
Non-current				
Long-term bank borrowings				
- secured (a)	—	10,784	—	—
- unsecured	1,500,250	333,650	—	—
	1,500,250	344,434	—	—
Current				
Long-term bank borrowings, current portion				
- secured (a)	—	1,306	—	—
- unsecured	40,000	596,000	—	—
	40,000	597,306	—	—
Short-term bank borrowings				
- guaranteed (b)	20,000	20,000	—	—
- secured (a)	2,918,707	1,677,000	744,580	—
- unsecured	4,046,918	5,385,905	—	—
	6,985,625	7,082,905	744,580	—
	7,025,625	7,680,211	744,580	—
Total borrowings	8,525,875	8,024,645	744,580	—

(a) As at 31 December 2009, no bank borrowings (2008: RMB 12,090,000) was secured by land use rights (Note 16) and property, plant and equipment (Note 17). Bank borrowings of approximately RMB 2,918,707,000 (2008: RMB 1,677,000,000) were secured by certain bank deposits (Note 24).

(b) As at 31 December 2009, bank borrowings of approximately RMB 20,000,000 were guaranteed by a minority shareholder of a subsidiary (2008: RMB 20,000,000).

(All amounts in RMB thousands unless otherwise stated)

27. Borrowings (Continued)

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

	Group		Company	
	2009	2008	**2009**	2008
Within 1 year	**7,025,625**	7,680,211	**744,580**	—
Between 1 and 2 years	**1,500,250**	41,306	**—**	—
Between 2 and 5 years	**—**	297,568	**—**	—
Wholly repayable within 5 years	**8,525,875**	8,019,085	**744,580**	—
Over 5 years	**—**	5,560	**—**	—
	8,525,875	8,024,645	**744,580**	—

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

	Group		Company	
	2009	2008	**2009**	2008
RMB	**7,467,168**	8,012,555	**—**	—
USD	**224,778**	—	**—**	—
EURO	**833,929**	—	**744,580**	—
HKD	**—**	12,090	**—**	—
	8,525,875	8,024,645	**744,580**	—

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

	Group		Company	
	2009	2008	**2009**	2008
RMB	**4.17%**	5.57%	**—**	—
USD	**2.20%**	—	**—**	—
EURO	**0.70%**	—	**0.70%**	—
HKD	**—**	2.25%	**—**	—

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

(All amounts in RMB thousands unless otherwise stated)

27. Borrowings (Continued)

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

	Group		Company	
	2009	2008	**2009**	2008
Within 6 months	**5,545,625**	6,350,995	**744,580**	—
Between 6 and 12 months	**2,010,000**	1,380,000	**—**	—
Between 1 and 5 years	**970,250**	293,650	**—**	—
	8,525,875	8,024,645	**744,580**	—

(g) The carrying amounts of current borrowings approximate their fair values.

The carrying amounts and fair value of non-current borrowings are set out as follows:

	2009	2008
Carrying amount	**1,500,250**	344,434
Fair value	**1,459,404**	320,683

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

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

	2009	2008
Floating rate – expiring within one year	**3,564,000**	2,859,000

(All amounts in RMB thousands unless otherwise stated)

28. Deferred income tax

(a) The amounts are as follows:

	2009	2008
Deferred tax assets:		
– Deferred tax asset to be recovered after more than 12 months	95,866	80,711
– Deferred tax asset to be recovered within 12 months	225,666	235,467
	321,532	316,178
Deferred tax liabilities:		
– Deferred tax liabilities to be recovered after more than 12 months	—	—
– Deferred tax liabilities to be recovered within 12 months	(10,880)	(1,461)
	(10,880)	(1,461)
Deferred tax assets - net	310,652	314,717

(b) The gross movement on the deferred income tax account is as follows:

	2009	2008
At 1 January	314,717	203,426
Credit to consolidated statement of comprehensive income (Note 11(a))	6,032	114,740
Charge directly to equity (Note c)	—	(208)
Acquisition of a subsidiary (Note c and Note 6)	(10,097)	(3,241)
At 31 December	310,652	314,717

(All amounts in RMB thousands unless otherwise stated)

28. Deferred income tax (Continued)

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

Deferred tax assets	Impairment of assets	Pensions and other post-retirement benefits	Unrealised profit	Accrued expenses and provision	Tax revalua -tion	Others	Total
As at 1 January 2008	32,086	20,676	96,593	53,289	—	782	203,426
Credit/(charge) to consolidated statement of comprehensive income (Note 11(a))	28,098	(6,743)	(45,097)	(5,121)	138,753	2,862	112,752
As at 31 December 2008	60,184	13,933	51,496	48,168	138,753	3,644	316,178
(Charge)/credit to consolidated statement of comprehensive income (Note 11(a))	**(22,797)**	**(6,065)**	**29,192**	**23,229**	**(24,628)**	**6,423**	**5,354**
As at 31 December 2009	**37,387**	**7,868**	**80,688**	**71,397**	**114,125**	**10,067**	**321,532**

The Group obtained an approval (No. 125, Caishui [2008]) from Ministry of Finance (the "MOF") and State Administration of Taxation (the "SAT") regarding the tax bases of certain land use rights and property, plant and equipment which their tax bases can be adjusted to the revalued amounts approved by the MOF and SAT. The revaluation is for tax purposes and not related to an accounting revaluation of an earlier period, or to one that is expected to be carried out in a future period. The tax effects of the aforementioned adjustments of tax bases were recognised as tax revaluation in deferred tax assets and credited to the consolidated statement of comprehensive income, amounting to approximately RMB 138,753,000 in 2008.

(All amounts in RMB thousands unless otherwise stated)

28. Deferred income tax (Continued)

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

Deferred tax liabilities	Accelerated tax depreciation	Fair value gains	Total
As at 1 January 2008	—	—	—
(Charge)/credit to consolidated statement of comprehensive income	(150)	2,138	1,988
Charged directly to equity (Note b)	—	(208)	(208)
Acquisition of a subsidiary (Note b)	—	(3,241)	(3,241)
As at 31 December 2008	(150)	(1,311)	(1,461)
(Charge)/credit to consolidated statement of comprehensive income	**(105)**	**783**	**678**
Acquisition of a subsidiary (Note b)	**—**	**(10,097)**	**(10,097)**
As at 31 December 2009	**(255)**	**(10,625)**	**(10,880)**

(All amounts in RMB thousands unless otherwise stated)

29. Trade and other payables

	2009	2008
Trade and bills payables	8,624,772	6,194,129
Advances from customers	821,631	567,230
Accrued expenses	369,927	220,379
Staff welfare and salaries payable	138,527	153,280
Taxes liabilities other than income tax	105,794	73,512
Withholding tax on dividends to non-PRC resident enterprise shareholders (Note 15(b))	7,381	—
Other payables	664,470	381,315
	10,732,502	7,589,845

As at 31 December 2009 and 2008, the ageing analysis of the trade and bills payables was as follows:

	2009	2008
Less than 3 months	6,045,658	4,477,371
3 months to 6 months	2,460,507	1,510,727
6 months to 12 months	67,268	172,935
1 year to 2 years	38,385	20,128
2 years to 3 years	4,540	6,370
Over 3 years	8,414	6,598
	8,624,772	6,194,129

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

	2009	2008
RMB	10,661,015	7,580,943
HKD	41,551	—
USD	28,740	8,902
CHF	1,098	—
EURO	98	—
	10,732,502	7,589,845

(All amounts in RMB thousands unless otherwise stated)

30. Termination benefits, post-employment benefits and medical insurance plan

	2009	2008
Termination benefits (a)	40,680	52,010
Post-employment benefits (b)	7,680	8,500
Post-employment medical insurance plan (c)	3,400	4,060
	51,760	64,570

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

	2009	2008
Termination benefits, included in staff costs	970	2,280

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

	2009	2008
Present value of benefit plans	8,460	10,630
Unrecognised actuarial losses	(780)	(2,130)
Liability in the consolidated balance sheet	7,680	8,500

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

	2009	2008
Beginning of the year	8,500	9,200
Total expenses (interest cost)	240	360
Benefits paid	(1,060)	(1,060)
End of the year	7,680	8,500

(All amounts in RMB thousands unless otherwise stated)

30. Termination benefits, post-employment benefits and medical insurance plan (Continued)

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

	2009	2008
Present value of benefit plan	3,380	4,820
Unrecognised actuarial gains/(losses)	20	(760)
Liability in the consolidated balance sheet	3,400	4,060

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

	2009	2008
Beginning of the year	4,060	4,590
Total expenses (interest expense)	80	190
Benefits paid	(740)	(720)
End of the year	3,400	4,060

(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:

	2009	2008
Post-employment benefits and medical insurance plan discount rate	2.75%	1.75%
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)

31. Provisions for other liabilities

	Legal claims	Products warranties	Total
As at 1 January 2008	2,209	150,417	152,626
Additional provision (Note 7)	555	385,174	385,729
Untilised during the year	—	(412,306)	(412,306)
As at 31 December 2008	2,764	123,285	126,049
Additional provision (Note 7)	266	602,628	602,894
Untilised during the year	—	(508,129)	(508,129)
As at 31 December 2009	3,030	217,784	220,814

32. Deferred income

	2009	2008
Deferred income	**329,321**	17,064

In 2009, the Group received assets-related government subsidies with the carrying amount of approximately RMB 329,321,000. (2008: approximately RMB 17,064,000)

(All amounts in RMB thousands unless otherwise stated)

33. Notes to the consolidated statement of cash flow

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

	2009	2008
Profit before income tax	1,446,531	1,299,105
Adjustments for:		
– Depreciation (Note 17)	516,954	347,559
– Amortisation (Note 16 and 19)	26,115	10,127
– Loss on disposals of property, plant and equipment (b)	4,077	3,049
– Fair value gains on financial assets at fair value through profit or loss	(139,879)	(893)
– Fair value (gains))/losses on investment property	(1,438)	882
– Interest income (Note 10)	(236,865)	(289,415)
– Interest expense (Note 10)	266,549	240,668
– Foreign exchange losses/(gains) on financing activities (Note 10)	6,572	(1,683)
– Foreign exchange losses on cash	7,678	12,283
	1,896,294	1,621,682
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation):		
– Inventories	26,946	(975,766)
– Trade and other receivables and amounts due from related parties	(2,921,207)	(1,775,904)
– Restricted cash	(348,237)	33,926
– Financial assets at fair value through profit or loss	29,462	8,622
– Trade and other payables and amounts due to related parties	3,411,746	927,342
– Provisions for other liabilities and charges	94,765	(26,577)
– Termination benefits, post-employment benefits and medical insurance plan	(12,810)	(16,980)
Cash generated from/(used in) operations	2,176,959	(203,655)

(All amounts in RMB thousands unless otherwise stated)

33. Notes to the consolidated statement of cash flow (Continued)

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

	2009	2008
Net book amount (Note 17)	29,385	24,363
Loss on disposals of property, plant and equipment (a)	(4,077)	(3,049)
Net-off with payables	(12,023)	(12,689)
Proceeds from disposal of property, plant and equipment	13,285	8,625

(c) Major non-cash transactions:

For the year ended 31 December 2009, the Group endorsed bank acceptance notes to the suppliers for purchase of property, plant and equipment amounting to approximately RMB 790,792,000 (2008: approximately RMB 760,403,000).

34. Contingencies and guarantees

The Group has contingent liabilities in respect of legal claims arising in the ordinary course of business. The Directors are of the opinion that no material liabilities will arise from the contingent liabilities other than those provided for Note 31.

35. Commitments

(a) Capital commitments

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

	2009	2008
Property, plant and equipment	1,174,257	869,960

(b) Operating lease commitments – As a lessee

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

	2009	2008
No later than 1 year	22,100	18,978
Later than 1 year and no later than 2 years	7,632	5,888
Later than 2 year and no later than 5 years	4,816	2,983
Later than 5 years	2,000	2,229
	36,548	30,078

(All amounts in RMB thousands unless otherwise stated)

35. Commitments (Continued)

(c) Lease payments receivable – As a lessor

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

	2009	2008
No later than 1 year	6,214	5,978
Later than 1 year and no later than 2 years	3,617	3,731
Later than 2 year and no later than 5 years	6,260	12,335
Later than 5 years	1,775	1,870
	17,866	23,914

36. Investments in subsidiaries

	2009	2008
Investments, at cost:		
Listed investments	1,926,283	1,926,283
Unlisted investments	11,179,847	9,479,847
	13,106,130	11,406,130
Market value of listed investments	7,324,412	3,402,722

36. Investments in subsidiaries (Continued)

As at 31 December 2009, the Company had direct or indirect interest in the following subsidiaries:

Company Name	Country/place and date of incorporation and place of operations	Type of legal entity	Issued/paid in capital (in million)	Interest held	Principal activities
Listed –					
Sinotruk Ji'nan Truck Co., Ltd. (中國重汽集團濟南卡車股份有限公司)	PRC/ 28 September 1998	Joint stock company with limited liability	RMB 419.43	63.78% (Directly held)	Manufacture and sales of trucks and spare parts
Unlisted –					
Sinotruk Ji'nan Power Co., Ltd. ("Jinan Power") (中國重汽集團濟南動力有限公司)	PRC/ 27 April 2006	Limited liability company	RMB 6,094.75	100% (Directly held)	Manufacture and reproduction of engines
Sinotruk Ji'nan Commercial Truck Co., Ltd. (中國重汽集團濟南商用車有限公司)	PRC/ 17 January 2001	Limited liability company	RMB 1,798	100% (Directly held)	Manufacture and sales of trucks and spare parts
Sinotruk Import & Export Co., Ltd. (中國重汽集團進出口有限公司)	PRC/ 9 November 2001	Limited liability company	RMB 555	100% (Directly held)	Import and export of trucks and spare parts
Sinotruk Ji'nan Ganghua Import & Export Co., Ltd. (中國重汽集團濟南港華進出口有限公司)	PRC/ 23 December 2005	Limited liability company	RMB 206	100% (Directly held)	Import and export of heavy duty trucks
Sinotruk Factory Design Institute Co., Ltd. (中國重汽集團設計研究院有限公司)	PRC/ 6 July 1993	Limited liability company	RMB 10.5	100% (Directly held)	Consulting service of truck production techniques
Sinotruk (Hong Kong) International Investment Limited (中國重汽（香港）國際資本有限公司)	Hong Kong PRC/ 6 August 2004	Limited liability company	HKD 1,000.01	100% (Directly held)	Consultations and strategic plannings in respect of automobile market, import and export tradings, asset operations and investment holdings
Sinotruk Finance Co., Ltd. (中國重汽財務有限公司)	PRC/ 4 October 1987	Limited liability company	RMB 1,000	78.92% (Directly held)	Taking deposits, facilitating borrowings, discounting notes and providing entrusted loan and entrusted investment
Sinotruk Chongqing Fuel System Co., Ltd. (中國重汽集團重慶燃油噴射系統有限公司)	PRC/ 1 June 1973	Limited liability company	RMB 338.49	100% (Indirectly held)	Manufacture and sales of oil pump and nozzle

36. Investments in subsidiaries (Continued)

Company Name	Country/place and date of incorporation and place of operations	Type of legal entity	Issued/paid in capital (in million)	Interest held	Principal activities
Sinotruk Hangzhou Engine Co., Ltd. (中國重汽集團杭州發動機有限公司)	PRC/ 30 April 2006	Limited liability company	RMB 1,700	100% (Indirectly held)	Manufacture and reproduction of engines
Hangzhou Automobile Engine Foundry Co., Ltd. (杭州汽發鑄造有限公司)	PRC/ 8 December 2000	Limited liability company	RMB 60	100% (Indirectly held)	Manufacture of castings
Sinotruk Ji'nan Fuqiang Power Co., Ltd. (中國重汽集團濟南復強動力有限公司) (iv)	PRC/ 14 January 1995	Sino-foreign joint venture	USD 3.84	100% (Indirectly held)	Production of automotive spare parts and recycled engine products
Sinotruk Ji'nan Axle & Transmission Co., Ltd. (中國重汽集團濟南橋箱有限公司)	PRC/ 26 December 2005	Limited liability company	RMB 450	81.53% (Indirectly held)	Manufacture and sales of trucks and axle and transmission parts
Sinotruk Liuzhou Yunli Special Vehicle Co., Ltd. (中國重汽集團柳州運力專用汽車有限公司) (v)	PRC/ 11 April 1989	Limited liability company	RMB 103	60% (Indirectly held)	Refits and sells heavy duty trucks
Ji'nan Ganghao Development Co., Ltd. (濟南港豪發展有限公司)	PRC/ 11 April 2008	Limited liability company	HKD 350	100% (Indirectly held)	Manufacture and sales of trucks and spare parts
Hangzhou Ganghang Power System Co., Ltd. (杭州港杭動力系統有限公司)	PRC/ 17 September 2008	Limited liability company	HKD 60	100% (Indirectly held)	Manufacture and reproduction of engines
Hangzhou Ganghao Power System Co., Ltd. (杭州港豪動力系統有限公司)	PRC/ 18 September 2008	Limited liability company	HKD 140	100% (Indirectly held)	Manufacture and reproduction of engines

36. Investments in subsidiaries (Continued)

Company Name	Country/place and date of incorporation and place of operations	Type of legal entity	Issued/paid in capital (in million)	Interest held	Principal activities
Sinotruk Ji'nan Gangxin Automobile Parts & Components Co., Ltd. (中國重汽集團濟南港信汽車部件有限公司) (i)	PRC/ 14 January 2009	Limited liability company	RMB 100	81.53% (Indirectly held)	Research manufacture and sales of spare parts
Sinotruk Hubei Huawei Special Vehicle Co., Ltd. (中國重汽集團湖北華威專用汽車有限公司) (ii)	PRC/ 4 June 2002	Limited liability company	RMB 62.77	60% (Indirectly held)	Refit and sells heavy duty trucks
Sinotruk Mianyang Special Vehicle Co., Ltd. (中國重汽集團綿陽專用汽車有限公司) (iii)	PRC/ 26 June 2009	Limited liability company	RMB 50	60% (Indirectly held)	Manufacture and reproduction of spare parts; sales of trucks

(i) Sinotruk Ji'nan Gangxin Automobile Parts & Components Co., Ltd. ("Ji'nan Gangxin") was incorporated on 14 January 2009. The paid-in capital of Ji'nan Gangxin is RMB 100,000,000. Ji'nan Axle & Transmission holds 100% equity interests of Ji'nan Gangxin.

(ii) On 11 March 2009, the Group acquired 60% of equity interests in Hubei Huawei Special Vehicle Co., Ltd., a company that refits and sells heavy duty trucks, for a cash consideration of RMB 60,000,000 (Note 6) .

(iii) Sinotruk Mianyang Special Vehicle Co., Ltd. ("Sinotruk Mianyang") was incorporated on 26 June 2009. The paid-in capital of Sinotruk Mianyang is RMB 50,000,000. Jinan Power holds 60% equity interests.

(iv) Sinotruk (Hong Kong) International Investment Limited purchased 49% equity interests in Sinotruk Ji'nan Fuqiang Power Co., Ltd. ("Ji'nan Fuqiang") from minority interest shareholder, with a cash consideration of USD 6,000,000, approximately RMB 40,970,000. After the acquisition, the Group held 100% equity interests of Ji'nan Fuqiang.

(v) On 22 April 2009, Jinan Power entered into capital injection agreement with the minority shareholder to increase the paid-in capital of Sinotruk Liuzhou Yunli Special Vehicle Co., Ltd. by RMB 26,530,000.

37. Related party transactions

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

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

In accordance with HKAS 24 "Related Party Disclosures", other state-owned enterprises and their subsidiaries, directly or indirectly controlled by the PRC Government are regarded as related parties of the Group ("Other State-owned Enterprises"). For the purpose of related party transactions disclosure, the Group has procedures in place to assist the identification of the immediate ownership structure of its customers and suppliers as to whether they are state-owned enterprises. Many state-owned enterprises have multi-layered corporate structure and the ownership structures change over time as a result of transfers and privatisation programs. Nevertheless, management believes that meaningful information relating to related party transactions has been adequately disclosed.

In addition to the related party information shown elsewhere in the financial statements, the following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties, including Other State-owned Enterprises, during the years ended 31 December 2009 and 2008 and balances arising from related party transactions as at 31 December 2009 and 2008.

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

Name of related party	Nature of relationship
CNHTC （中國重型汽車集團有限公司）	The ultimate parent company
Sinotruk BVI（中國重汽（維爾京群島）有限公司）	Parent company
CNHTC Special Vehicle Company（重汽集團專用汽車公司）	Subsidiary of CNHTC
CNHTC Ji'nan Bus Co., Ltd.（重汽集團濟南客車有限責任公司）	Subsidiary of CNHTC
CNHTC Taian Wuyue Special Truck Co., Ltd.（中國重型汽車集團泰安五岳專用汽車有限公司）	Subsidiary of CNHTC
CNHTC Lease Firm（中國重型汽車集團租賃商社）	Subsidiary of CNHTC
CNHTC Sales Company（中國重型汽車銷售公司）	Subsidiary of CNHTC
CNHTC Ji'ning Commercial Truck Co., Ltd.（中國重汽集團濟寧商用車有限公司）	Subsidiary of CNHTC
CNHTC Ji'nan Investment Co., Ltd.（中國重汽集團濟南投資有限公司）	Subsidiary of CNHTC
CNHTC Real Estates Company（中國重汽集團房地產開發公司）	Subsidiary of CNHTC
Shandong Xin Hai Guarantee Co., Ltd.（山東鑫海擔保有限公司）	One of the senior management of CNHTC is Chairman of Shandong Xin Hai Guarantee Co., Ltd.

37. Related party transactions (Continued)

Name of related party	Nature of relationship
CNHTC Ji'nan Realty Management Co., Ltd. (中國重汽集團濟南物業有限公司)	Subsidiary of CNHTC
CNHTC Ji'nan Construction Co., Ltd. (中國重汽集團濟南建設有限公司)	Subsidiary of CNHTC
Hangzhou Engine Factory (杭州發動機廠)	Subsidiary of CNHTC
Ji'nan Automobile Test Center (濟南汽車檢測中心)	Subsidiary of CNHTC
CNHTC Ji'nan Special Truck Co., Ltd. (中國重汽集團濟南專用車有限公司)	Subsidiary of CNHTC
CNHTC Xingtai Special Truck Co., Ltd. (中國重汽集團邢台特種車製造有限公司)	Subsidiary of CNHTC
CNHTC Datong Gear Group Co., Ltd. (中國重汽集團大同齒輪有限公司)	Subsidiary of CNHTC
Jinan Feicui Realty Management Co., Ltd. (濟南翡翠物業有限公司)	Subsidiary of CNHTC
Tianqiao District Xin Hai Small-sum Loan Co., Ltd. (天橋區鑫海小額貸款有限公司)	Subsidiary of CNHTC
MAN Nutzfahrzeuge AG	The directors of MAN Nutzfahrzeuge AG are the directors of the Company

(All amounts in RMB thousands unless otherwise stated)

37. Related party transactions (Continued)

(a) Significant related party transactions

(i) Significant transactions with related parties except for Other State-owned Enterprises

	2009	2008
Sale of trucks		
CNHTC Special Vehicle Company	130,716	159,793
CNHTC Taian Wuyue Special Truck Co., Ltd.	100,543	78,989
CNHTC Ji'ning Commercial Truck Co., Ltd.	6,728	—
CNHTC Lease Firm	5,448	14,658
CNHTC Ji'nan Investment Co., Ltd.	5,170	3,415
CNHTC Ji'nan Special Truck Co., Ltd.	1,349	—
CNHTC Ji'nan Realty Management Co., Ltd.	—	103
	249,954	256,958

	2009	2008
Sale of spare parts		
CNHTC Ji'nan Investment Co., Ltd.	546,443	397,214
CNHTC Ji'ning Commercial Truck Co., Ltd.	544,338	657,775
CNHTC Datong Gear Group Co., Ltd.	14,009	—
CNHTC Taian Wuyue Special Truck Co., Ltd.	10,092	11,700
CNHTC Ji'nan Construction Co., Ltd.	3,594	2,579
CNHTC Ji'nan Special Truck Co., Ltd.	1,329	—
CNHTC Ji'nan Bus Co., Ltd.	392	1,283
CNHTC	285	2,412
CNHTC Lease Firm	1	—
Hangzhou Engine Factory	—	1,353
CNHTC Ji'nan Realty Management Co., Ltd.	—	50
	1,120,483	1,074,366

	2009	2008
Purchases of trucks		
CNHTC Special Vehicle Company	301,735	341,004
CNHTC Taian Wuyue Special Truck Co., Ltd.	122,650	130,544
CNHTC Ji'nan Special Truck Co., Ltd.	108,535	—
CNHTC Ji'nan Investment Co., Ltd.	88,450	233,805
CNHTC Ji'ning Commercial Truck Co., Ltd.	11,708	12,005
	633,078	717,358

(All amounts in RMB thousands unless otherwise stated)

37. Related party transactions (Continued)

(a) Significant related party transactions (Continued)

(i) Significant transactions with related parties except for Other State-owned Enterprises (Continued)

	2009	2008
Purchases of spare parts		
CNHTC Datong Gear Group Co., Ltd.	226,815	—
CNHTC Ji'nan Bus Co., Ltd.	93,908	81,353
CNHTC Ji'nan Investment Co., Ltd.	65,311	60,656
CNHTC Taian Wuyue Special Truck Co., Ltd.	9,790	—
CNHTC Ji'nan Construction Co., Ltd.	9,496	1,124
Ji'nan Automobile Test Center	1,340	36
CNHTC Special Vehicle Company	796	621
CNHTC Ji'nan Special Truck Co., Ltd.	548	—
Hangzhou Engine Factory	518	4,822
CNHTC Ji'ning Commercial Truck Co., Ltd.	350	1,015
CNHTC Ji'nan Realty Management Co., Ltd.	244	130
CNHTC	—	2,505
	409,116	152,262

	2009	2008
Sales of services		
CNHTC Special Vehicle Company	1,004	953
CNHTC Ji'nan Realty Management Co., Ltd.	507	222
CNHTC Ji'nan Bus Co., Ltd.	303	158
CNHTC Ji'nan Special Truck Co., Ltd.	98	—
CNHTC	60	—
CNHTC Ji'nan Construction Co., Ltd.	17	128
CNHTC Ji'nan Investment Co., Ltd.	17	71
Ji'nan Automobile Test Center	—	150
CNHTC Taian Wuyue Special Truck Co., Ltd.	—	67
CNHTC Ji'ning Commercial Truck Co., Ltd.	—	49
	2,006	1,798

(All amounts in RMB thousands unless otherwise stated)

37. Related party transactions (Continued)

(a) Significant related party transactions (Continued)

(i) Significant transactions with related parties except for Other State-owned Enterprises (Continued)

	2009	2008
Purchases of services		
CNHTC	45,601	47,521
CNHTC Ji'nan Realty Management Co., Ltd.	20,537	13,194
CNHTC Ji'nan Construction Co., Ltd.	5,101	2,590
CNHTC Ji'ning Commercial Truck Co., Ltd.	3,776	116
Ji'nan Feicui Realty Management Co., Ltd.	785	—
CNHTC Taian Wuyue Special Truck Co., Ltd.	294	74
Ji'nan Automobile Test Center	278	5,733
CNHTC Ji'nan Investment Co., Ltd.	230	342
Hangzhou Engine Factory	28	—
CNHTC Ji'nan Bus Co., Ltd.	—	15
CNHTC Real Estates Company	—	3
	76,630	69,588

	2009	2008
Rental income		
CNHTC Ji'nan Special Truck Co., Ltd.	2,187	—
Ji'nan Automobile Test Center	631	630
Tianqiao District Xin Hai Small-sum Loan Co., Ltd.	141	—
Shandong Xin Hai Guarantee Co., Ltd.	—	75
	2,959	705

(All amounts in RMB thousands unless otherwise stated)

37. Related party transactions (Continued)

(a) Significant related party transactions (Continued)

(i) Significant transactions with related parties except for Other State-owned Enterprises (Continued)

	2009	2008
Rental expenses		
CNHTC	13,108	14,493
Hangzhou Engine Factory	4,660	6,050
Shandong Xin Hai Guarantee Co., Ltd.	1,297	—
CNHTC Ji'nan Special Truck Co., Ltd.	1,251	—
CNHTC Special Vehicle Company	35	35
	20,351	20,578

	2009	2008
Purchases of construction services		
CNHTC Ji'nan Construction Co., Ltd.	160,640	171,298

	2009	2008
Provision for construction supervision design services		
CNHTC Real Estates Company	2,960	—
CNHTC Taian Wuyue Special Truck Co., Ltd.	418	—
CNHTC Ji'nan Investment Co., Ltd.	397	—
	3,775	—

(All amounts in RMB thousands unless otherwise stated)

37. Related party transactions (Continued)

(a) Significant related party transactions (Continued)

(i) Significant transactions with related parties except for Other State-owned Enterprises (Continued)

	2009	2008
Aggregate of interest expenses for deposit taking services; interest income from bank bill discounting services and fee income from arrangement of entrustment loans		
CNHTC	51	—
CNHTC Real Estates Company	44	—
CNHTC Datong Gear Group Co., Ltd.	12	—
CNHTC Ji'nan Investment Co., Ltd.	12	—
CNHTC Special Vehicle Company	11	—
CNHTC Taian Wuyue Special Truck Co., Ltd.	10	—
CNHTC Ji'nan Bus Co., Ltd.	9	—
CNHTC Ji'nan Special Truck Co., Ltd.	7	—
CNHTC Ji'ning Commercial Truck Co., Ltd.	3	—
CNHTC Ji'nan Construction Co., Ltd.	3	—
Shandong Xin Hai Guarantee Co., Ltd.	3	—
CNHTC Ji'nan Realty Management Co., Ltd.	2	—
Ji'nan Automobile Test Center	2	—
CNHTC Xingtai Special Truck Co., Ltd.	1	—
	170	—

The daily maximum amount of the deposit taking from related parties during the year 2009 was RMB 220,377,000. (2008: Nil)

	2009	2008
Sales of fixed assets		
CNHTC Datong Gear Group Co., Ltd.	10,194	—
CNHTC Special Vehicle Company	282	—
	10,476	—

	2009	2008
Technology license agreement		
MAN Nutzfahrzeuge AG	317,487	—

(All amounts in RMB thousands unless otherwise stated)

37 Related party transactions (Continued)

(a) Significant related party transactions (Continued)

(ii) Significant transactions with Other State-owned Enterprises

	2009	2008
Purchases of spare parts	1,969,455	3,282,111
Sale of trucks	491,059	486,909
Interest income from bank deposits	236,865	289,415
Interest expense on bank borrowings	236,843	189,321
Purchase of property, plant and equipment	13,819	5,291
Purchases of services	4,322	5,096
Sale of property, plant and equipment	582	840

(iii) Key management compensation

	2009	2008
Key management compensation		
Directors		
– Basic salaries, housing allowances, other allowances and benefits-in-kind	4,129	4,750
Senior management		
– Basic salaries, housing allowances, other allowances and benefits-in-kind	1,111	1,254
	5,240	6,004

(All amounts in RMB thousands unless otherwise stated)

37. Related party transactions (Continued)

(b) Balances with related parties

(i) Balances with related parties except for Other State-owned Enterprises

	2009	2008
Amounts due from related parties except for Other State-owned Enterprises		
Trade receivables	162,730	41,905
Prepayments	27,512	1,605
Other receivables	242	27,807
	190,484	71,317

	2009	2008
Amounts due to related parties except for Other State-owned Enterprises		
Deposits taking	195,744	—
Other payables	156,915	923
Trade payables	5,899	1,366
Customers advances	1,705	17,018
	360,263	19,307

	2009	2008
Trade receivables due from		
CNHTC Ji'ning Commercial Truck Co., Ltd.	109,928	14,429
CNHTC Ji'nan Investment Co., Ltd.	45,895	27,327
CNHTC Taian Wuyue Special Truck Co., Ltd.	6,495	—
CNHTC Ji'nan Construction Co., Ltd.	375	6
CNHTC Datong Gear Group Co., Ltd.	33	—
CNHTC Ji'nan Special Truck Co., Ltd.	4	—
CNHTC	—	143
	162,730	41,905

The ageing of above trade receivables due from related parties are all less than 1 year.

(All amounts in RMB thousands unless otherwise stated)

37. Related party transactions (Continued)

(b) Balances with related parties (Continued)

(i) Balances with related parties except for Other State-owned Enterprises (Continued)

	2009	2008
Prepayments		
CNHTC Taian Wuyue Special Truck Co., Ltd.	26,919	—
CNHTC Ji'ning Commercial Truck Co., Ltd.	593	—
CNHTC Ji'nan Bus Co., Ltd.	—	1,005
CNHTC Ji'nan Realty Management Co., Ltd.	—	600
	27,512	1,605

	2009	2008
Other receivables due from		
CNHTC	234	—
CNHTC Ji'ning Commercial Truck Co., Ltd.	8	—
Hangzhou Engine Factory	—	27,807
	242	27,807

As at 31 December 2009, trade and other receivables due from related parties were not past due or impaired.

	2009	2008
Deposits taking		
CNHTC	44,833	—
CNHTC Xingtai Special Truck Co., Ltd.	27,701	—
CNHTC Ji'nan Bus Co., Ltd.	24,852	—
CNHTC Ji'nan Special Truck Co., Ltd.	22,225	—
CNHTC Ji'nan Construction Co., Ltd.	22,131	—
CNHTC Special Vehicle Company	19,556	—
CNHTC Real Estates Company	8,703	—
CNHTC Ji'nan Investment Co., Ltd.	7,874	—
CNHTC Ji'nan Realty Management Co., Ltd.	7,548	—
CNHTC Datong Gear Group Co., Ltd.	5,612	—
Ji'nan Automobile Test Center	3,276	—
CNHTC Ji'ning Commercial Truck Co., Ltd.	1,378	—
Shandong Xin Hai Guarantee Co., Ltd.	55	—
	195,744	—

(All amounts in RMB thousands unless otherwise stated)

37. Related party transactions (Continued)

(b) Balances with related parties (Continued)

(i) Balances with related parties except for Other State-owned Enterprises (Continued)

Trade and other payables

	2009	2008
Other payables due to		
MAN Nutzfahrzeuge AG	150,630	—
Hangzhou Engine Factory	4,473	—
CNHTC Ji'nan Special Truck Co., Ltd.	889	—
CNHTC Special Vehicle Company	523	523
CNHTC Taian Wuyue Special Truck Co., Ltd.	400	400
	156,915	923

	2009	2008
Trade payables due to		
CNHTC Ji'nan Investment Co., Ltd.	3,372	—
CNHTC Special Vehicle Company	1,365	527
CNHTC Ji'nan Construction Co., Ltd.	677	777
CNHTC Ji'nan Realty Management Co., Ltd.	313	—
CNHTC Ji'nan Special Truck Co., Ltd.	172	—
CNHTC Taian Wuyue Special Truck Co., Ltd.	—	52
Hangzhou Engine Factory	—	10
	5,899	1,366

The ageing of the above trade payables are all less than 1 year.

	2009	2008
Customers advances		
CNHTC Special Vehicle Company	1,525	398
CNHTC Real Estates Company	99	—
CNHTC Lease Firm	81	285
CNHTC Taian Wuyue Special Truck Co., Ltd.	—	16,335
	1,705	17,018

(All amounts in RMB thousands unless otherwise stated)

37. Related party transactions (Continued)

(b) Balances with related parties (Continued)

(ii) Balances with Other State-owned Enterprises included in other balance sheet items

	2009	2008
Balances with Other State-owned Enterprises		
Trade receivables	181,649	137,253
Other receivables	60	—
Trade payables	94,989	239,035
Other payables	12,751	—
Prepayments	116,672	44,939
Advances from customers	7,774	2,517
Restricted cash	4,087,468	3,739,575
Cash and cash equivalents	9,929,862	6,681,574
Borrowings	8,525,875	8,024,645

38. Events after the balance sheet date

On 25 November 2009, Jinan Power had signed a contract to acquire 100% equity interest of CNHTC Ji'ning Commercial Truck Co., Ltd. with a cash consideration of not more than RMB 97,401,300. On 18 January 2010, the acquisition was duly passed by the shareholders of the Company at the extraordinary general meeting of the Company. Up to the date of the approval of these consolidated financial statements, the acquisition had not yet been completed.

39. Approval of accounts

These consolidated financial statements have been approved for issue by the Board on 23 March 2010.

Five Years Financial Summary

Results

	For the year ended 31 December				
	2005 RMB'000	2006 RMB'000	2007 RMB'000	2008 RMB'000	**2009 RMB'000**
Turnover	9,114,437	12,767,450	21,297,372	26,000,199	**27,222,543**
Profit before income tax	235,962	1,186,658	1,888,764	1,299,105	**1,446,531**
Income tax expense	(112,357)	(406,775)	(500,806)	(185,909)	**(302,616)**
Profit for the year	123,605	779,883	1,387,958	1,113,196	**1,143,915**
Attributed to:					
Equity holders of the Company	77,869	638,465	1,109,185	880,774	**964,625**
Minority interests	45,736	141,418	278,773	232,422	**179,290**
	123,605	779,883	1,387,958	1,113,196	**1,143,915**

ASSETS AND LIABILITIES

	As at 31 December				
	2005 RMB'000	2006 RMB'000	2007 RMB'000	2008 RMB'000	**2009 RMB'000**
Total assets	15,773,300	15,537,988	24,165,530	28,302,312	**38,548,425**
Total liabilities	17,175,913	13,952,955	12,262,223	15,858,580	**20,343,445**
Total equity	(1,402,613)	1,585,033	11,903,307	12,443,732	**18,204,980**
Attributed to:					
Equity holders of the Company	(1,806,179)	940,932	10,987,079	11,305,492	**16,921,148**
Minority interests	403,566	644,101	916,228	1,138,240	**1,283,832**
	(1,402,613)	1,585,033	11,903,307	12,443,732	**18,204,980**

中国重汽
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