中国重汽
SINOTRUK

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

(incorporated in Hong Kong with limited liability)

Stock Code : 3808

Every Step Counts for Success

ANNUAL REPORT 2012

Contents

HIGHLIGHTS

	2012	2011	Increase/(Decrease)	
				%
Operating results (RMB million)				
Turnover	27,888	36,604	(8,716)	(23.8)
Earnings before interest and tax	952	2,246	(1,294)	(57.6)
Profit attributable to equity holders of the Company	123	1,002	(879)	(87.7)
Profitability (%)				
Gross profit margin	14.9%	15.6%	(0.7%)	(4.5)
Operating profit margin	3.0%	5.6%	(2.6%)	(46.4)
Net profit margin	0.6%	3.2%	(2.6%)	(81.3)
Liquidity				
Current ratio (time)	1.6	1.3	0.3	23.1
Inventory turnover (days)	136.5	139.2	(2.7)	(1.9)
Trade receivable turnover (days)	162.0	119.5	42.5	35.6
Trade payable turnover (days)	120.1	129.1	(9.0)	(7.0)
Sales Volume (units)				
Heavy duty truck				
— Domestic	63,841	109,177	(45,336)	(41.5)
— Export (including affiliated export)	26,505	20,852	5,653	27.1
Total	90,346	130,029	(39,683)	(30.5)
Medium heavy duty truck and light duty truck	32,244	21,981	10,263	46.7
Buses	944	356	588	165.2
Trucks sold under consumer credit	6,029	3,261	2,768	84.9
Per share data				
Earnings per share - basic (RMB)	0.04	0.36	(0.32)	(88.9)
Dividend per share (HKD)	0.015	0.10	(0.085)	(85.0)
Share information (as at 31 December)				
Number of issued shares (million)	2,761	2,761	—	—
Market capitalisation (RMB million)	13,253	9,714	3,539	36.4

DEFINITIONS

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

"Articles of Association"	the articles of association of the Company
"Audit Committee"	the audit committee of the Company
"Board"	the board of Directors
"CAAM"	China Association of Automobile Manufacturers
"China" or "PRC"	the People's Republic of China, and for the purpose in this annual report, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"CNHTC"	中國重型汽車集團有限公司(China National Heavy Duty Truck Group Company Limited), a state-owned enterprise organized under the laws of the PRC with limited liability, being the ultimate holding of the Company and the controlling shareholder (as defined in the Listing Rules) of the Company
"CNHTC Group"	CNHTC and its subsidiaries other than the Group
"Companies Ordinance"	Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
"Company", "Sinotruk"	Sinotruk (Hong Kong) Limited
"Director(s)"	the director(s) of the Company
"Executive Committee"	the executive committee of the Company
"Group"	the Company and its subsidiaries
"HKD"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"ISIBC"	the incentive scheme independent board committee of the Company
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"MAN Group"	MAN SE and its subsidiaries
"MAN SE"	MAN SE, a company incorporated under the laws of Germany, the shares of which are listed on the German Stock Exchange in Frankfurt, Germany (ISIN DE 0005937007, WKN 593700) and the beneficiary owner of 25% of the issued share capital of the Company plus one Share

DEFINITIONS

"Period"	the year ended 31 December 2012
"PBOC"	The Peoples' Bank of China
"Remuneration Committee"	the remuneration committee of the Company
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) in the Company's capital with a nominal value of HKD0.10 each
"Shareholder(s)"	holder(s) of the Share(s) from time to time
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Strategy and Investment Committee"	the strategy and investment committee of the Company

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors:

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

Non-executive Directors:

Georg Pachta-Reyhofen
Anders Olof Nielsen
Jörg Astalosch

Independent Non-executive Directors:

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

EXECUTIVE COMMITTEE

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

STRATEGY AND INVESTMENT COMMITTEE

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

REMUNERATION COMMITTEE

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

AUDIT COMMITTEE

Lin Zhijun *(Chairman)*
Ouyang Minggao
Chen Zheng

INCENTIVE SCHEME INDEPENDENT BOARD COMMITTEE

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

HEAD QUARTER

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

REGISTERED OFFICE IN HONG KONG

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

COMPANY SECRETARIES AND AUTHORIZED REPRESENTATIVES

Tong Jingen
Kwok Ka Yiu

PRINCIPAL BANKERS

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

LEGAL ADVISERS

Hong Kong

Sidley Austin

PRC

DeHeng Law Offices

AUDITOR

PricewaterhouseCoopers

SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited

COMPANY WEBSITE

www.sinotruk.com

SECURITIES CODES

Equity: 3808.hk
Debt: 85900.hk

INVESTOR RELATIONS

Securities Department

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

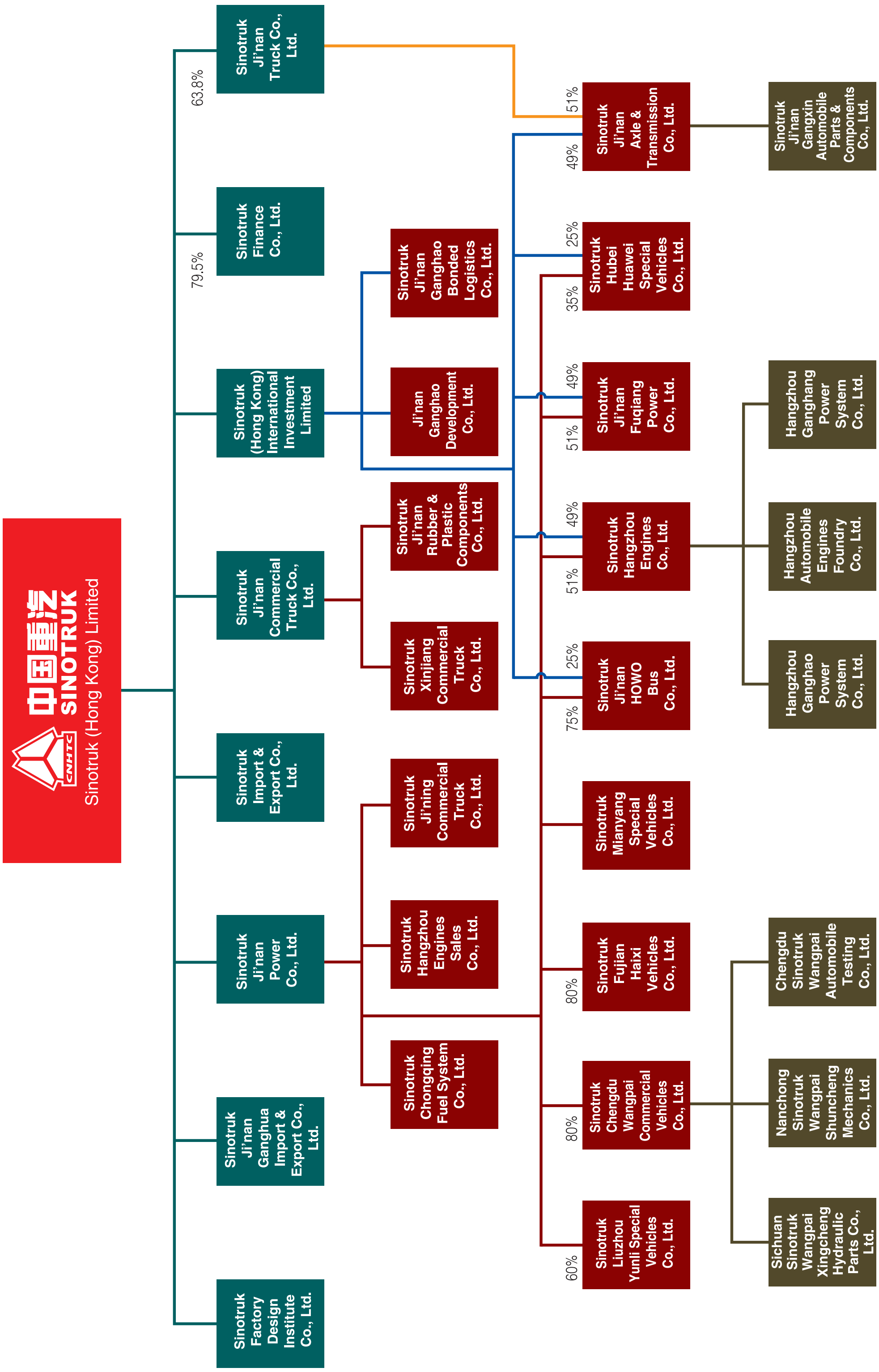
PUBLIC RELATIONS CONSULTANT

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

ORGANISATION STRUCTURE

Organisation Structure

As at 31 December 2012



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

THE GROUP

Business

The Group is one of the leading heavy duty truck manufacturers in the PRC which specialises in the research, development and manufacture of heavy duty trucks, medium heavy duty trucks, light duty trucks and buses and related key parts and components. Heavy duty trucks are the key products of the Group. Through our diverse product portfolio, we serve a wide range of customers from all major industries including infrastructure, construction, container transportation, logistics, mining, steel and chemical industries.

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

Operations

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

(i) Trucks Segment

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

(ii) Engines Segment

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

(iii) Finance Segment

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

SUBSTANTIAL SHAREHOLDERS

The substantial shareholders of the Company are CNHTC and MAN SE. CNHTC is a PRC state-owned heavy duty truck manufacturing enterprise and indirectly holds 51% of the issued capital of the Company. MAN SE indirectly holds 25% of the issued share capital of the Company plus one Share. The MAN Group is one of Europe's leading manufacturers of commercial vehicles, engines and mechanical engineering equipment with annual revenue of approximately Euro 15.8 billion and around 54,300 employees worldwide.

CHAIRMAN'S STATEMENT

CHAIRMAN

MA CHUNJI

Dear Shareholders,

I am pleased to present the business review of the Group for the year ended 31 December 2012, together with the business outlook and the Group's strategies going forward.

Business Review

In 2012, the growth of Chinese economy faced headwinds, a result of the declining growth of fixed asset investment and of exports due to a slow recovery of the global economy. Consequently, Chinese domestic demand for heavy duty trucks was sluggish. According to CAAM, the country's heavy duty truck sales decreased by 27.8% year-over-year. While measures were immediately put in place to cope with the softening market, sales of heavy duty trucks by the Group together with CNHTC Group decreased by 23.6% year-over-year.

During the Period and as compared with the year 2011, the Group's revenue decreased by 23.8% to RMB27,888 million, profit before income tax decreased by 78.1% to RMB320 million and net profit attributable to equity holders decreased by 87.7% to RMB123 million.

The Group focused its efforts on enhancing the quality of its products and performance efficiency to cope with the challenging global economy during the period. The Group streamlined management, reduced operating costs, and optimized its product mix. Progress was steadily made in all business divisions of the Group, leading to a continued increase in the Group's overall competitiveness. Overall operations remained stable and sound.

During the Period, the implementation of the Group's strategy – to develop full series of commercial vehicles – began to yield solid results, mainly reflected in the optimization of product mix. Despite industry headwinds

in the heavy duty truck market, the Group saw steady growth in the sales of its natural gas trucks and mining trucks as a result of their reliability and quality. This helped maintain the Group's industry leading position. A new source of growth was attributed by the successful introduction of the Group's medium heavy duty trucks. We also forged the "golden triangle" production bases layout for the light duty truck business.

The Group began implementing its internationalization strategy to expand into overseas markets by establishing its presence in various regions and countries. The Group has devoted resources towards enhancing its featured overseas sales and marketing networks and strengthening cooperation with international partners. Such featured overseas sales and marketing platform promotes the exports of our products benefit. During the Period, the Group remained China's largest heavy duty truck exporter with exports (including affiliate export) rising by 27.1% to 26,505 units as compared with the year 2011.

The Group's strategic cooperation with MAN Group also continued to progress smoothly. The co-developed truck brand – SITRAK had been officially launched and is ready to be brought to market. As part of the Company's brand building efforts, the release of this new brand is expected to further enhance the competitiveness of our product brand in the market. Through our own proprietary technology and adaption of MAN Group's leading technology, a series of more competitive products were developed and brought to market. During the 2013 business conference fair, the Group introduced a series of new products, including the HOWO-T7H heavy duty truck series aimed at high-end market, HOWO-T5G medium duty truck series targeted at the domestic middle high-end market, the newly developed Hohan heavy duty truck series, characterized by its lightweight design and high performance to price ratio at the middle-end market. In addition, HOWO light duty truck series and HOWO buses are also targeting different markets, catering to the needs of various clients.

Dividends

The Board has recommended a final dividend of HKD0.015 per Share for the financial year ended 31 December 2012.

Prospects and Strategies

Looking ahead, the global economy will continue to face challenges and uncertainties. According to recent economic data, China's economy has shown signs of a gradual recovery, implying that the economic situation in 2013 is expected to be slightly better than that of 2012. Particularly, the heavy duty truck industry is expected to benefit from the acceleration of urbanization.

Seeking to take advantages of the opportunities created by increased urbanization and gradual recovery in China's economy, the Group will further optimize its product mix and continue to optimize its full series commercial vehicle platforms; implement innovative marketing strategies to enhance its domestic and overseas sales and marketing network; implement quality improvement strategy to increase product quality; continue to focus on expanding its presence in overseas markets to maintain its competitive edge in exports; enhance cooperation with MAN Group to support the launch of our new co-developed products to markets. The Group will make constant efforts to enhance its core competitiveness and guarantee sustainable healthy development.

Appreciation

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

Ma Chunji
Chairman

26 March 2013

MANAGEMENT DISCUSSION AND ANALYSIS

Market Overview

In 2012, the PRC government outlined its policies that priority would be placed firmly on the quality of economic development. The government has since adopted a relatively tight monetary policy to reign in soaring property prices and the rapidly increasing consumer price index. As a result, China's fixed asset investment growth began to fall as did growth in property development and investment. Meanwhile, China's exports decreased significantly during this time due to the continued weak recovery of the global economy. The Chinese economy has shown the trend of slowdown. Under these, the sales volume of heavy duty trucks in China dropped significantly. According to CAAM, 636,000 units of heavy duty trucks (over 14 tons) were sold during the Period, representing a 27.8% decrease as compared with the year ended 31 December 2011.

Review of Operations

Trucks Segment

During the Period, the Group's heavy duty truck sales slowed down year-over-year to 90,346 units, representing a decrease of 30.5%. Sales of medium heavy duty truck and light duty truck increased 46.7% year-over-year to 32,244 units.

Domestic Business

During the Period, the Group's market share in heavy duty trucks together with CNTHC Group increased by 0.94 percentage points as compared with the year ended 31 December 2011 according to CAAM. Such increase took place despite the falling domestic demand for heavy duty trucks and decreased sales volume of the Group's heavy duty truck. The Group's construction trucks and specialty vehicles enjoy significant competitive advantages while retaining their industry leading status. Compared with the sluggish heavy duty truck market, sales of natural gas truck increased as a result of the Group's reliable advanced natural gas engine technology.

MANAGEMENT DISCUSSION AND ANALYSIS

During the Period, the Group continued to focus on optimizing product mix and made progress. The foundation of the Group's future development – full series of commercial vehicles by focusing on heavy duty trucks assisted with medium and light duty trucks and buses has been formed. Leveraging matrix of the level of technology standards applied and products differential of each brand, the Group was able to further strengthen the development of new products and carry out promotional activities. This was further supported by the Group's coordinated technological upgrades on its current truck models to balance the development of different series. For example, Hohan series heavy duty truck is repositioned by emphasizing its light weight and price advantage to supplement with HOWO series heavy duty truck. The sales volume of medium heavy duty trucks has been increased. A heavy loading mining truck and natural gas vehicles were favored in the market with increased sales volume.

During the Period, the Group's light duty truck business continued to expand sustainably. A light duty truck division was established in order to centralize and manage production and sales of light duty trucks of Ji'nan light duty truck division and Sinotruk Fujian Haixi Vehicles Co., Ltd. ("Sinotruk Fujian Haixi"). These efforts successfully aided in strengthening the research ability, the sales network, the improvement of after sales services and the increase in promotional activities among Ji'nan light duty truck division, Sinotruk Fujian Haixi and Sinotruk Chengdu Wangpai Commercial Vehicles Co., Ltd., ("Sinotruk Chengdu Wangpai") and resulting in successful launches of our new products. Following the introduction of the HOWO light duty trucks series at the end of 2011, the Ji'nan light duty truck division also launched the Huanghe light duty tippers series at the end of 2012. During the Period, Sinotruk Fujian Haixi launched Fuluo H3/H5 light duty trucks series. With improved technology and service and support, Sinotruk Wangpai's sales volume increased substantially. The Group's light duty truck division has now become an important growth driver of the Group as it gradually gains wider market recognition.

During the Period, the Group's bus business ran smoothly and successfully increased its sales volume. The Group increased development controls over the new product testing and improved its quality of sales services and further optimized sales networks, in addition to constantly improving the quality of its buses. Aside from actively seeking opportunities in traditional domestic markets, the Group has also begun to focus on expanding its overseas business. In January 2013, Sinotruk Ji'nan HOWO Bus Co., Ltd. delivered 100 buses to various Southeast Asian clients signaling the start of a new era in bus exports. Overseas markets are expected to become increasingly important to the Group's business as growth continues. The Group sold a total of 944 buses during the Period, representing an increase of 588 buses or 165.2% as compared with the year ended 31 December 2011.

During the Period, the Group continued to upgrade the sales networks for its various brands. Particular attention was placed on the optimization and integration of sales networks of Sinotruk Ji'nan Truck Co., Ltd. and Sinotruk Ji'ning Commercial Truck Co., Ltd. ("Sinotruk Ji'ning") As a result, a sizable sales network covering medium heavy duty trucks, light duty trucks and buses has been built. As at 31 December 2012, the Group's heavy duty truck division had a total of 1,094 heavy duty truck dealerships including 258 4S centers and 219 stores specializing in products of the Group's own brands, 2,037 service centers providing high quality after-sales services, and 177 refitting companies to help tailor our trucks for different customers. The Group's light duty truck division had a total of 730 dealerships including 9 4S centers and 166 Sinotruk branded dealerships, 1,430 service centers providing high quality after-sales services and 11 refitting companies providing refitting services for our light duty truck products. We also had a total of 50 dealerships and 71 service centers for our buses. Each brand sales network was further strengthened.

International Business

In 2012, the global economy continued to stagger through a weak recovery adding to the pressures China's export industry already faces. With weak growth expected from the global economy, the Group has proactively taken various measures to boost the export of its products with the aim of offsetting slumping domestic demand. The Group continued building its international brand equity by brand building and defending its trademarks as it expands overseas. Sinotruk's uniqueness can be created by improving and strengthening the quality of the Group's sales network and after-sales services in addition to establishing cooperative agreements with overseas partners. The Group has established overseas assembly plants (KD plants) to localize production. Other than to consolidate the markets we are traditionally strong, we also proactively expanded our presence in emerging markets such as South America. The Group also tailors developed products for developed markets based on our research and analysis of needs in those markets. In July 2012, our Euro V heavy duty trucks were first exported to Hong Kong, where the Group set up the local distribution agent network. These measures have enabled the Group to adapt its global market positioning and increase its diversified market exposure. To support this overseas expansion, the Group devoted resources towards the hiring of well qualified overseas sales teams as well as creating an incentive program to increase productivity. As a result, overseas sales continued to improve as the Group pushes forward.

As at 31 December 2012, the Group has overseas sales centers in more than 40 countries and regions along with 86 primary distributors and 145 secondary distributors in more than 80 countries. The Group also helped its overseas distributors to build 343 service outlets and 319 accessories and components outlets in total. During the Period, the Group recorded export (including affiliated export) of 26,505 heavy duty trucks, with a 27.1% increase when compared to year 2011. This represents an industry leading export income of RMB7,202 million, with a 22.9% increase when compared to 2011.

Engines Segment

The engine business caters to the Group's own truck segment and to external third parties, including other manufacturers of heavy duty trucks, buses and construction machinery. To diversify its sources of revenue, the Group also focused on increasing revenue from external sales in its engine division and expanding its domestic market share.

During the Period and as compared with the year 2011, the sales volume of engines decreased by 32.2% to 92,017 units and revenue (including components used during production and external sales) decreased by 24.3% to RMB6,312 million. External sales accounted for 20.7% of the engines division's revenue, representing a minor decrease compared to 21.1% during the same period of 2011.

The localization of MAN Group's engine technology continued to progress smoothly and on schedule. Prototype engines for heavy and medium duty trucks were constructed, tested, examined and verified. Production lines have been in testing fine-tuned, and be ready for batch production in year 2013.

The Group is devoting resources towards the development of green energy-saving products, and is working constantly to improve the technologies against its large power natural gas engines. The Group's T12 natural gas engine equipped in heavy duty truck shows excellent performance and earns reputation among users.

Technological Upgrade

Major investments and construction projects included, 1) the localization of the MAN Group's engine, TGA cabin and the spare parts production, 2) the construction of medium heavy duty truck and light duty truck production facilities, and 3) the enhancement of production techniques and quality control standards, which intended to balance the production capacities among trucks, engines and gearboxes as well as improved product quality standards and research and development capabilities for the Group's forged parts division.

The Group's Ji'nan light duty trucks project was completed and ready for batch production. Material investment projects and large construction plans including Sinotruk Chengdu Wangpai medium and heavy duty truck project, Sinotruk Fujian Haixi medium and heavy duty truck project, and Sinotruk Ji'ning cabin production for commercial vehicle project, continue to progress on schedule. They provide a solid foundation for the enhancement of the Group's production lines and technology upgrade.

The Group currently maintains truck and spare parts research and development centers and their production facilities in Ji'nan, Hangzhou, Chengdu and Fujian, PRC. Through optimized product mixes and balanced production capacity, the Group is able to meet various different demands for all of its products.

New Products

The Group remains committed to its strategy of building the technological edge by strengthening its competitiveness through investment and upgrades on technology. The Group also enriches its product portfolio to cover full series of commercial vehicles including heavy duty trucks, medium heavy duty trucks, light duty trucks and buses by continuously investing on new products development.

SITRAK, a high end truck brand co-operated developed by the Group and MAN Group, will be brought to the market in 2013. SITRAK heavy duty trucks series are built upon the MAN Group's product designs and its design, production and launch followed the strict quality assurances measures set up by both parties. This series of trucks meets high end market requirements in terms of fuel efficiency, reliability, and safety and would raise the Group's market position. The introduction of this series will positively impact to the heavy duty truck industry both domestically and overseas by creating a new market position for the Chinese heavy duty truck manufacturers.

In order to warrant product reliability, each stage of development of HOWO-T7H and HOWO-T5G series heavy duty trucks including from conception, testing, verification and production of parts run through MAN Group's standardized product development procedure controls. The Group equips the MAN Group's engines, axles, and other key components and parts with the existing models so as to upgrade their levels of reliance, efficiency and technology. These series are designed for customers who want to upgrade their existing heavy duty trucks and medium heavy duty trucks upon replacement. They are expected to launch the market in year 2013.

After the successful introduction of HOWO light duty truck series, Sinotruk Ji'nan light duty truck division launched the Huanghe tippers series which satisfies the various customers' needs.

Research and Development

During the Period, the technology center completed a total of 143 projects, ranging from the research and development of trucks, key parts and components, to experiments and testing, trial-production and optimization of trucks. By leveraging its research and development capabilities and strengthening the cooperation with MAN Group in the co-development of high quality and technology engines, parts and components as well as trucks, the Group further enhanced its competitive strength.

As at 31 December 2012, the Group and CNHTC Group together participated in the formulation of 48 industry standards for China's heavy duty trucks and had been granted 2,247 patents, which maintained leading position in the domestic heavy duty truck industry in terms of the number of patents owned.

During the Period, the Group was able to supply 4,333 models to serve various customers' needs. The Group has worked diligently to ensure all its products are able to meet PRC emission requirements and well prepare for the upgrades of emission standard of the Group's products.

Finance Segment

During the Period, the external revenue of the Group's finance segment increased by RMB113 million from RMB95 million to RMB208 million as compared with the year ended 31 December 2011. The increase was primarily due to the expansion of the consumer credit business, the growth in interest income from lending and the increase in income on interbank deposits.

During the Period, in order to satisfy demand for taking a loan for truck purchases, Sinotruk Finance Co., Ltd. ("Sinotruk Finance") continued to expand its consumer credit business, with various forms of consumer credit and finance leases, to encourage sales while taking a prudent approach towards credit risk management. As at 31 December 2012, Sinotruk Finance has established

19 regional offices and extended its consumer credit business coverage to over 20 provinces, covering most parts of China. In 2012, the Group sold 6,029 trucks through providing consumer credit, representing an increase of 84.9% compared to the year 2011.

The Group continued to work diligently on strengthening its financial management over the Period. The Group is determined to achieve sound risk management through enhanced process management and further strengthened its finance control system.

Quality Control

The Group continued to implement lean management in order to enhance and improve quality controls by carrying out the programs, "Quality and Efficiency Year" and "Performance Excellence Management Model" with the establishment of a quality improvement committee in each production unit to vigorously improve the products quality. The Group implements quality assurance programs, provides employees with new skill sets and training and promotes employees, quality control consciousness, which help to improve the Group's performance efficiency. Following the adoption and execution of quality assurance and enhancement measures, the usage frequency of after-sales services and compensation claims per truck decreased significantly which demonstrates a noticeable increase in product quality in the market.

Significant Investments

During the Period, the Company increased its investment in Sinotruk Ji'nan Power Co., Ltd. through the capitalization of production equipment at the amount of approximately RMB96,969,000, the increase in investment in Sinotruk Ji'nan Commercial Vehicles Co., Ltd. at the amount of approximately RMB73,285,000 by cash and the acquisition of 0.535% interest in Sinotruk Finance from independent shareholders at a cash consideration of approximately RMB6,580,000.

In addition, during the Period, the Group increased its investment in (i) Sinotruk Hangzhou Engines Co., Ltd. through the capitalization of production equipment at the amount of approximately RMB113,133,000 and by cash at the amount of approximately RMB117,751,000 and; (ii) Ji'nan Ganghao Development Co., Ltd. increased its capital by cash at the amount of approximately RMB320,725,000 (HKD394,031,000).

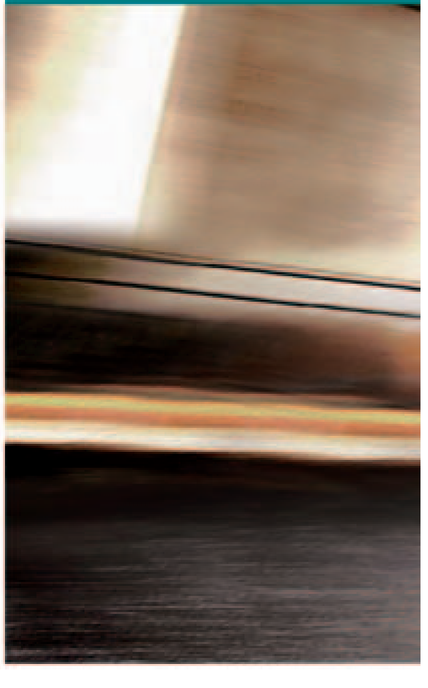
Human Resources

As at 31 December 2012, the Group had a total of 23,332 employees. The Group highly values human resources and continuously works to improve its employee promotion mechanisms through a performance assessment system and middle management promotion system. In addition, the Group reformed its compensation system to provide incentives to employees. In support of its expansion, the Group strengthened its training of employees and hired high caliber senior management and technical professionals. In additions, to the extent necessary to protect Company's intellectual property rights and other vital competitive interests, qualified employees may enjoy certain retirement and non-compete compensation.

Prospects

For the year of 2013, uncertainties are expected to cloud the recovery of the global economy. The PRC government has adjusted its economic policies adapting them to domestic and international economic circumstances to ensure continued stable growth of the PRC economy. Based on the most recent economic data, the PRC economy has signs of a gradual recovery. The Group anticipates that the PRC economy will gradually improve, particularly as the speed up of progress of urbanization, water conservation construction projects and other policies aimed at lifting living standards of the people and hence the heavy duty truck industry will have better development. The Group will adjust its operational strategy from time to time in order to ensure the sustainable development of the Group by:

1. To optimize product mix. The Group will promote the development of its full series commercial trucks platforms with heavy duty truck as the core product. Capitalizing on technological edges, the Group will continue to focus on driving the technology standards of all products to a higher level, well prepare the marketing activities of its new products and enhance brand awareness and product recognition. These actions will ensure an increased competitiveness of the Groups products.



2. To vigorously promote innovation in marketing strategies and to pay more attention to the quality of the sales network. The Group will also further optimize the sales network to boost integration of sales resources with the aim to realize complementary advantages among the sales divisions and to optimize the sales network.

3. To adhere to the Group's international development strategy. The Group will work towards the raising of its brand awareness and influence to further establish and improve its brand equity. This will aid the Group's expansion into overseas markets, develop overseas assembly projects (KD projects), and construct supply networks for key components and parts. In addition, the Group will improve the quality of overseas after-sales services to keep the Group's dominant position in export.

4. To continue to enhance efficiency and quality with the lean management method. The Group will work to improve and optimize the quality of its management systems to facilitate different series of products. The Group will implement advanced quality control concepts and quality management techniques, establish highly efficient product quality feedback mechanisms and enhance awareness of risk prevention. We believe these measures will help us further improve our profitability at lowering operation costs and maintain a healthy development momentum.

5. To continue to strengthen the cooperation with MAN Group. We believe a closer co-operation with MAN Group will assist the launch of the co-developed products to market and get a better result. We will expand the scope and areas of the cooperation in accordance with the market needs.

Financial Review

Turnover, gross profit and gross profit margin

For the year ended 31 December 2012, the Group's turnover recorded RMB27,888 million, compared with that of year 2011 at RMB36,604 million, representing a decrease of RMB8,716 million or 23.8%. The decrease in the turnover primarily resulted from the reduction in truck sales volume.

Gross profit for the year ended 31 December 2012 was RMB4,151 million, representing a decrease of RMB1,555 million or 27.3% compared to that of year 2011 at RMB5,706 million. Gross profit margin decreased by 0.7 percentage points from 15.6% to 14.9% for year 2012. Gross profit and gross profit margin decreased mainly due to the reduction in sales volume which led to an increase in absorption of fixed costs such as depreciation and amortization expenses per truck.

Distribution costs

Distribution costs decreased from RMB2,210 million for 2011 to RMB1,947 million for year 2012, reduced by RMB263 million or 11.9%. The decrease was mainly due to the reduction in truck sales volume, leading to a decrease in warranty expenses and freight.

Administrative expenses

Administrative expenses increased from RMB1,819 million for year 2011 to RMB1,998 million for year 2012, increased by RMB179 million or 9.8%. The increase was mainly due to the impact of the reversal of provisions for bad debts in year 2011 and the increase in non-income tax expenses and research and development spending in year 2012.

Other gains – net

There was a growth in net other gains from RMB366 million for year 2011 to RMB632 million for year 2012, the growth by RMB266 million or 72.7%. The growth was mainly attributable to the increase of the government grants.

Finance costs – net

Net finance costs decreased from RMB577 million for year 2011 to RMB517 million for year 2012, representing a decrease of RMB60 million or 10.4%. The decrease in net finance cost was due to the reduction of borrowings and optimization of average interest rates.

Income tax expense

The income tax expense for year 2012 was RMB149 million, a decrease of RMB149 million or 50.0% from that of year 2011 at RMB298 million. The decrease was due to the reduction in profit before income tax.

The effective tax rate for the Period was increased by 26.2 percentage points from 20.3% to 46.5%. The significant increase in effective tax rate was mainly due to not recognize tax losses as deferred tax assets by certain subsidaries. In view of tax losses available to offset future taxable income in certain subsidiaries may be lapsed before such losses fully utilized, the Group did not recognise such tax losses as deferred tax assets.

Profit for the year and earnings per share

Profit for the year ended 31 December 2012 decreased by 85.4% to RMB171 million from RMB1,168 million in year 2011. The basic earnings per share attributable to the equity holders of the Company decreased from RMB0.36 in year 2011 to RMB0.04 in year 2012.

Trade Receivables

As at 31 December 2012, the trade receivables were reduced from RMB13,057 million to RMB11,696 million, representing a 10.4% decrease. The trade receivables turnover increased from 119.5 days to 162.0 days during the Period but was still within the Group's credit policies which are three to six months to the customers. As at 31 December 2012, the trade receivables aged not more than six months were RMB10,998 million or 94.0% to net trade receivables while it was 95.9% for the net trade receivables as at 31 December 2011. As at 31 December 2012, more than half of net trade receivables aged over than one year was secured by letters of credit issued by banks. The Group reviews repayment progress of large customers or customers with higher risk of default in repayment on monthly basis and assess impairment loss by reference to their business, actual repayment information, etc.

Cash flow

During the year ended 31 December 2012, net cash inflow from operating activities was about RMB793 million. Compared with the net cash outflow in year 2011 at RMB1,426 million, the increase in net cash inflow from operating activities was at RMB2,219 million. It was mainly due to the cut in inventories level and the trade receivables.

Net cash outflow from investing activities in the year 2012 was RMB528 million, a decrease of cash outflow of RMB1,077 million compared with cash outflow at RMB1,605 million in the year 2011. The decrease in cash outflow was resulted by the significant reduction of capital expenditure paid and increase in sales proceeds from disposal of investment properties.

The cash outflow from financing activities in the year 2012 was RMB4,868 million, compared with the cash inflow in the year 2011 at RMB1,096 million representing a decrease of cash inflow 5,964 million. The significant cash outflow from financing activities was mainly due to the cut of borrowings.

Liquidity and financial resources

As at 31 December 2012, the Group's cash and cash equivalents amounted to RMB4,975 million and bank acceptance notes was RMB6,226 million. Cash and cash equivalents decreased by RMB4,602 million and bank acceptance notes decreased by RMB2,327 million as compared with those at the year 2011. The Group's total borrowings (including long-term and short-term borrowings) were about RMB11,007 million as at 31 December 2012. Its gearing ratio (total borrowings divided by total assets) was 25.2% (at 31 December 2011: 30.0%). As at 31 December 2012, all borrowings were made in RMB(31 December 2011: 100.0% in RMB). Most of the borrowings are charged with reference to bank's preferential floating rates and were due within one year to two years. The current ratio (total current assets divided by total current liabilities) as at 31 December 2012 was 1.6 (31 December 2011: 1.3).

As at 31 December 2012, total available credit facilities of the Group amounted to RMB43,506 million, of which RMB6,478 million had been utilised. An aggregate amount of RMB420 million of restricted bank deposits was pledged to secure credit facilities. In addition, Sinotruk Finance has made mandatory deposits of RMB474 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 for longer credit periods from suppliers, utilization of banking facilities and issue of bills such as short-term commercial acceptance notes and bank acceptance notes.

Financial Management and Policy

The finance department is responsible for financial risk management of the Group. One of our key financial policies is to manage exchange rate risk. Our treasury policy prohibited the Group from participating in any speculative activities. As at 31 December 2012, the Group's assets and liabilities were denominated in RMB, except for bank deposits which in total are equivalent to approximately RMB211 million, accounts receivables and other receivables of approximately RMB1,387 million and accounts payable of approximately RMB246 million, all of which were denominated in currencies other than RMB.

Capital Structure

As at 31 December 2012, owner's equity was RMB20,455 million, representing a decrease of RMB114 million or 0.6% when compared with RMB20,569 million at the end of year 2011. As at 31 December 2012, the Company's market capitalisation was RMB13,253 million (calculated by the issued share capital of the Company: 2,760,993,339 Shares, closing price: HKD5.92 per Share and at the exchange rate of 1:0.81085 between HKD and RMB).

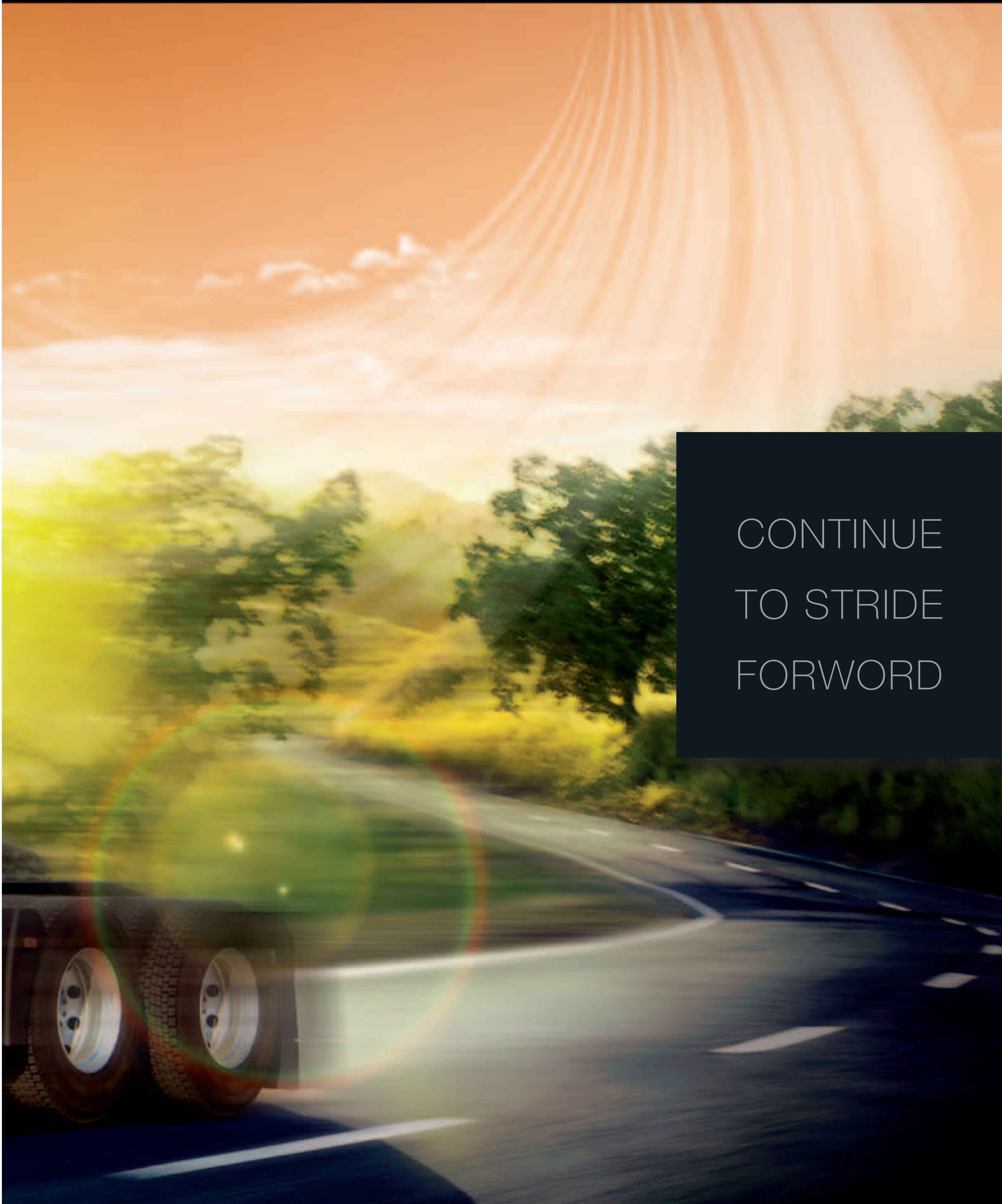
Going Concern

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

Contingent Liabilities, Legal Proceedings and Potential Litigation

During the Period, the Group was not involved in any litigation, arbitration or administrative proceedings that could have a material adverse effect on its financial condition and results of operations. The Group estimates that the total amount of claims of all lawsuits is approximately RMB36 million. There was no provision for legal claims as at 31 December 2012.


SITRAK


CONTINUE
TO STRIDE
FORWORD

DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Ma Chunji (馬純濟), aged 59, is our executive Director and the chairman of the Board. Mr. Ma is a senior economist with over 30 years' experience in government, corporate management and strategic planning. Mr. Ma graduated from the Central Party College in 1995 with a diploma in economic management. He is currently the vice-chairman of CAAM and vice-chairman of China Chamber of International Commerce. He was a member of the Tenth and the Eleventh National People's Congress. Mr. Ma joined the Group in August 2000. Mr. Ma received a "National Model Worker" award from the State Council in 2005. In 2006, he was conferred a lifetime membership at the World Confederation of Productivity Science (世界生產力科學院) and was awarded the title "Star Entrepreneur of Ji'nan City (濟南市明星企業家)" in 2007, the title "Shandong Province Top Ten Confucianist Merchants" (山東省十大儒商) in 2008, and in 2009 the title "Brilliant 60 years, Top Ten Persons of the Year in Automobile (輝煌60年中國十大汽車風雲人物)" and the title "Top Hundred of Heroic Models in Shandong Province for Outstanding Contributions to the Establishment and Construction of New China (山東省一百位為新中國成立、建設做出突出貢獻的英雄模範人物)". He is also the chairman of CNHTC. Prior to joining us, Mr. Ma had been vice mayor of Ji'nan Municipal Government, the head of Ji'nan Auto Accessory Works (濟南汽車配件廠) and the district head of Huaiyin District, Ji'nan City (濟南市槐蔭區) and the director of the Economic Committee of Ji'nan (濟南市經委), and deputy commissioner of Ji'nan Mechanics and Industrial Bureau (濟南市機械工業局).

Cai Dong (蔡東), aged 49, is our executive Director and president. Mr. Cai is a senior engineer with a bachelor degree in engineering from Jiangsu Polytechnic University (江蘇工學院) and an executive MBA degree from Nankai University (南開大學). He joined Ji'nan Auto Manufacturing Factory in 1983 and led its research and development, production and marketing. He received an "Outstanding National Entrepreneur" award conferred jointly by the China United Enterprises Association (中國企業聯合會), China Entrepreneurs Association (中國企業家協會) and China Enterprise Management Science Foundation (中國企業管理科學基金會) in April 2006. Mr. Cai was previously a director of the technology center of CNHTC. Mr. Cai was a director, chief engineer and the general manager of CNHTC from 2001 to 2007.

Wei Zhihai (韋志海), aged 58, is our executive Director and vice president. Mr. Wei graduated from Tsinghua University with a diploma in legal studies in 2005. Mr. Wei is the chairman of Sinotruk (Hong Kong) International Investment Limited and its PRC subsidiary, Ji'nan Ganghao Development Co., Ltd., Sinotruk Chengdu Wangpai Commercial Vehicles Co., Ltd. as well as the chief legal advisor of CNHTC. Mr. Wei joined us in 2004. From 2004 to 2007, he was a director and the deputy general manager of CNHTC. Mr. Wei is a senior economist with over 20 years of experience in business development and corporate management. Prior to joining us, Mr. Wei was the head of Ji'nan No. 4 Machine Tool Works (濟南第四機床廠) and the deputy director of the Economic Committee of Ji'nan.

Wang Haotao (王浩濤), aged 49, 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) in 2008. He joined CNHTC in 1987. Mr. Wang is currently the vice general manager and director of CNHTC. He was the chairman of Sinotruk Ji'nan Truck Co., Ltd. ("Sinotruk Ji'nan Truck Company") from 2004 to 2012. Sinotruk Ji'nan Truck Company is a non wholly-owned subsidiary of the Company, the shares of which are listed on the Shenzhen Stock Exchange in the PRC. He was the director of business development and international cooperation department of CNHTC from 1994 to 1998 and the deputy general manager of CNHTC in 2001.

Tong Jingen (童金根), aged 50, 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 over 20 years of experience in corporate management and business development in the automotive industry. He joined Ji'nan Auto Manufacturing Factory in 1983 and was the chief economist and director of CNHTC from July 2002 to April 2007. Mr. Tong was the deputy director of the corporate management department of Ji'nan Motor Vehicle Company (濟南汽車製造廠) from 1995 to 1996, and was the deputy manager of sales department of CNHTC from 1998 to 2001.

Wang Shanpo (王善坡), aged 48, is our executive Director and chief engineer. Mr. Wang graduated with a bachelor degree in engineering from Jilin University of Technology (吉林工業大學) in 1984, with a master's degree in engineering from Shandong Industrial University (山東工業大學) in 1991 and with a Ph.D. degree in engineering from Jiangsu University (江蘇大學) in December 2011. Mr. Wang is an engineering and technical application researcher with over 20 years of experience in automotive research and development and engineering. He joined CNHTC in 1984 and was the chief engineer of CNHTC. Mr. Wang was the director of Sinotruk Ji'nan Technical Center Co., Ltd. from 1999 to 2000.

Gao Dinggui (高定貴), aged 48, is our executive Director and vice president. Mr. Gao studied at the Internal-combustion Engine Department of Wuhan University of Technology (武漢理工大學) and obtained a bachelor degree in engineering in 1983 and obtained a master degree in business administration from China Europe International Business School in 1991. Mr. Gao has over 20 years of experience in the industry and extensive experience in strategic planning, marketing, production operation and research and development. From 1983 to 1989, Mr. Gao worked as a design engineer at Luoyang Tractor Research Institute which was affiliated to Ministry of Machine-Building Industry of China and engaged in development and design of engines. From 1991 to 1999, Mr. Gao served with Bosch (China) Investment Ltd. where he assumed responsibilities as project manager, sales director and executive director of marketing. From 1999 to 2001, Mr. Gao worked at the Diesel System Division of Bosch Group, responsible for product application, sales and services for Korean customers. From 2001 to 2002, he worked with Wuxi Europe-Asia Diesel Injection System Co., Ltd. and became the deputy general manager in charge of sales, marketing and research and development. From 2002 to 2006, Mr. Gao was the general manager in China and vice president of operations in Asia-pacific of Eagle Ottawa Leather Company. From 2007 to 2011, Mr. Gao joined Honeywell Automotive Parts Services (Shanghai) Co., Ltd. as general manager responsible for China areas.

Kong Xiangquan (孔祥泉), aged 46, is our executive Director and the financial controller of the Group. Mr. Kong received a bachelor degree in management science and engineering from Wuhan Institute of Technology (武漢工學院) (now known as Wuhan University of Technology (武漢理工大學)) in 1989 and a master degree in management science from Dalian University of Technology (大連理工大學) in 2002. Mr. Kong has been the supervisor of Ji'nan Ganghao Development Co., Ltd. since 2008. Mr. Kong is a senior accountant. He was selected by Shandong Province as one of the high-end accountant personnel in 2011. Mr. Kong has extensive experiences in financial management, corporate restructuring and cross-border financing. He joined CNHTC in 2003. From 2003 to 2006, Mr. Kong served as the deputy general manager and the general manager of the finance department of CNHTC. Mr. Kong served as the general manager of the finance department and the deputy financial controller of the Group since 2006. Mr. Kong was the supervisor of Sinotruk Finance Co., Ltd. from 2004 to 2012 and the chairman of the supervisors of Sinotruk Import & Export Co., Ltd. from 2011 to 2012. Prior to joining the Group, Mr. Kong worked in China Qingqi Group Co., Ltd. and was responsible for general administration and financial management affairs.

Non-executive Directors

Georg Pachta-Reyhofen, aged 57, is our non-executive Director. Dr. Pachta-Reyhofen is the chief executive officer of MAN SE, which owns the entire issued share capital of MAN Finance and Holding S.à.r.l., a substantial shareholder of the Company. Dr. Pachta-Reyhofen also serves on the supervisory boards of MAN Diesel & Turbo SE, MAN Truck & Bus AG and MAN Latin America Indústria e Comércio de Veículos Ltda. Dr. Pachta-Reyhofen graduated from Vienna University of Technology with a mechanical engineering degree and a doctorate in engineering science and obtained the title of doctor of technical sciences later. Dr. Pachta-Reyhofen started working for MAN Group in 1986. From 1996 to 1999, he worked with MAN Türkiye A.S. as a technical director and became a member of its executive board with responsibility for development, quality assurance and logistics in 1998. From 1999 to 2001, he was head of engine development at the Nuremberg site of MAN Truck & Bus AG. Dr. Pachta-Reyhofen became a member of the MAN Truck & Bus AG's executive board in 2001 and was responsible for its technical and purchasing activities and was its chief executive officer from January 2010 to August 2012. He was the chairman of the executive board of MAN Diesel SE from July 2006 until the end of 2009. Since January 2010, Dr. Pachta-Reyhofen has been the chief executive officer of MAN SE.

Anders Olof Nielsen, aged 50, is our non-executive Director. Mr. Nielsen is the chief executive officer of MAN Truck & Bus AG. Mr. Nielsen studied industrial economy at the Institute of Technology at Linköping University, Sweden. Mr. Nielsen worked in Scania AB in Sweden since 1987. From 1995 to 1997, he managed the gearbox production plant in Sibbhult, Sweden, before becoming the plant manager for cab production on Scania AB in Oskarshamn, Sweden in 1997. From 2002 to 2006, Mr. Nielsen held the position of technical director of Scania Latin America Ltda in Brazil. From 2006 to 2010, Mr. Nielsen headed Scania AB's chassis and cab production in Sweden as senior vice president and was a member of the executive board of Scania AB as head of production and logistics from January 2010 to September 2012. Since 1 September 2012, Mr. Nielsen has been the chief executive officer of MAN Truck & Bus AG.

Jörg Astalosch, aged 40, is our non-executive Director. Mr. Astalosch is the chief financial officer of MAN Truck & Bus AG and a member of advisory board of MAN Finance International GmbH, a wholly-owned subsidiary of MAN SE. Mr. Astalosch holds an MBA degree from IESE Business School, University of Navarra, Spain and obtained a degree in electrical engineering at the technical college of Osnabrück, Germany and a degree in economic science at the technical college of Wolfsburg-Wolfenbüttel, Germany. Starting in 1995, Mr. Astalosch had served at Volkswagen AG in various positions. From 1999, he was an assistant to the chief executive officer of Volkswagen AG. From 2002 to 2003, he headed the office of the chairman of the supervisory board of Volkswagen AG. From 2004 to 2006, he headed the Controlling Department for Audi of America and Audi Canada. In 2007, he headed the office of the chief executive officer at Audi AG, Ingolstadt. He again headed the office of the chairman of the supervisory board of Volkswagen AG from 2007 to 2011. Since January 2012, Mr. Astalosch has been the chief financial officer of MAN Truck & Bus AG and a member of advisory board of MAN Finance International GmbH.

Independent Non-executive Directors

Shao Qihui (邵奇惠), aged 78, is our independent non-executive Director. Mr. Shao is a senior professor stage engineer who has extensive experience in engineering. Mr. Shao has designed and invented lever vehicle steering with variable transmission ratio and processing machine tools and was among the first professionals awarded with "Outstanding Contributor" by the State. Mr. Shao currently is the honorary chairman of the China Auto Talents Society (中國汽車人才研究會) and the honorary chairman of the Society of Automotive Engineers of China (中國汽車工程學會) and the honorary chairman of the Federation of Machinery Industry of China (中國機械工業聯合會). He was the governor of Heilongjiang Province from 1989 to 1994 and the head of the State Bureau of Mechanical Industry (國家機械工業局) from 1998 to 1999.

Lin Zhijun (林志軍), aged 58, 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, Canada. He has been teaching in economics faculty at Xiamen University in China, The University Lethbridge in Canada, The University of Hong Kong and Hong Kong Baptist University since 1983. He is a member of various educational accounting associations including the American Accounting Association, the International Association for Accounting Education and Research and the Hong Kong Association for Academic Accounting. Dr. Lin is also an author of a series of professional articles and books. Dr. Lin currently is also an independent non-executive director of several companies which securities are listed on the Stock Exchange including China Everbright Limited (stock code: 0165.hk), Springland International Limited (stock code: 1700.hk) and Zhengzhou Coal Mining Machinery Group Company Limited (stock code: 0564.hk).

Ouyang Minggao (歐陽明高), aged 54, is our independent non-executive Director. Professor Ouyang graduated from the Technical University of Denmark with a doctorate degree in engineering in 1993. He is one of the nationally recognized experts in the area of strategic development of automobile technology and energy. He is currently a Standing Member of the Chinese People's Consultative Conference (全國政協常務委員), deputy director of academic committee in Tsinghua University and director of the National Laboratory of Automobile Safety and Energy Saving (汽車安全與節能國家重點實驗室). In addition, he is a vice president of the Society of Automobile Engineering of China (中國汽車工程協會) and director of the engine division. Professor Ouyang has extensive experience in the research and development in automobile transmission system and has worked 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 78, is our independent non-executive Director. Professor Hu graduated from University of Science and Technology Beijing (北京科技大學) (formerly known as Beijing Institute of Metallurgy (北京鋼鐵學院)) in 1956. Professor Hu is a professor in University of Science and Technology Beijing and a postgraduate candidate teacher and the head of the Research Centre of Parts Rolling (國家高效零件軋製研究推廣中心). He was the vice-dean of the mechanical engineering department in University of Science and Technology Beijing and the head of Mechanical Engineering Research Centre. Professor Hu has engaged in the research of parts rolling technology in China since 1958. His team launches parts rolling technology in 24 provinces in the PRC and this technology received the remarkable economic benefits and received three national awards and more than ten provincial awards. Professor Hu has been one of the core innovators of parts rolling technology in PRC. He has been granted various awards, including "State Outstanding Contributor" (國家級有突出貢獻科技專家), "State Outstanding Technical Officer" (全國優秀科技工作者),"National Labor Day Medal" (全國五一勞動獎章) and "Technology Achievement Award of Chinese Mechanical Engineering Society" (中國機械工程學會科技成就獎). Professor Hu was elected the member of the Chinese Academy of Engineering (中國工程院) in 1997.

Chen Zheng (陳正), aged 67, 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 81, 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 CAAC (中國汽車工業協會) since 2004.

Company Secretaries

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

Kwok Ka Yiu (郭家耀), aged 48, is our company secretary and financial controller. Mr. Kwok has nearly seven years of audit experience in one of the prestigious international audit firms, KPMG and over ten years of financial and accounting experiences with companies listed on the Stock Exchange. Mr. Kwok holds an MBA degree from the University of Hong Kong and is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants.

CORPORATE GOVERNANCE PRACTICES

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

The Stock Exchange has revised and renamed the Code on Corporate Governance Practices (the "Former Code") set out in Appendix 14 to the Listing Rules to Corporate Governance Code and Corporate Governance Report (the "New Code") effective from 1 April 2012. The Company has adopted the Former Code and the New Code as its own code of corporate governance for the relevant periods. Throughout the Period, the Company has complied with the respective code provisions (the "Code Provisions") of the Former Code and the New Code for the relevant periods in which they are in force, except for the following deviation:

The Company did not establish a nomination committee. According to article 81 of the Articles of Association, the Board is entitled, from time to time and at any time, to appoint any person to be a Director for filling any vacant directorship or for increasing the number of Directors. In assessing the nominations of new Directors, the Board will consider their relevant experience, professional and educational background, and potential contributions that may be brought to the Company. The Board takes up all functions of nomination committee as required under the Listing Rules.

BOARD OF DIRECTORS

Overall Accountability

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

Board Responsibilities and Delegation

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

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

Composition of the Board

As at 31 December 2012, the Board had a total number of seventeen Directors including eight executive Directors, three non-executive Directors ("NEDs") and six independent non-executive Directors ("INEDs"). Biographies of each Director are set out in the section headed "Directors and Senior Management".

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

Executive Directors

As at 31 December 2012, there were eight executive Directors including Mr. Ma Chunji, Mr. Cai Dong, Mr. Wei Zhihai, Mr. Wang Haotao, Mr. Tong Jingen, Mr. Wang Shanpo, Mr. Gao Dinggui (appointed on 1 February 2012) and Mr. Kong Xiangquan (appointed on 28 August 2012).

Non-executive Directors

As at 31 December 2012, there were three NEDs including Dr. Georg Pachta-Reyhofen, Mr. Anders Olof Nielsen (appointed on 1 December 2012) and Mr. Jörg Astalosch (appointed on 1 December 2012).

Dr. Georg Pachta-Reyhofen has entered into a service contract with the Company for a term of three years commenced from 19 March 2010. In March 2013, Dr. Pachta-Reyhofen has entered into a new service agreement with the Company for a term of three years commenced from 19 March 2013 and both service agreements can be terminated by either party giving not less than three months' prior written notice. Each of Mr. Anders Olof Nielsen and Mr. Jörg Astalosch has entered into a service contract with the Company for a term of three years commenced from 1 December 2012 and can be terminated by either party giving not less than three months' prior written notice. Each of Mr. Lars Wrebo and Mr. Jörg Schwitalla had entered into a service contract with the Company for a term of three years commenced from 19 March 2010. Mr. Lars Wrebo and Mr. Jörg Schwitalla had resigned as NED on 30 March 2012 and 30 September 2012, respectively.

Independent Non-executive Directors and their Independence

As at 31 December 2012, there were six INEDs including Dr. Shao Qihui, Dr. Lin Zhijun, Dr. Ouyang Minggao, Dr. Hu Zhenghuan, Mr. Chen Zheng and Mr. Li Xianyun.

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

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

Board Committees

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

Attendance of Board Meetings and Board Committee Meetings

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

	Numbers of meetings attended/entitled to attend (Note 1)					
Directors	Regular full Board meetings	Executive Committee meetings	Strategy and Investment Committee meetings	Remuneration Committee meetings	Audit Committee meetings	2012 annual general meeting
Executive Directors						
Mr. Ma Chunji	4/4	2/2	1/1			1/1
Mr. Cai Dong	4/4	2/2	1/1			0/1
Mr. Wei Zhihai	4/4	2/2		2/2		0/1
Mr. Wang Haotao	4/4	2/2	1/1			0/1
Mr. Tong Jingen (Note 2)	4/4	2/2		2/2	1/1	1/1
Mr. Wang Shanpo	4/4	2/2	1/1			0/1
Mr. Gao Dinggui (Note 3)	4/4	1/2	0/0			0/1
Mr. Kong Xiangquan (Note 4)	2/2	1/1				0/0
NEDs						
Dr. Georg Pachta-Reyhofen	4/4					0/1
Mr. Anders Olof Nielsen (Note 5)	2/2					0/0
Mr. Jörg Astalosch (Note 5)	2/2					0/0
INEDs						
Dr. Shao Qihui	4/4		1/1			0/1
Dr. Lin Zhijun	4/4			2/2	3/3	1/1
Dr. Ouyang Minggao	3/4		1/1		2/3	0/1
Dr. Hu Zhenghuan	3/4		1/1			0/1
Mr. Chen Zheng	4/4			2/2	3/3	1/1
Mr. Li Xianyun	4/4			2/2		0/1
Former NEDs						
Mr. Jörg Schwitalla (Note 6)	2/2					0/1
Mr. Lars Wrebo (Note 7)	0/1					0/0

Note 1: During the Period, ISIBC did not convene any meeting.

Note 2: Mr. Tong Jingen resigned as a member of the Audit Committee with effect from 30 March 2012 and during his tenure, one Audit Committee meeting was held.

Note 3: Mr. Gao Dinggui was appointed as a member of the Executive Committee with effect from 1 February 2012 and a member of Strategy and Investment Committee with effect from 28 August 2012 and during his tenure, two Executive Committee meetings and no Strategy and Investment Committee meetings were held.

Note 4: Mr. Kong Xiangquan was appointed as an executive Director and a member of Executive Committee with effect from 28 August 2012 and during his tenure, two full Board meetings, one Executive Committee meetings and no annual general meeting were held.

Note 5: Mr. Anders Olof Nielsen and Mr. Jörg Astalosch were appointed as NEDs with effect from 1 December 2012 and during their tenure, two full Board meetings and no annual general meeting were held.

Note 6: Mr. Jörg Schwitalla resigned as a NED with effect from 30 September 2012 and during his tenure, two full Board meetings were held.

Note 7: Mr. Lars Wrebo resigned as a NED with effect from 30 March 2012 and during his tenure, one full Board meeting and no annual general meeting was held.

BOARD MEETINGS

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

(1) the 2011 annual report of the Company and its related announcements, circulars and documents and the call for the 2012 annual general meeting of the Company;

(2) the 2012 interim report of the Company and its related announcements and documents;

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

(4) the recommendation of re-appointment of PricewaterhouseCoopers as auditor in 2012 annual general meeting recommended by the Audit Committee;

(5) the recommendation of the 2011 final dividend;

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

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

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

(9) the re-financing of RMB2.7 billion RMB bonds issued in 2010;

(10) the Shareholders' communication policy, procedures of convening Shareholders' general meetings and procedures of enquiries to board;

(11) the set up of an employee share incentive scheme (the "Share Incentive Scheme"); and

(12) the appointment of Mr. Kong Xiangquan as executive Director.

EXECUTIVE COMMITTEE

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

As at 31 December 2012, the Executive Committee comprised of eight members, namely, Mr. Ma Chunji, Mr. Cai Dong, Mr. Wei Zhihai, Mr. Wang Haotao, Mr. Tong Jingen, Mr. Wang Shanpo, Mr. Gao Dinggui (appointed as a member on 1 February 2012) and Mr. Kong Xiangquan (appointed as a member on 28 August 2012). Mr. Ma Chunji is the chairman of the Executive Committee.

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

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

(2) the working progress of the Company's cooperation project with MAN Group;

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

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

STRATEGY AND INVESTMENT COMMITTEE

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

As at 31 December 2012, the Strategy and Investment Committee comprised of eight members, namely, Mr. Ma Chunji, Mr. Cai Dong, Dr. Shao Qihui, Dr. Ouyang Minggao, Dr. Hu Zhenghuan, Mr. Wang Haotao, Mr. Wang Shanpo and Mr. Gao Dinggui (appointed as a member on 28 August 2012). Dr. Shao Qihui, Dr. Ouyang Minggao and Dr. Hu Zhenghuan are INEDs while Mr. Ma Chunji, Mr. Cai Dong, Mr. Wang Haotao, Mr. Wang Shanpo and Mr. Gao Dinggui are executive Directors. Mr. Ma Chunji is the chairman of the Strategy and Investment Committee.

REMUNERATION COMMITTEE

The Remuneration Committee is mainly responsible for the appraisal of the Directors and senior management performance and making recommendation to the Board on their remuneration including the formulation of performance assessment standards, procedures, major proposals and mechanisms of the assessment systems and rewards and penalties. The Remuneration Committee will also supervise the remuneration and other benefits offered by the Group to Directors and perform the Group's corporate governance functions including reviewed the corporate governance report and disclosure in the section "Corporate Governance Report" in the annual report of the Company.

As at 31 December 2012, the Remuneration Committee comprised of five members, namely, Mr. Chen Zheng, Dr. Lin Zhijun, Mr. Li Xianyun, Mr. Wei Zhihai and Mr. Tong Jingen. Mr. Chen Zheng, Dr. Lin Zhijun and Mr. Li Xianyun are INEDs while Mr. Wei Zhihai and Mr. Tong Jingen are executive Directors. Mr. Chen Zheng is the chairman of the Remuneration Committee. The most up-to-date version of the written terms of reference of the Remuneration Committee is available on the websites of the Company and the Stock Exchange.

Corporate Governance Functions

The Remuneration Committee is also responsible for performing the corporate governance functions. During the Period, the Board delegated the following corporate governance duties to the Remuneration Committee which have been incorporated into the terms of reference of the Remuneration Committee:

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

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

(1) the retirement and non-compete arrangement of the qualified employees to protect the Company's intellectual property rights and other vital competitive interests; and

(2) the set up of the Share Incentive Scheme.

AUDIT COMMITTEE

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

As at 31 December 2012, the Audit Committee comprised of three members, namely, Dr. Lin Zhijun, Dr. Ouyang Minggao and Mr. Chen Zheng who all are INEDs. Dr. Lin Zhijun is the chairman of the Audit Committee. Mr. Tong Jingen resigned as a member of the Audit Committee with effect from 30 March 2012.

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

(1) the 2012 interim review plan and the 2012 annual audit plan of the Group;

(2) the auditor's reports to the Audit Committee in respect of the 2011 annual audit and the 2012 interim review of the Group;

(3) the 2011 annual report and the 2012 interim report and their related preliminary results announcements;

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

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

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

(7) the internal control system of the Group.

INCENTIVE SCHEME INDEPENDENT BOARD COMMITTEE

The ISIBC, which comprised of all the INEDs as appointed from time to time, was formed on 28 August 2012 to decide the eligible participants of the Share Incentive Scheme adopted by the Board on 28 August 2012, the number of shares they are entitled, the vesting conditions and vesting period as well as the satisfaction by transfer of shares or by cash payment prior to vesting with the respect to the Share Incentive Scheme. ISIBC did not convene any meeting since its formation. A chairman will be elected among the members in its first meeting.

As at 31 December 2012, the ISIBC comprised of six members, namely, Dr. Shao Qihui, Dr. Lin Zhijun, Dr. Ouyang Minggao, Dr. Hu Zhenghuan, Mr. Chen Zheng and Mr. Li Xianyun.

NOMINATION, APPOINTMENT, RETIREMENT AND RE-ELECTION OF DIRECTORS

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

During the Period, the Board has reviewed and concluded that its existing structure, size and composition are appropriate and had approved the appointment of Mr. Gao Dinggui and Mr. Kong Xiangquan as executive Directors and Mr. Anders Olof Nielsen and Mr. Jörg Astalosch as NEDs.

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

Nomination Procedures

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the 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. The Company has made specific enquiries with all Directors and all Directors confirm that they have compiled with the standards required by the Model Code during the Period.

DIRECTORS' TRAINING AND PROFESSIONAL DEVELOPMENT

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

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

During December 2012, all the existing Directors have received training materials on director's responsibilities prepared in December 2012 from Sidley Austin, the Company's legal advisers on Hong Kong laws, and confirmed in writing that they understood their responsibilities as directors of the Company under the laws of Hong Kong, the Listing Rules and applicable legal requirements and other regulatory requirements as set out in such training materials. In addition, during the Period, each of Mr. Gao Dinggui, Mr. Kong Xiangquan, Mr. Anders Olof Nielsen and Mr. Jörg Astalosch had attended a training on director's responsibilities provided by Sidley Austin upon their appointment.

REMUNERATION AND BENEFITS FOR DIRECTORS AND SENIOR MANAGEMENT

For NEDs including INEDs, their remuneration paid to each of them is a basic fee only. Apart from basic salaries, executive Directors are also entitled to year-end bonus, depending on the market conditions, performance of the enterprise and individual persons during the year.

ACCOUNTABILITY AND AUDITING

The Directors are responsible for preparing the financial statements for the financial year ended 31 December 2012 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 2012, the generally accepted accounting principles in Hong Kong, Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards are adopted, with consistent use of appropriate accounting policies, for making reasonable and prudent judgments and estimates. The financial statements for the year ended 31 December 2012 were prepared on a going concern basis.

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

INTERNAL CONTROL

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

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

NON-COMPETING UNDERTAKING

In order to protect the Group's interests, CNHTC entered into a non-competition undertaking (the "Non-competition Undertaking") with the Group in November 2007. The Board has also received an annual confirmation from CNHTC for its compliance with the Non-competition Undertaking for the year ended 31 December 2012. After conducting the review, the Directors, including all INEDs, are of the view that the Non-competition Undertaking have been complied with by all parties.

REMUNERATION OF AUDITORS

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

	RMB'000
For financial audit services:	13,493
For other services:	
the issue of the Bonds	1,000
the audit of internal control of certain subsidiaries	755
the taxation professional services	630
Total fee for other services	2,385
Auditors' remuneration	15,878

COMPANY SECRETARIES

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

SHAREHOLDERS AND INVESTOR RELATIONS

Communication Policy

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

Investor Relations

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

Annual General Meeting

The Board and senior management are well aware of their important tasks of acting on behalf of the interests of all the Shareholders and raising the Shareholders' returns. The Board considers that AGM is an important opportunity for direct communication with the Shareholders. The 2012 AGM at which the external auditors attended was convened on 30 May 2012. The Board encourages all the Shareholders to participate in the 2013 AGM at on 22 May 2013 where the members of the Board and external auditors will be present and communicate with the Shareholders.

Shareholders' Rights

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

Any one or more Shareholders holding at the date of deposit of the Requisition (as defined below) not less than one-twentieth of the paid up capital of the Company carrying the right of voting at general meetings of the Company (the "Requisitionist (s) ") shall at all times have the right, by written requisition (the "Requisition") to the Board or the Company Secretary, to require an EGM to be called by the Board for the transaction of any business specified in such requisition.

The Request and the Statement must be deposited at the registered office of the Company (the "Registered Office") at Units 2102-2103, China Merchants Tower, Shun Tak Centre, 168-200, Connaught Road Central, Hong Kong for the attention of the Company Secretary.

If the Board does not within 21 days from the date of the deposit of the Requisition proceed duly to convene a meeting for a day not more than 28 days after the date on which notice convening the meeting is given, such Requisitionist (s), or any of them representing more than one-half of the total voting rights of all of them, may themselves convene a meeting in accordance with the relevant provisions of the Companies Ordinance, but any meeting so convened shall not be held after the expiration of 3 months from the said date.

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

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

(i) any number of Shareholders representing not less than one-fortieth of the total voting rights of all Shareholders having at the date of the Request a right to vote at the meeting to which the Request relates; or (ii) not less than 50 Shareholders on which there has been paid up an average sum, per Shareholder, of a sum equivalent to not less than HK$2,000.

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

The Request and the Statement must be deposited at the Registered Office for the attention of the Company Secretary not less than six weeks before the AGM in the case of a requisition requiring to give notice of a resolution or to circulate Statement to the Shareholders and not less than 1 week in the case of any other requisition or no earlier than the day after the despatch of the notice by the Company of the EGM and end no later than 7 days prior to the date of the EGM. If the Request is received less than the minimum required days prior to the EGM, the Company will need to consider the adjournment of the EGM in order to give Shareholders sufficient notice of the proposal.

The Eligible Shareholder (s) concerned have deposited a sum of money reasonably sufficient to meet the Company's expenses in serving the notice of the resolution, a circular or a supplemental circular (as the case may be) concerned and the Statement in accordance with the Companies Ordinance and the requirements under the Listing Rules to all the registered Shareholders.

(3) Shareholders' enquiries to the Board

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

CONSTITUTIONAL DOCUMENTS

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

DISCLAIMER

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

The Directors are pleased to present their report and the audited financial statements of the Group for the year ended 31 December 2012.

PRINCIPAL BUSINESS

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

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

OPERATING RESULTS AND RESERVES

The results of the Group for the year ended 31 December 2012 are set out in the consolidated statement of comprehensive income.

The details of the reserves of the Group and the Company during the Period are set out in the consolidated statement of changes in equity on page 67 and note 25 to the consolidated financial statements respectively.

Dividends

The Directors recommend the payment of a final dividend of HKD0.015 per share of the Company for the year ended 31 December 2012 (the "2012 Final Dividend") with a sum of approximately HKD41,415,000, which is subject to shareholders' approval at the forthcoming 2013 annual general meeting of the Company.

The Company has been determined as a Chinese-resident enterprise. Pursuant to the "Enterprise Income Tax Law of the People's Republic of China"《中華人民共和國企業所得税法》and the "Detailed Rules for the Implementation of the Enterprise Income Tax Law of the People's Republic of China" 《中華人民共和國企業所得税法實施條例》, a Chinese-controlled offshore incorporated enterprise shall withhold and pay enterprise income tax for its non-PRC resident enterprise shareholders. As the withholding and payment obligation lies with the Company, the Company will withhold and pay enterprise income tax for its non-PRC resident enterprise shareholders to whom the Company pays the 2012 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 2012 Final Dividend after deducting an enterprise income tax of 10% or other appropriate rates. The Company will not withhold and pay the income tax in respect of the 2012 Final Dividend payable to PRC resident enterprise shareholders, exempted entities or any natural person shareholders.

PROPERTIES HELD FOR INVESTMENT

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

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Movements in the share capital of the Company during the Period are set out in the consolidated statement of changes in equity on page 67 and note 25 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's distributable reserves as at 31 December 2012, calculated under section 79B of the Companies Ordinance, were approximately RMB413,923,000.

CHARITABLE DONATION

The Group's total charitable donation for the period amounted to approximately RMB3,295,000 (2011: RMB3,661,000).

BORROWINGS

Details of the Group's borrowings as at 31 December 2012 are set out in note 26 to the consolidated financial statements respectively.

FIVE YEARS FINANCIAL SUMMARY

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

PURCHASE, SALE OR REDEMPTION OF SECURITIES

On 1 August 2012, the Company had issued RMB1,800,000,000 bonds at 4.50 per cent. per annum due August 2014 (the "Bonds"). The Bonds (stock code: 85900.hk) are listed on the Stock Exchange.

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

EMPLOYEE SHARE INCENTIVE SCHEME

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

The Share Incentive Scheme is valid and effective for three years from 28 August 2012. An independent board committee namely ISIBC comprising all the independent non-executive Directors, as appointed from time to time, was established for the purpose of the Share Incentive Scheme.

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

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

From the date of the Share Incentive Scheme being adopted upto 31 December 2012, there was no any Scheme Shares granted.

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

DIRECTORS

During the Period, the Directors were as follows:

Executive Directors:

Ma Chunji *(Chairman)*
Cai Dong *(President)*
Wei Zhihai *(Vice President)*
Wang Haotao *(Vice President)*
Tong Jingen *(Chief Economist)*
Wang Shanpo *(Chief Engineer)*
Gao Dinggui *(Vice President)* (appointed on 1 February 2012)
Kong Xiangquan *(Group Financial Controller)* (appointed on 28 August 2012)

Non-executive Directors:

Georg Pachta-Reyhofen
Anders Olof Nielsen (appointed on 1 December 2012)
Jörg Astalosch (appointed on 1 December 2012)
Jörg Schwitalla (resigned on 30 September 2012)
Lars Wrebo (resigned on 30 March 2012)

Independent non-executive Directors:

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

Pursuant to articles 83 and 84(1) of the Articles of Association, Mr. Cai Dong, Mr. Kong Xiangquan, Dr. Georg Pachta-Reyhofen, Mr. Anders Olof Nielsen, Mr. Jörg Astalosch and Dr. Lin Zhijun will be retired at the forthcoming annual general meeting and, being eligible, will be available for re-election as Directors.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' INTERESTS IN CONTRACTS

During the Period, Mr. Ma Chunji is the chairman of CNHTC and Mr. Wang Haotao is the vice general manager and director of CNHTC, Dr. Georg Pachta-Reyhofen is the chief executive officer of MAN SE, Mr. Anders Olof Nielsen is the chief executive officer of and Mr. Jörg Astalosch is the chief financial officer of MAN Truck & Bus AG. Mr. Jörg Schwitalla was the director of MAN SE and Mr. Lars Wrebo was the director of Man Truck & Bus AG. 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 section headed "connected transactions" below in the report of the Directors and in the related party transactions in note 36 to the consolidated financial statements, no contract of significance to the business of the Group subsisted during or at the end of the Period in which a Director was materially interested, either directly or indirectly.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

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

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

As at 31 December 2012, so far is known to the Directors, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions therein that they shall be deemed to have pursuant to such provisions of the SFO), or any interests or short positions which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or any interests or short positions which have to be notified to the Company and the Stock Exchange pursuant to Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules.

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

As at 31 December 2012, so far as it is known to the Directors, persons (other than a Director or chief executive of the Company) who had, or were deemed or taken to have interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register of the Company required to be kept under section 336 of the SFO or who were directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group was as follows:

A) The Company

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

Notes:

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

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

B) Members of the Group

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

Save as disclosed above, as at 31 December 2012, so far as it is known to the Directors, there was no other person (other than a Director or chief executive of the Company) who had, or were deemed or taken to have interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register of the Company required to be kept under section 336 of the SFO or who were directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

SPECIFIC PERFORMANCE BY THE CONTROLLING SHAREHOLDER

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

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

MANAGEMENT CONTRACTS

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

MAJOR CUSTOMERS AND SUPPLIERS

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

Purchases	
– the largest supplier	2.1%
– the five largest suppliers	8.9%
Sales	
– the largest customer	4.2%
– the five largest customers	12.6%

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

CONNECTED TRANSACTIONS

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

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

1) Land Use Right Transfer Agreement

Date of agreement	:	26 August 2011
Parties	:	CNHTC
		Sinotruk Ji'ning, a wholly-owned subsidiary of the Company
Objective	:	CNHTC has agreed to transfer the land use rights of a parcel of land to Sinotruk Ji'ning
Consideration	:	RMB60,517,380
Actual consideration for the year ended 31 December 2012	:	RMB60,517,380

As the transfer of the land use right was not yet completed in year 2011, the consideration was not yet paid in year 2011. The transfer of the land use right was completed in April 2012 and the consideration was paid in April 2012. Details of the transactions contemplated under the Land Use Right Transfer Agreement were disclosed in the Company's announcement dated 26 August 2011.

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

1) 2012 General Services Purchase Agreement

Date of agreement	:	27 August 2010
Parties	:	CNHTC (for itself and on behalf of its associates) the Company (for itself and on behalf of its subsidiaries)
Term	:	1 year from 1 January 2012 to 31 December 2012
Objective	:	CNHTC has agreed to provide services such as property management, transportation, staff training, medical services and products testing and improvement services, etc. to members of the Group
Consideration	:	The consideration was determined on the basis of: (a) prices proposed by the PRC government; or (b) if there were no prices proposed by the PRC government, the market price or cost with a reasonable margin of 5% to 10%
Annual cap for the year ended 31 December 2012	:	RMB184,000,000
Actual consideration for the year ended 31 December 2012	:	RMB100,650,000

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

2) 2012 Property Rent Out Agreement

Date of agreement	:	27 August 2010
Parties	:	CNHTC (for itself and on behalf of its associates) the Company (for itself and on behalf of its subsidiaries)
Term	:	1 year from 1 January 2012 to 31 December 2012
Objective	:	The Group has agreed to provide leasing services to CNHTC Group including lease of land, office buildings and factory premises
Consideration	:	The consideration was determined on the basis of: (a) the prevailing market prices; or (b) if the parties cannot ascertain the prevailing market prices, costs plus a reasonable margin
Annual cap for the year ended 31 December 2012	:	RMB24,000,000
Actual consideration for the year ended 31 December 2012	:	RMB10,325,000

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

3) 2012 Property Leasing In Agreement

Date of agreement	:	27 August 2010
Parties	:	CNHTC (for itself and on behalf of its associates) the Company (for itself and on behalf of its subsidiaries)
Term	:	1 year from 1 January 2012 to 31 December 2012
Objective	:	CNHTC Group has agreed to provide leasing services to the Group including lease of land, office buildings and factory premises
Consideration	:	The consideration was determined on the basis of: (a) the prevailing market prices; or (b) if the parties cannot ascertain the prevailing market prices, costs plus a reasonable margin
Annual cap for the year ended 31 December 2012	:	RMB22,000,000
Actual consideration for the year ended 31 December 2012	:	RMB14,627,000

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

4) 2012 Products Sales Agreement

Date of agreement	:	27 August 2010
Parties	:	CNHTC (for itself and on behalf of its associates) the Company (for itself and on behalf of its subsidiaries)
Term	:	2 years from 1 January 2011 to 31 December 2012
Objective	:	The Group has agreed to supply products including trucks, chassis and semi-tractor trucks to CNHTC Group
Consideration	:	The consideration was determined on the basis of: (a) the prices proposed by the PRC government; or (b) if there are no prices proposed by the PRC government, the market price or cost with a reasonable margin of 5% to 10%
Annual cap for the year ended 31 December 2012	:	RMB836,000,000
Actual consideration for the year ended 31 December 2012	:	RMB141,390,000

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

5) **2012 Construction and Project Management Services Agreement**

Date of agreement	:	27 August 2010
Parties	:	CNHTC Ji'nan Construction Co., Ltd. ("Ji'nan Construction"), a wholly-owned subsidiary of CNHTC the Company (for itself and on behalf of its subsidiaries)
Term	:	2 years from 1 January 2011 to 31 December 2012
Objective	:	Ji'nan Construction has agreed to provide construction and project management services to the members of the Group
Consideration	:	The consideration was determined on the basis of: (a) the relevant PRC state-fixed prices; or (b) if transactions under the 2012 Construction and Project Management Service Agreement are not subject to PRC state-fixed prices, the market prices; or (c) if the parties cannot ascertain the prevailing market prices, costs plus a reasonable margin of 5% to 10%
Annual cap for the year ended 31 December 2012	:	RMB276,000,000
Actual consideration for the year ended 31 December 2012	:	RMB106,776,000

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

6) 2012 Settlement and Deposits Taking Services Agreement

Date of agreement	:	25 March 2011
Parties	:	CNHTC (for itself and on behalf of its associates) Sinotruk Finance, a non-wholly owned subsidiary of the Company
Term	:	1 year from 1 January 2012 to 31 December 2012
Objective	:	Sinotruk Finance has agreed to provide a range of financial services to members of CNHTC Group including settlement services and deposits taking services
Consideration	:	The consideration of the following services were determined on the following basis, with reference to the prevailing local market conditions: (a) settlement services: free of charge; and (b) deposits services: the interest rates for such deposits are determined in accordance with the standard rates promulgated by PBOC from time to time
Annual cap for the year ended 31 December 2012	:	Maximum day-end balance for deposits taking services: RMB500,000,000 Interest expenses for deposits taking services: RMB50,000,000
Actual consideration for the year ended 31 December 2012	:	Maximum day-end balance for deposits taking services: RMB499,732,000 Interest expenses: RMB2,490,000

Details of the transactions contemplated under the 2012 Settlement and Deposits Taking Services Agreement were disclosed in the Company's announcement dated 25 March 2011.

7) 2012 Bank Bills Discounting and Entrustment Loans Agreement

Date of agreement	:	25 March 2011
Parties	:	CNHTC (for itself and on behalf of its associates) Sinotruk Finance
Term	:	1 year from 1 January 2012 to 31 December 2012
Objective	:	Sinotruk Finance has agreed to provide a range of financial services to members of CNHTC Group including bank bills discounting services and arrangement of entrustment loans
Consideration	:	The consideration of the following services were determined on the following basis, with reference to the prevailing local market conditions: (a) bank bills discounting services: the interest rates for discounting services are determined in accordance with the standard rates promulgated by the PBOC from time to time; and (b) arrangement of entrustment loans: the service fee is set at a rate with regard to the individual circumstances including term of the loan
Annual cap for the year ended 31 December 2012	:	Maximum day-end balance for bank bills discounting services: RMB300,000,000 The aggregate of interest and fee income : RMB50,000,000
Actual consideration for the year ended 31 December 2012	:	Maximum day-end balance for bank bills discounting services: Nil The aggregate of interest and fee income: Nil

Details of the transactions contemplated under the 2012 Bank Bills Discounting and Entrustment Loans Agreement were disclosed in the Company's announcement dated 25 March 2011.

8) 2012 Sinotruk Chengdu Wangpai Parts Purchase Agreement

Date of agreement	:	25 March 2011
Parties	:	Chengdu Xinshenfeng Industry Co., Ltd. ("Chengdu Xinshenfeng") and Chengdu Xindayang Vehicles Parts Co., Ltd. ("Chengdu Xindayang") Sinotruk Chengdu Wangpai, an indirect non-wholly owned subsidiary of the Company
Term	:	2 years from 1 January 2011 to 31 December 2012
Objective	:	Sinotruk Chengdu Wangpai has agreed to purchase parts and components from Chengdu Xinshenfeng and Chengdu Xindayang
Consideration	:	The consideration was determined on the basis of: (a) the market prices; or (b) cost with a reasonable margin of 5% to 10%
Annual cap for the year ended 31 December 2012	:	RMB217,000,000
Actual consideration for the year ended 31 December 2012	:	RMB67,677,000

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

9) 2012 Sinotruk Fujian Haixi Parts Purchase Agreement

Date of agreement	:	25 March 2011
Parties	:	Fujian Fudi Vehicles Manufacturing Co., Ltd. ("Fujian Fudi") Sinotruk Fujian Haixi, an indirect non-wholly owned subsidiary of the Company
Term	:	2 years from 1 January 2011 to 31 December 2012
Objective	:	Sinotruk Fujian Haixi has agreed to purchase raw materials, parts and components and semi-finished products from Fujian Fudi
Consideration	:	The consideration was determined on the basis of: (a) the market prices; or (b) cost with a reasonable margin of 5% to 10%
Annual cap for the year ended 31 December 2012	:	RMB231,000,000
Actual consideration for the year ended 31 December 2012	:	RMB2,947,000

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

10) 2012 Sinotruk Fujian Haixi Products Supply Agreement

Date of agreement	:	25 March 2011
Parties	:	Fujian Fuhuan Specialty Vehicles Manufacutring Co., Ltd. ("Fujian Fuhuan") and Ganzhou Jianghuan Vehicles Manufacturing Co., Ltd. ("Ganzhou Jianghuan") Sinotruk Fujian Haixi
Term	:	2 years from 1 January 2011 to 31 December 2012
Objective	:	Sinotruk Fujian Haixi has agreed to supply products including trucks, chassis and semi-tractor trucks to Fujian Fuhuan and Ganzhou Jianghuan
Consideration	:	The consideration was determined on the basis of: (a) the market prices; or (b) cost with a reasonable margin of 5% to 10%
Annual cap for the year ended 31 December 2012	:	RMB178,000,000
Actual consideration for the year ended 31 December 2012	:	RMB60,306,000

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

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

1) Technology License Agreement

Date of agreement	:	15 July 2009
Parties	:	MAN Truck & Bus AG, a wholly-owned subsidiary of MAN SE, as licensor the Company Ji'nan Commercial Truck, as licensee Sinotruk Ji'nan Power Co., Ltd., as licensee
Term	:	7 years from 7 October 2009 to 6 October 2016
Objective	:	The licensor has agreed to grant to the licensees: (i) an exclusive and non-transferable right in the PRC to use the licensed technology and know-how relating to the complete TGA truck, D08, D20 and D26 engines, each type available at different engine power output ranges and compliant with Euro III, IV and V emission standards and the related parts and components; and (ii) the right to use the licensed technology and know-how in connection with the distribution, after-sale maintenance and services for the products and trucks manufactured by this technology
Consideration	:	EURO85,000,000
Actual consideration upto 31 December 2012	:	EURO85,000,000

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

2) 2012 Products Purchase Agreement

Date of agreement	:	27 August 2010
Parties	:	CNHTC (for itself and on behalf of its associates) the Company (for itself and on behalf of its subsidiaries)
Term	:	2 years from 1 January 2011 to 31 December 2012
Objective	:	CNHTC Group has agreed to sell products including refitted trucks to the Group
Consideration	:	The consideration was determined on the basis of: (a) the prices proposed by the PRC government; or (b) if there are no prices proposed by the PRC government, the market price or cost with a reasonable margin of 5% to 10%
Annual cap for the year ended 31 December 2012	:	RMB2,265,000,000
Actual consideration for the year ended 31 December 2012	:	RMB997,134,000

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

3) 2012 Parts Purchase Agreement

Date of agreement	:	27 August 2010
Parties	:	CNHTC (for itself and on behalf of its associates) the Company (for itself and on behalf of its subsidiaries)
Term	:	2 years from 1 January 2011 to 31 December 2012
Objective	:	CNHTC Group has agreed to supply raw materials, parts and components and semi-finished products to the Group
Consideration	:	The consideration was determined on the basis of: (a) the prices proposed by the PRC government; or (b) if there are no prices proposed by the PRC government, the market price or cost with a reasonable margin of 5% to 10%
Annual cap for the year ended 31 December 2012	:	RMB1,944,000,000
Actual consideration for the year ended 31 December 2012	:	RMB559,146,000

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

4) 2012 Parts Sales Agreement

Date of agreement	:	27 August 2010
Parties	:	CNHTC (for itself and on behalf of its associates) the Company (for itself and on behalf of its subsidiaries)
Term	:	2 years from 1 January 2011 to 31 December 2012
Objective	:	The Group has agreed to supply raw materials, parts and components and semi-finished products to CNHTC Group
Consideration	:	The consideration was determined on the basis of: (a) the prices proposed by the PRC government; or (b) if there are no prices proposed by the PRC government, the market price or cost with a reasonable margin of 5% to 10%
Annual cap for the year ended 31 December 2012	:	RMB1,279,000,000
Actual consideration for the year ended 31 December 2012	:	RMB454,026,000

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

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

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

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

ii. on normal commercial terms; and

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

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

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

PricewaterhouseCoopers, the auditor of the Company, has provided a letter to the Board in respect of the continuing connected transactions disclosed above for the year ended 31 December 2012 and confirmed that:

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

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

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

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

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITOR

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

By Order of the Board
Ma Chunji
Chairman

Ji'nan, PRC, 26 March 2013

INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

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

We have audited the consolidated financial statements of Sinotruk (Hong Kong) Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 61 to 155, which comprise the consolidated and company balance sheets as at 31 December 2012, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2012 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 26 March 2013

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012
(All amounts in RMB thousands unless otherwise stated)

	Note	2012	2011
Turnover	5	**27,888,431**	36,603,546
Cost of sales	6	**(23,737,351)**	(30,897,814)
Gross profit		**4,151,080**	5,705,732
Distribution costs	6	**(1,947,278)**	(2,209,616)
Administrative expenses	6	**(1,998,452)**	(1,818,713)
Other gains – net	7	**632,252**	365,902
Operating profit		**837,602**	2,043,305
Finance income		**114,676**	202,677
Finance costs		**(631,840)**	(780,015)
Finance costs – net	9	**(517,164)**	(577,338)
Profit before income tax		**320,438**	1,465,967
Income tax expense	10	**(148,957)**	(297,645)
Profit for the year		**171,481**	1,168,322
Other comprehensive income:			
Gains on revaluation of own-occupied properties upon transfer to investment properties, net of tax		**—**	62,192
Gains/ (losses) on currency translation		**1,140**	(45,409)
Total comprehensive income for the year		**172,621**	1,185,105

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012
(All amounts in RMB thousands unless otherwise stated)

	Note	2012	2011
Profit attributable to:			
– equity holders of the Company		**122,969**	1,002,177
– non-controlling interests		**48,512**	166,145
		171,481	1,168,322
Total comprehensive income attributable to:			
– equity holders of the Company		**124,109**	1,018,960
– non-controlling interests		**48,512**	166,145
		172,621	1,185,105
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in RMB per share)			
– basic and diluted	13	**0.04**	0.36

The notes on pages 69 to 155 are an integral part of these consolidated financial statements.

Details of dividends payable to equity shareholders of the Company are set out in Note 14 to these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

As at 31 December 2012
(All amounts in RMB thousands unless otherwise stated)

	Note	31 December 2012	31 December 2011
ASSETS			
Non-current assets			
Land use rights	15	**1,464,106**	1,394,774
Property, plant and equipment	16	**12,835,865**	11,603,387
Investment properties	17	**214,754**	266,501
Intangible assets	18	**546,714**	675,967
Goodwill		**3,868**	3,868
Deferred income tax assets	27	**880,956**	820,171
Investment in an associate		**4,564**	6,225
Other receivables	20	**360,321**	130,331
		16,311,148	14,901,224
Current assets			
Inventories	19	**7,560,531**	10,192,736
Trade receivables, other receivables and other current assets	20	**13,930,524**	15,543,011
Financial assets at fair value through profit or loss	21	**1,489**	5,221
Amounts due from related parties	36(b)	**12,694**	19,502
Fixed deposits	22	**64,000**	—
Restricted cash	23	**894,215**	1,754,753
Cash and cash equivalents	24	**4,974,962**	9,576,878
		27,438,415	37,092,101
Total assets		**43,749,563**	51,993,325
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	25	**261,489**	261,489
Reserves		**18,387,613**	18,488,150
		18,649,102	18,749,639
Non-controlling interests		**1,806,010**	1,818,961
Total equity		**20,455,112**	20,568,600

CONSOLIDATED BALANCE SHEET

As at 31 December 2012
(All amounts in RMB thousands unless otherwise stated)

	Note	31 December 2012	31 December 2011
LIABILITIES			
Non-current liabilities			
Borrowings	26	**5,618,988**	2,106,800
Deferred income tax liabilities	27	**48,807**	42,688
Termination and post-employment benefits	29	**22,580**	30,810
Deferred income	31	**394,383**	605,052
Long-term payable		**7,902**	7,297
Amounts due to related parties	36(b)	**170,069**	245,741
		6,262,729	3,038,388
Current liabilities			
Trade payables, other payables and other current liabilities	28	**10,718,796**	13,701,462
Current income tax liabilities		**20,549**	76,750
Borrowings	26	**5,388,247**	13,498,810
Amounts due to related parties	36(b)	**599,937**	631,041
Provisions for other liabilities	30	**304,193**	478,274
		17,031,722	28,386,337
Total liabilities		**23,294,451**	31,424,725
Total equity and liabilities		**43,749,563**	51,993,325
Net current assets		**10,406,693**	8,705,764
Total assets less current liabilities		**26,717,841**	23,606,988

The notes on pages 69 to 155 are an integral part of these consolidated financial statements.

Ma Chunji
Director

Kong Xiangquan
Director

COMPANY BALANCE SHEET

As at 31 December 2012
(All amounts in RMB thousands unless otherwise stated)

	Note	31 December 2012	31 December 2011
ASSETS			
Non-current assets			
Land use rights	15	16,365	16,384
Property, plant and equipment	16	608	643
Investments in subsidiaries	35(a)	15,862,957	15,686,122
Amounts due from subsidiaries	35(b)	3,940,000	—
		19,819,930	15,703,149
Current assets			
Amounts due from subsidiaries	35(b)	600,515	2,861,334
Dividends receivable		1,051,800	1,101,800
Other receivables and other current assets	20	708	90,037
Fixed deposits	22	64,000	—
Restricted cash	23	—	68,842
Cash and cash equivalents	24	155,304	117,828
		1,872,327	4,239,841
Total assets		21,692,257	19,942,990
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		261,489	261,489
Reserves		16,869,458	16,958,204
Total equity	25	17,130,947	17,219,693

COMPANY BALANCE SHEET

As at 31 December 2012
(All amounts in RMB thousands unless otherwise stated)

	Note	31 December 2012	31 December 2011
LIABILITIES			
Non-current liabilities			
Borrowings	26	3,938,889	—
		3,938,889	—
Current liabilities			
Amounts due to subsidiaries	35(c)	125	350
Trade and other payables		82,296	29,361
Borrowings	26	540,000	2,693,586
		622,421	2,723,297
Total liabilities		4,561,310	2,723,297
Total equity and liabilities		21,692,257	19,942,990
Net current assets		1,249,906	1,516,544
Total assets less current liabilities		21,069,836	17,219,693

The notes on page 69 to 155 are an integral part of these consolidated financial statements.

Ma Chunji
Director

Kong Xiangquan
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012
(All amounts in RMB thousands unless otherwise stated)

	Attributable to equity holders of the Company											Non-controlling interests	Total equity
	Share capital	Share premium	Capital redemption reserve	Other capital reserve	Property revaluation reserve	Statutory reserve	Discretionary reserve	Merger reserve	Translation reserve	Retained earnings	Total		
Balance as at 1 January 2011	261,489	16,444,600	10,935	(3,691,986)	1,053	613,955	104,294	1,144,582	(13,450)	3,251,906	18,127,378	1,632,693	19,760,071
Total comprehensive income for the year	—	—	—	—	62,192	—	—	—	(45,409)	1,002,177	1,018,960	166,145	1,185,105
Transactions with owners in their capacity as owners													
Dividends of the Company relating to 2010, paid	—	—	—	—	—	—	—	—	—	(415,981)	(415,981)	—	(415,981)
Dividends of subsidiaries to non-controlling shareholders	—	—	—	—	—	—	—	—	—	—	—	(50,737)	(50,737)
Capital injection from non-controlling shareholders	—	—	—	—	—	—	—	—	—	—	—	69,000	69,000
Capital contribution from non-controlling shareholders	—	—	—	23,825	—	—	—	—	—	—	23,825	21,488	45,313
Acquisition of non-controlling interests	—	—	—	(4,543)	—	—	—	—	—	—	(4,543)	(19,628)	(24,171)
Total transactions with owners	—	—	—	19,282	—	—	—	—	—	(415,981)	(396,699)	20,123	(376,576)
Appropriation to reserves	—	—	—	—	—	125,931	—	—	—	(125,931)	—	—	—
Balance as at 31 December 2011	261,489	16,444,600	10,935	(3,672,704)	63,245	739,886	104,294	1,144,582	(58,859)	3,712,171	18,749,639	1,818,961	20,568,600
Balance as at 1 January 2012	261,489	16,444,600	10,935	(3,672,704)	63,245	739,886	104,294	1,144,582	(58,859)	3,712,171	18,749,639	1,818,961	20,568,600
Total comprehensive income for the year	—	—	—	—	—	—	—	—	1,140	122,969	124,109	48,512	172,621
Transactions with owners in their capacity as owners													
Dividends of the Company relating to 2011, paid	—	—	—	—	—	—	—	—	—	(225,092)	(225,092)	—	(225,092)
Dividends of subsidiaries to non-controlling shareholders	—	—	—	—	—	—	—	—	—	—	—	(54,437)	(54,437)
Acquisition of non-controlling interests	—	—	—	446	—	—	—	—	—	—	446	(7,026)	(6,580)
Total transactions with owners	—	—	—	446	—	—	—	—	—	(225,092)	(224,646)	(61,463)	(286,109)
Transfer of property revaluation reserve relating to disposal of properties	—	—	—	—	(62,192)	—	—	—	—	62,192	—	—	—
Appropriation to reserves	—	—	—	—	—	218,206	—	—	—	(218,206)	—	—	—
Balance as at 31 December 2012	261,489	16,444,600	10,935	(3,672,258)	1,053	958,092	104,294	1,144,582	(57,719)	3,454,034	18,649,102	1,806,010	20,455,112

The notes on page 69 to 155 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2012
(All amounts in RMB thousands unless otherwise stated)

	Note	2012	2011
Cash flows from operating activities			
Cash generated from operations	32	1,730,990	217,251
Interest paid		(734,171)	(813,947)
Income tax paid		(203,640)	(829,612)
Net cash generated from/(used in) operating activities		793,179	(1,426,308)
Cash flows from investing activities			
Prepaid operating lease payments for land use rights		(19,249)	(65,487)
Purchase of property, plant and equipment		(644,025)	(1,651,254)
Proceeds from disposals of property, plant and equipment	32(b)	2,794	5,805
Purchase of investment properties		(182,616)	—
Proceeds from sale of investment properties		251,475	—
Purchase of intangible assets		(6,774)	(64,519)
Purchase of financial assets at fair value through profit or loss		(14,391)	(54,013)
Proceeds from sale of financial assets at fair value through profit or loss		17,947	49,693
Purchase of non-controlling interests		(6,580)	(24,171)
Interest received		137,167	198,816
Increase in fixed deposits		(64,000)	—
Net cash used in investing activities		(528,252)	(1,605,130)
Cash flows from financing activities			
Decrease in restricted cash		20,504	176,820
Proceeds from borrowings		10,989,046	12,228,968
Repayments of borrowings		(14,689,563)	(10,836,756)
Proceeds of issue of RMB bonds		1,789,036	—
Repayments of RMB bonds		(2,700,000)	—
Proceeds from non-controlling shareholders' capital injection		—	69,000
Dividends paid to the equity shareholders of the Company		(225,092)	(415,981)
Dividends paid to non-controlling shareholders		(51,529)	(126,434)
Net cash (used in)/generated from financing activities		(4,867,598)	1,095,617
Net decrease in cash and cash equivalents		(4,602,671)	(1,935,821)
Cash and cash equivalents at beginning of the year	24	9,576,878	11,561,472
Exchange gains/(losses) on cash	32(a)	755	(48,773)
Cash and cash equivalents at end of the year	24	4,974,962	9,576,878

The notes on pages 69 to 155 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General information of the Group

Sinotruk (Hong Kong) Limited (the "Company") was incorporated in Hong Kong on 31 January 2007 as a limited liability company as a result of a group reorganisation (the "Reorganisation") of China National Heavy Duty Truck Group Company Limited ("CNHTC"). The Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 2007.

The Company together with its subsidiaries are hereinafter collectively referred to as the Group. The Group is principally engaged in the manufacturing and sales of commercial trucks including heavy duty trucks, medium heavy duty trucks, light duty trucks and buses, and also produces and sells key parts and components such as engines, axles and cabins, and the provision of finance services. The address of the Company's registered office is Units 2102-2103, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong.

2. Summary of significant accounting policies

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

(a) Basis of preparation

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

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

Changes in accounting policy and disclosures

(1) New and amended standards adopted by the Group

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2012 that would be expected to have a material impact on the group:

- HKAS 12 (Amendment), 'Income taxes', to introduce an exception to the principle for the measurement of deferred tax assets or liabilities arising on an investment property measured at fair value. The amendment is applicable retrospectively to annual periods beginning on or after 1 January 2012 with early adoption permitted. The adoption of this amendment did not have impact on the financial statements of the Group for the year ended 31 December 2012.

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

2. Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

Changes in accounting policy and disclosures (Continued)

(2) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2012, and have not been early applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group:

- HKAS 1 (Amendment), 'Financial statement presentation' regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI.
- HKAS 19 (Amendment) 'Employee benefits'. The impact on the Group will be as follows: to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). The Group is yet to assess the full impact of the amendments.
- HKFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. HKFRS 9 was issued in November 2009 and October 2010. It replaces the parts of HKAS 39 that relate to the classification and measurement of financial instruments. HKFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the HKAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Group is yet to assess HKFRS 9's full impact and intends to adopt HKFRS 9 no later than the accounting period beginning on or after 1 January 2015. The Group will also consider the impact of the remaining phases of HKFRS 9 when completed by the Board.

2. Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

Changes in accounting policy and disclosures (Continued)

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

- HKFRS 10, 'Consolidated financial statements', builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. Based on its current assessment, the Group expects that this amended standard will not have material impact to the Group. The Group intends to adopt HKFRS 10 no later than the accounting period beginning on or after 1 January 2013.

- HKFRS 12, 'Disclosures of interests in other entities', includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Group is yet to assess HKFRS 12's full impact and intends to adopt HKFRS 12 no later than the accounting period beginning on or after 1 January 2013.

- HKFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The requirements, which are largely aligned between HKFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRSs or US GAAP.

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

(b) Subsidiaries

(i) Consolidation

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

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

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

2. Summary of significant accounting policies (Continued)

(b) Subsidiaries (Continued)

(i) Consolidation (Continued)

Changes in ownership interests in subsidiaries without change of control

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

(ii) Separate financial statements

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

(iii) Associates

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

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

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

2. Summary of significant accounting policies (Continued)

(b) Subsidiaries (Continued)

(iii) Associates (Continued)

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

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

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

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Committee of the Company ("Executive Committee") 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 consolidated financial statements are presented in Renminbi ("RMB"), which is the Company's functional currency and the Group's presentation currency.

(ii) Transactions and balances

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

2. Summary of significant accounting policies (Continued)

(d) Foreign currency translation (Continued)

(ii) Transactions and balances (Continued)

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

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security.

Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

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

(iii) Group companies

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

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

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

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

(e) Land use rights

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

2. Summary of significant accounting policies (Continued)

(f) Property, plant and equipment

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

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

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

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

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

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

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

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

2. Summary of significant accounting policies (Continued)

(g) Investment property

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

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

(h) Intangible assets

(i) Proprietary technology

Proprietary technology acquired from external parties is initially recorded at purchase cost and is amortised on a straight-line basis over its useful life of 6 to 10 years.

(ii) Computer software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 2 to 5 years.

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

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

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

2. Summary of significant accounting policies (Continued)

(j) Financial assets

(i) Classification

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

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

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

(2) Loans and receivables

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

(ii) Recognition and measurement

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

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

2. Summary of significant accounting policies (Continued)

(j) Financial assets (Continued)

(iii) Offsetting financial instruments

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

(iv) Impairment of financial assets

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

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

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

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

(k) Inventories

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

2. Summary of significant accounting policies (Continued)

(l) Trade and other receivables

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

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

(m) Cash and cash equivalents

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

(n) Share capital

Ordinary shares are classified as equity.

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

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

(o) Trade and other payables

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

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

2. Summary of significant accounting policies (Continued)

(p) Borrowings

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

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

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

(q) Borrowing costs

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

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

(r) Current and deferred income tax

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

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

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

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

2. Summary of significant accounting policies (Continued)

(r) Current and deferred income tax (Continued)

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

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

(s) Employee benefits

(i) Pension obligations

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

The liability recognised in the 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 high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

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

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

2. Summary of significant accounting policies (Continued)

(s) Employee benefits (Continued)

(i) Pension obligations (Continued)

For employees in Mainland China:

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

For employees in Hong Kong:

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

(ii) Termination benefits

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

(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.

2. Summary of significant accounting policies (Continued)

(s) Employee benefits (Continued)

(iii) Other post-employment benefits (Continued)

The Group's entities operating in Ji'nan City have provided medical benefits to their employees joining the entities before 1 March 2006. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using an accounting methodology similar to that for a defined benefit plan. The discounting rates of the calculation of the present value of the post-employment benefits obligation are the interest rates of Chinese government bonds. 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's entities operating in Ji'nan joined the social medical insurance plan. According to the relevant regulations, the defined contributions that should be borne by the Group's entities are calculated based on 8% of the total salary of employees, subject to certain ceiling, and are paid to the Ji'nan labor and social welfare authorities. Under the social medical insurance plan, the Group has been relieved from obligation for post-employment healthcare benefits beyond the contributions made, except for the obligation in connection with the contributions to the social medical security plan for the employees of Sinotruk Ji'nan Truck Co.,Ltd., whose employment is terminated before the normal retirement dates.

(iv) Housing funds

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

(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.

2. Summary of significant accounting policies (Continued)

(u) Government assistance and grants

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

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

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

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

(v) Revenue recognition

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

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

(i) Sales of goods

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

(ii) Sales of services

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

2. Summary of significant accounting policies (Continued)

(v) Revenue recognition (Continued)

(iii) Rental income

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

(iv) Interest income

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

(v) Dividend income

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

(w) Operating leases

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

(i) As a lessee

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

(ii) As a lessor

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

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

(x) Dividend distribution

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

2. Summary of significant accounting policies (Continued)

(y) Research and development

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

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

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

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

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

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

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

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

(z) Contingent liabilities and contingent assets

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

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

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

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

2. Summary of significant accounting policies (Continued)

(aa) Financial guarantee contracts

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

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

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

3. Financial risk management

3.1 Financial risk factors

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

(i) Foreign exchange risk

The Group mainly operates in the PRC with most of the transactions denominated and settled in RMB. The major foreign exchange risk exposure arises from its exporting and importing activities as well as the financing activities in Hong Kong. Accordingly, the Group has certain trade and other receivables, derivative financial instruments, restricted cash, cash and cash equivalents, 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 20, 21, 23, 24 and 28 respectively.

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

3. Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(i) Foreign exchange risk (Continued)

As at 31 December 2012, 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 RMB51,550,000 (2011: RMB36,012,000) lower/higher, mainly as a result of foreign exchange losses/gains on translation of USD-denominated trade and other receivables, cash and cash equivalents and trade and other payables.

As at 31 December 2012, 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 RMB10,737,000 (2011: RMB9,761,000) lower/higher, mainly as a result of foreign exchange losses/gains on translation of EURO-denominated trade and other receivables, restricted cash, cash and cash equivalents, and trade and other payables.

As at 31 December 2012, 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 RMB5,149,000 (2011: RMB1,533,000) lower/higher, respectively, mainly as a result of foreign exchange losses /gains on translation of HKD-denominated trade and other receivables, cash and cash equivalents and trade and other payables.

(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 other than bank deposits and borrowings. Certain borrowings bear floating rates and expose the Group to cash flow interest-rate risk. Bank deposits and borrowings issued at fixed rates expose the Group to fair value interest-rate risk. The maximum exposures to the interest rate risk have been disclosed in Note 22, 23, 24 and 26.

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

As at 31 December 2012, if the interest rates on bank borrowings had been 150 basis points higher/lower than the weighted average effective interest rate 5.25% (2011: 5.07%) per annum with all other variables held constant, profit before income tax for the year would have been RMB121,553,000 (2011: RMB87,077,000) lower/higher, mainly as a result of higher/lower interest expense on bank borrowings with floating rate.

(All amounts in RMB thousands unless otherwise stated)

3. Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(iii) Credit risk

The Group has no significant concentrations of credit risk. The carrying amounts of fixed deposits (Note 22), restricted cash (Note 23), cash and cash equivalents (Note 24), trade and other receivables (Note 20) and amounts due from related parties (Note 36 (b)) represent the Group's maximum exposure to credit risk in relation to financial assets. The Group generally requires customers to pay a certain amount of deposits when orders are made and settle full purchase price to the Group before delivery. Majority of the sales transactions are settled by cash, cheque, bank draft or cashier order. The Group also accepts bank acceptance notes with maturity within 6 months. The granting or extension of any credit period must be approved by the general manager of the Group. There is no recent history of material default in relation to those customers. For bank and financial institutions, the Group has policies that deposits are normally put in reputable banks.

(iv) Liquidity risk

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

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

	Repayment period				
	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years
As at 31 December 2012					
Borrowings	5,388,247	5,538,888	26,700	26,700	26,700
Interests payments on borrowings (a)	371,466	164,163	1,802	1,202	601
Trade and other payables (b)	7,923,243	—	—	—	—
Amount due to related parties	599,937	84,894	85,175	—	—
	14,282,893	5,787,945	113,677	27,902	27,301

3. Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(iv) Liquidity risk (Continued)

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

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

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

3.2 Capital risk management

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

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

(All amounts in RMB thousands unless otherwise stated)

3. Financial risk management (Continued)

3.2 Capital risk management (Continued)

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 2012	As at 31 December 2011
Total borrowings	**11,007,235**	15,605,610
Equity attributable to equity holders of the Company	**18,649,102**	18,749,639
Debt-to-equity ratio	**0.59**	0.83

The decrease in the debt-to-equity ratio is resulted from decrease in borrowings.

3.3 Fair value estimation

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

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

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 2012 and 2011.

	Level 1	Level 2	Level 3	Total
As at 31 December 2012				
Assets				
Financial assets at fair value through profit or loss	**1,489**	—	—	**1,489**
Total assets	**1,489**	—	—	**1,489**
As at 31 December 2011				
Assets				
Financial assets at fair value through profit or loss	5,221	—	—	5,221
Total assets	5,221	—	—	5,221

(All amounts in RMB thousands unless otherwise stated)

3. Financial risk management (Continued)

3.4 Financial instruments by category

	As at 31 December 2012		
	Loans and receivables	Assets at fair value through profit and loss	Total
Assets			
Trade and other receivables excluding prepayments	13,388,518	—	13,388,518
Amounts due from related parties excluding prepayments	10,796	—	10,796
Financial assets at fair value through profit or loss	—	1,489	1,489
Fixed deposits	64,000	—	64,000
Restricted cash	894,215	—	894,215
Cash and cash equivalents	4,974,962	—	4,974,962
Total	19,268,491	1,489	19,269,980

	As at 31 December 2012
	Financial liabilities at amortised cost
Liabilities	
Borrowings	11,007,235
Trade and other payables excluding non-financial liabilities	9,060,461
Amounts due to related parties excluding customers advances	767,218
Total	20,834,914

3. Financial risk management (Continued)

3.4 Financial instruments by category (Continued)

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

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

4. Critical accounting estimates and judgements

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

4.1 Critical accounting estimates and assumptions

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

(a) Current tax and deferred tax

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

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

(b) Warranty claims provision

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

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

4. Critical accounting estimates and judgements (Continued)

4.1 Critical accounting estimates and assumptions (Continued)

(c) Net realisable value of inventories

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

(d) Impairment of receivables

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

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

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

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

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

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

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

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

4. Critical accounting estimates and judgements (Continued)

4.1 Critical accounting estimates and assumptions (Continued)

(f) Impairment of the Group's assets

The Group follows the guidance of HKAS 36 to determine whether the Group's assets are impaired. As stated in HKAS 36, the net asset value of an entity that exceeds its market capitalisation is an impairment indicator which would require an estimate of the recoverable amount to be performed. As at 31 December 2012, the Group's market capitalisation of RMB13,253 million approximately, which is lower than the Group's net assets value which is RMB20,455 million. The Group needs to assess whether its assets are impaired. This assessment requires significant judgments and estimations. In making these judgments and estimations, the Group evaluates and considers both qualitative and quantitative factors that will affect the value-in-use of an asset or a cash-generating units ("CGU") such as the extent of difference between the net assets value and market capitalisation, composition of the Group's assets, results and timing of previous impairment tests.

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

5. Segment information

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

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

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

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

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

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

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

5. Segment information (Continued)

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 15), property, plant and equipment (Note 16), and intangible assets (Note 18), including additions resulting from acquisitions through business combinations.

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

The segment results for the year ended 31 December 2012 and 2011 are as follows:

	Year ended 31 December 2012				
	Trucks	Engines	Finance	Elimination	Total
External segment revenue	26,375,217	1,305,223	207,991	—	27,888,431
Inter-segment revenue	45,546	5,007,244	46,499	(5,099,289)	—
Segment revenue	26,420,763	6,312,467	254,490	(5,099,289)	27,888,431
Operating profit before unallocated expenses	248,254	280,675	172,947	150,159	852,035
Unallocated expenses					(14,433)
Operating profit					837,602
Finance costs – net					(517,164)
Profit before income tax					320,438
Income tax expense					(148,957)
Profit for the year					171,481

(All amounts in RMB thousands unless otherwise stated)

5. Segment information (Continued)

The segment results for the year ended 31 December 2012 and 2011 are as follows: (Continued)

	Year ended 31 December 2011				
	Trucks	Engines	Finance	Elimination	Total
External segment revenue	34,750,568	1,757,497	95,481	—	36,603,546
Inter-segment revenue	54,322	6,576,666	146,807	(6,777,795)	—
Segment revenue	34,804,890	8,334,163	242,288	(6,777,795)	36,603,546
Operating profit before unallocated income	1,253,860	683,717	201,085	(99,573)	2,039,089
Unallocated income					4,216
Operating profit					2,043,305
Finance costs – net					(577,338)
Profit before income tax					1,465,967
Income tax expense					(297,645)
Profit for the year					1,168,322

Other segment items included in the consolidated statement of comprehensive income for the year ended 31 December 2012 and 2011 are as follows:

	Year ended 31 December 2012				
	Trucks	**Engines**	**Finance**	**Unallocated**	**Total**
Depreciation	**427,270**	**400,509**	**843**	**46**	**828,668**
Amortisation of intangible assets and land use rights	**58,751**	**108,067**	**66**	**19**	**166,903**

	Year ended 31 December 2011				
	Trucks	Engines	Finance	Unallocated	Total
Depreciation	385,403	399,581	861	47	785,892
Amortisation of intangible assets and land use rights	58,324	106,039	64	19	164,446

5. Segment information (Continued)

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

	Trucks	Engines	Finance	Unallocated	Total
Segment assets	27,777,665	11,846,110	5,716,050	6,801,383	52,141,208
Elimination					(8,391,645)
Total assets					43,749,563
Segment liabilities	10,208,829	2,503,754	4,337,293	11,159,012	28,208,888
Elimination					(4,914,437)
Total liabilities					23,294,451
Segment capital expenditure	1,406,577	957,033	218	10	2,363,838

Segment assets and liabilities as at 31 December 2012 are reconciled to entity assets and liabilities as follows:

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

(All amounts in RMB thousands unless otherwise stated)

5. Segment information (Continued)

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

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

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

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

5. Segment information (Continued)

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

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

	2012	2011
Turnover		
Mainland China	23,247,048	32,167,042
Overseas	4,641,383	4,436,504
	27,888,431	36,603,546

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

	2012	2011
Total assets		
Mainland China	34,633,526	44,598,583
Overseas	9,116,037	7,394,742
	43,749,563	51,993,325

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

	2012	2011
Capital expenditure		
Mainland China	2,181,212	3,345,512
Overseas	182,626	1,102
	2,363,838	3,346,614

(All amounts in RMB thousands unless otherwise stated)

6. Expenses by nature

	2012	2011
Materials cost (Note 19)	20,282,912	27,423,047
Employee benefit expenses (Note 8)	2,043,736	1,982,805
Warranty expenses (Note 30)	680,051	862,085
Utilities expenses	593,201	616,568
Amortisation of land use rights (Note 15)	32,007	31,622
Depreciation of property, plant and equipment (Note 16)	828,668	785,892
Amortisation of intangible assets (Note 18)	134,896	132,824
Transportation expenses	867,348	1,049,615
Advertising costs	97,403	113,226
Travel and office expenses	254,903	247,659
Transaction taxes	146,675	99,051
Write-down of inventories to net realisable value (Note 19)	89,636	207,837
Auditors' remuneration	15,878	13,516
Provision for/ (reversal of) impairment of trade and other receivables (Note 20(b))	67,480	(88,951)
Other charges	1,548,287	1,449,347
Total	27,683,081	34,926,143
Representing:		
Cost of sales	23,737,351	30,897,814
Distribution costs	1,947,278	2,209,616
Administrative expenses	1,998,452	1,818,713
Total	27,683,081	34,926,143

7. Other gains – net

	2012	2011
Losses from financial assets at fair value through profit or loss	**(176)**	(188)
Disposal of scraps	**160,896**	204,576
Government grants (a)	**427,861**	97,354
Fair value gains/(losses) on investment properties (Note 17)	**25,977**	(3,729)
(Losses)/gains on disposals of property, plant and equipment	**(10,107)**	2,617
Losses on disposals of investment properties	**(8,865)**	—
Foreign exchange (losses)/gains – net	**(1,519)**	56,120
Others	**38,185**	9,152
Total	**632,252**	365,902

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

8. Employee benefit expenses

	2012	2011
Salaries, wages and bonuses	**1,523,496**	1,507,234
Contributions to pension plans	**210,558**	204,049
Termination benefits (Note 29 (a))	**550**	960
Post-employment benefits (Note 29 (b))	**210**	270
Medical insurance plan (Note 29 (c))	**110**	100
Housing benefits	**102,865**	94,850
Other welfare expenses	**205,947**	175,342
Total (Note 6)	**2,043,736**	1,982,805

(All amounts in RMB thousands unless otherwise stated)

9. Finance costs – net

	2012	2011
Interest expense:		
– Bank borrowings	**615,479**	747,344
– Discount of notes receivable	**16,361**	33,793
	631,840	781,137
Net foreign exchange gains on financing activities	**—**	(1,122)
Finance costs	**631,840**	780,015
Finance income:		
– Interest income from bank deposits	**(114,676)**	(202,677)
Finance costs – net	**517,164**	577,338

10. Taxation

(a) Income tax expense

The Company and Sinotruk (Hong Kong) International Investment Limited are subject to Hong Kong profits tax at the rate of 16.5% (2011: 16.5%) on their estimated assessable profit for the year. In addition, the Company is determined as a China resident enterprise and, accordingly, is subject to corporate income tax of the People's Republic of China (the "PRC"), which has been calculated based on the corporate income tax rate of 25% (2011: 25%).

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

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

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

The remaining subsidiaries are subject to the PRC corporate income tax, which has been calculated based on the corporate income tax rate of 25% (2011: 25%).

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

	2012	2011
Current tax:		
– Hong Kong profits tax	**7,825**	1,473
– PRC corporate income tax	**195,798**	278,869
Total current tax	**203,623**	280,342
Deferred tax (Note 27 (b))	**(54,666)**	17,303
Income tax expense	**148,957**	297,645

(All amounts in RMB thousands unless otherwise stated)

10. 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:

	2012	2011
Profit before tax	320,438	1,465,967
Tax calculated at tax rates applicable to profits of the respective entities	78,790	364,992
Tax effects of:		
Preferential tax of certain subsidiaries	(7,665)	(28,021)
Income not subject to tax	(1,953)	(1,394)
Expenses not deductible for tax purposes	44,613	39,221
Tax losses for which no deferred tax assets were recognised	69,378	5,481
Additional allowance for research and development expenditures	(35,677)	(44,960)
Re-measurement of deferred tax resulted from changes in tax rates of certain subsidiaries	1,471	(37,674)
Income tax expense	148,957	297,645

As at 31 December 2012, the Group has unrecognised tax losses of approximately RMB302,824,000 (2011: RMB15,847,000) which can be carried forward against future taxable income and will expire within 5 years.

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

Certain of the 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.

11. Directors' and senior management's emoluments

(a) Remuneration of directors

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

For the year ended 31 December 2012: Name of Director	Fee, salary and bonuses	Other benefits	Employer's contribution to pension scheme	Total
Mr. Ma Chunji	456	20	—	476
Mr. Cai Dong	437	20	11	468
Mr. Wei Zhihai	382	20	—	402
Mr. Wang Haotao	366	20	11	397
Mr. Tong Jingen	365	20	11	396
Mr. Wang Shanpo	365	20	11	396
Mr. Gao Dinggui	505	10	19	534
Mr. Kong Xiangquan (aa)	326	20	11	357
Dr. Georg Pachta-Reyhofen	120	—	—	120
Mr. Anders Olof Nielsen	10	—	—	10
Mr. Jörg Astalosch	10	—	—	10
Dr. Shao Qihui	120	—	—	120
Dr. Lin Zhijun	120	—	—	120
Dr. Ouyang Minggao	120	—	—	120
Dr. Hu Zhenghuan	120	—	—	120
Mr. Chen Zheng	120	—	—	120
Mr. Li Xianyun	120	—	—	120
Mr. Jörg Schwitalla	90	—	—	90
Mr. Lars Wrebo	30	—	—	30

(aa) The remuneration of Mr. Kong Xiangquan for the year ended 31 December 2012 included his remuneration as the general manager of the finance department and the deputy financial controller of the Group before he was appointed as an executive Director at the amount of approximately RMB173,000.

(All amounts in RMB thousands unless otherwise stated)

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

(a) Remuneration of directors (Continued)

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

For the year ended 31 December 2011: Name of Director	Fee, salary and bonuses	Other benefits	Employer's contribution to pension scheme	Total
Mr. Ma Chunji	717	20	15	752
Mr. Cai Dong	688	29	19	736
Mr. Wang Haotao	595	29	19	643
Mr. Wei Zhihai	595	20	12	627
Mr. Tong Jingen	582	29	19	630
Mr. Wang Shanpo	582	29	19	630
Mr. Pan Qing	551	29	19	599
Dr. Georg Pachta-Reyhofen	120	—	—	120
Mr. Jörg Schwitalla	120	—	—	120
Mr. Lars Wrebo	120	—	—	120
Dr. Shao Qihui	120	—	—	120
Dr. Lin Zhijun	120	—	—	120
Dr. Ouyang Minggao	120	—	—	120
Dr. Hu Zhenghuan	120	—	—	120
Mr. Chen Zheng	120	—	—	120
Mr. Li Xianyun	120	—	—	120

(ii) During the year 2012 and 2011, 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.

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

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group during the year 2012 include four (2011: four) Directors whose emoluments have been included in Note (a) above. The emoluments payable to the remaining individual during the year are as follows:

	2012	2011
Basic salaries, housing allowances and other allowances	1,025	1,058

The emoluments fell within the following band:

Emoluments band (in HK dollars)	2012	2011
HKD1,000,000 - HKD1,500,000	1	1

12. Profit attributable to equity holders of the Company

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of a loss of RMB16,217,000 (2011: profit of RMB161,497,000).

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

	2012	2011
Amount of consolidated (loss)/profit attributable to equity holders dealt with in the Company's financial statements	(16,217)	161,497
Final dividends from subsidiaries attributable to the profits of the previous financial years, approved during the year	152,563	125,708
Company's profit and comprehensive income for the year (Note 25 (b))	136,346	287,205

13. Earnings per share

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

	2012	2011
Profit attributable to equity holders of the Company	122,969	1,002,177
Weighted average number of ordinary shares in issue (thousands)	2,760,993	2,760,993
Basic earnings per share (RMB per share)	0.04	0.36

Diluted earnings per share equals to basic earnings per share for the years ended 31 December 2012 and 2011 as the Company has no dilutive potential shares existed during the years.

14. Dividends

(a) At a meeting held on 26 March 2013, the board of directors ("Board") proposed a final dividend in respect of the year ended 31 December 2012 of approximately HKD41,415,000, (2011: HKD276,099,000) (approximately RMB33,463,000, 2011: RMB225,092,000), representing HKD 0.015 (2011: HKD0.10) per ordinary share. Such dividend is to be approved by the shareholders at the upcoming annual general meeting of the company. These consolidated financial statements do not reflect this dividend payable.

(b) Pursuant to the CIT Law, the Company is determined as a China resident enterprise and required to withhold and pay corporate income tax at the specific tax rates according to the CIT Law for its non-PRC resident enterprise shareholders to whom the Company pays dividend. Accordingly, the Company had withheld corporate income tax amounting to RMB8,087,000 in respect of the final dividend for the year 2011 (withholding corporate income tax for the final dividend for the year 2010: RMB14,101,000) for its non-PRC resident enterprise shareholders and paid all withholding corporate income tax in June 2012.

15. Land use rights – Group and Company

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

Land use rights in Hong Kong represent the Group's interests in two parcels of land which are held on leases of 37 to 872 years.

The locations are as follows:

	Group		Company	
	2012	2011	**2012**	2011
In Hong Kong				
– Leases over 50 years	**16,365**	16,384	**16,365**	16,384
– Leases between 10 to 50 years	**17,895**	18,311	**—**	—
Outside Hong Kong				
– Leases between 10 to 50 years	**1,429,846**	1,360,079	**—**	—
	1,464,106	1,394,774	**16,365**	16,384

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

	Group		Company	
	2012	2011	**2012**	2011
Opening net book amount	**1,394,774**	1,398,436	**16,384**	16,403
Transfer from property, plant and equipment (Note 16)	**82,090**	131,043	**—**	—
Fair value gains upon transfer to investment properties	**—**	70,710	**—**	—
Transfer to investment properties (Notes 17)	**—**	(239,280)	**—**	—
Other additions	**19,249**	65,487	**—**	—
Amortisation charge (Note 6)	**(32,007)**	(31,622)	**(19)**	(19)
Closing net book amount	**1,464,106**	1,394,774	**16,365**	16,384
Cost	**1,602,720**	1,501,381	**16,467**	16,467
Accumulated amortisation	**(138,614)**	(106,607)	**(102)**	(83)
Net book amount	**1,464,106**	1,394,774	**16,365**	16,384

(All amounts in RMB thousands unless otherwise stated)

16. Property, plant and equipment – Group and Company

	Buildings	Machinery	Furniture, fittings and equipment	Vehicles	Construction in progress	Total
The Group						
At 1 January 2011						
Cost	3,840,520	6,103,043	262,671	209,446	1,834,248	12,249,928
Accumulated depreciation	(455,139)	(2,251,206)	(108,746)	(74,894)	—	(2,889,985)
Net book amount	3,385,381	3,851,837	153,925	134,552	1,834,248	9,359,943
Year ended 31 December 2011						
Opening net book amount	3,385,381	3,851,837	153,925	134,552	1,834,248	9,359,943
Other additions	3,061	152,449	16,149	14,877	3,042,504	3,229,040
Transfers	584,994	386,270	18,032	7,707	(997,003)	—
Transfer to land use rights (Note 15)	—	—	—	—	(131,043)	(131,043)
Fair value gains upon transfer to investment properties	3,771	—	—	—	—	3,771
Transfer to investment properties (Note 17)	(24,458)	—	—	—	—	(24,458)
Disposals	(41,823)	(3,714)	(1,671)	(766)	—	(47,974)
Depreciation charge (Note 6)	(132,794)	(603,878)	(29,470)	(19,750)	—	(785,892)
Closing net book amount	3,778,132	3,782,964	156,965	136,620	3,748,706	11,603,387
At 31 December 2011						
Cost	4,357,478	6,624,981	291,821	227,294	3,748,706	15,250,280
Accumulated depreciation	(579,346)	(2,842,017)	(134,856)	(90,674)	—	(3,646,893)
Net book amount	3,778,132	3,782,964	156,965	136,620	3,748,706	11,603,387
Year ended 31 December 2012						
Opening net book amount	3,778,132	3,782,964	156,965	136,620	3,748,706	11,603,387
Other additions	32,020	87,127	14,891	4,170	2,018,122	2,156,330
Transfers	347,690	679,232	5,674	9,043	(1,041,639)	—
Transfer to land use rights (Note 15)	—	—	—	—	(82,090)	(82,090)
Disposals	(10,573)	(1,898)	(60)	(563)	—	(13,094)
Depreciation charge (Note 6)	(151,846)	(624,443)	(31,845)	(20,534)	—	(828,668)
Closing net book amount	3,995,423	3,922,982	145,625	128,736	4,643,099	12,835,865
At 31 December 2012						
Cost	4,722,014	7,395,967	311,192	238,307	4,643,099	17,310,579
Accumulated depreciation	(726,591)	(3,472,985)	(165,567)	(109,571)	—	(4,474,714)
Net book amount	3,995,423	3,922,982	145,625	128,736	4,643,099	12,835,865

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

	Buildings	Furniture, fittings and equipment	Total
The Company			
At 1 January 2011			
Cost	813	31	844
Accumulated depreciation	(139)	(23)	(162)
Net book amount	674	8	682
Year ended 31 December 2011			
Oening net book amount	674	8	682
Additions	—	8	8
Depreciation charge	(41)	(6)	(47)
Closing net book amount	633	10	643
At 31 December 2011			
Cost	813	39	852
Accumulated depreciation	(180)	(29)	(209)
Net book amount	633	10	643
Year ended 31 December 2012			
Opening net book amount	**633**	**10**	**643**
Additions	—	**11**	**11**
Depreciation charge	**(40)**	**(6)**	**(46)**
Closing net book amount	**593**	**15**	**608**
At 31 December 2012			
Cost	**813**	**50**	**863**
Accumulated depreciation	**(220)**	**(35)**	**(255)**
Net book amount	**593**	**15**	**608**

(All amounts in RMB thousands unless otherwise stated)

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

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

	Group		Company	
	2012	2011	**2012**	2011
Cost of sales	**713,203**	594,978	**—**	—
Distribution costs	**2,858**	999	**—**	—
Administrative expenses	**112,607**	189,915	**46**	47
	828,668	785,892	**46**	47

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

	Group		Company	
	2012	2011	**2012**	2011
Borrowing costs capitalised	**109,277**	57,455	**—**	—
Average capitalisation rate	**6.21%**	5.70%	**—**	—

(c) As at 31 December 2012, the Group was in the process of applying the certificates of ownership for the buildings, with net book amount of approximately RMB58,427,000 (2011: RMB69,712,000). As at the date of these consolidated financial statements were approved, the process is still undergoing. The Directors are of the opinion that the process will be completed before 31 December 2013.

17. Investment properties – Group

	2012	2011
At 1 January	**266,501**	6,492
Transfer from property, plant and equipment (Note 16)	**—**	24,458
Transfer from land use right (Note 15)	**—**	239,280
Direct purchases	**182,616**	—
Disposals	**(260,340)**	—
Fair value gains/ (losses) (Note 7)	**25,977**	(3,729)
At 31 December	**214,754**	266,501

The investment properties are located in Hong Kong and held on leases between 10 to 50 years and revalued as at 31 December 2012 on an open market value. The valuations were carried by an independent professional surveyor, Marsh (Hong Kong) Limited.

The information of the investment properties as at 31 December 2012 is set out below:

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

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

(All amounts in RMB thousands unless otherwise stated)

17. Investment properties – Group (Continued)

During the year, the information of the investment properties disposed of is set out below:

a) House No.5, Villa Bel-Air
Address: House No.5, Villa Bel-Air, Bel-Air on the Peak, Island South, No.5, Bel-Air Peak Rise, Hong Kong
Lot No: Inland Lot No.8969
Usage: Residential

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

	2012	2011
Rental income	**2,896**	1,233

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

	2012	2011
Within 1 year	**2,253**	3,196

18. Intangible assets – Group

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

	Proprietary technology	Computer software	Total
At 1 January 2011			
Cost	849,646	40,637	890,283
Accumulated amortisation	(121,799)	(7,391)	(129,190)
Net book amount	727,847	33,246	761,093
Year ended 31 December 2011			
Opening net book amount	727,847	33,246	761,093
Other additions	39,582	12,505	52,087
Disposals	—	(4,389)	(4,389)
Amortisation charge (Note 6)	(127,952)	(4,872)	(132,824)
Closing net book amount	639,477	36,490	675,967
At 31 December 2011			
Cost	889,228	48,772	938,000
Accumulated amortisation	(249,751)	(12,282)	(262,033)
Net book amount	639,477	36,490	675,967
Year ended 31 December 2012			
Opening net book amount	**639,477**	**36,490**	**675,967**
Other additions	**1,469**	**4,174**	**5,643**
Amortisation charge (Note 6)	**(130,121)**	**(4,775)**	**(134,896)**
Closing net book amount	**510,825**	**35,889**	**546,714**
At 31 December 2012			
Cost	**890,697**	**52,826**	**943,523**
Accumulated amortisation	**(379,872)**	**(16,937)**	**(396,809)**
Net book amount	**510,825**	**35,889**	**546,714**

(All amounts in RMB thousands unless otherwise stated)

18. Intangible assets – Group (Continued)

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

(b) Research expenditures and development expenditures that do not meet criteria for capitalization are recognized as an expense as incurred. The total amount of expenses charged into the consolidated statement of comprehensive income is approximately RMB480,603,000 (2011: RMB445,903,000).

19. Inventories – Group

	2012	2011
Raw materials	1,488,440	2,074,055
Work in progress	836,871	693,201
Finished goods – parts and components	319,129	719,734
Finished goods – trucks	5,171,327	6,977,391
	7,815,767	10,464,381
Less: write-down of inventories to net realisable value	(255,236)	(271,645)
	7,560,531	10,192,736

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

	2012	2011
Materials cost (Note 6)	20,282,912	27,423,047
Write-down of inventories to net realisable value (Note 6)	89,636	207,837
	20,372,548	27,630,884
Representing:		
Cost of sales	20,357,154	27,615,196
Administrative expenses	15,394	15,397
Distribution costs	—	291
	20,372,548	27,630,884

As at 31 December 2012, the carrying amount of inventories pledged as security of bank borrowings is RMB800,000,000 (2011:Nil).

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

	Group		Company	
	2012	2011	**2012**	2011
Non-current				
Other receivables	**363,791**	131,647	—	—
Less: Provision for impairment of other receivables	**(3,470)**	(1,316)	—	—
Other receivables- net	**360,321**	130,331	—	—
Current				
Accounts receivable	**5,613,024**	4,604,431	—	—
Less: Provision for impairment of accounts receivable	**(174,196)**	(120,614)	—	—
Accounts receivable – net	**5,438,828**	4,483,817	—	—
Notes receivable	**6,257,560**	8,573,653	—	—
Trade receivables – net	**11,696,388**	13,057,470	—	—
Other receivables	**1,338,120**	1,019,484	—	59
Less: Provision for impairment of other receivables	**(18,360)**	(11,900)	—	—
Other receivables – net	**1,319,760**	1,007,584	—	59
Interest receivables	**12,049**	34,540	**685**	452
Trade and other receivables before prepaid items	**13,028,197**	14,099,594	**685**	511
Prepayments	**412,945**	876,398	**23**	89,526
Prepaid taxes other than income tax	**398,256**	419,709	—	—
Prepaid income taxes	**91,126**	147,310	—	—
Trade receivables, other receivables and other current assets-net	**13,930,524**	15,543,011	**708**	90,037

(a) As at 31 December 2012 and 2011, the carrying amounts of the Group's trade and other receivables before prepaid items approximated their fair values.

(All amounts in RMB thousands unless otherwise stated)

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

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

	Group	
	2012	2011
Opening amount	**133,830**	229,510
Provision for/ (reversal of) impairment of receivables (Note 6)	**67,480**	(88,951)
Receivables written off during the year as uncollectible	**(5,284)**	(6,729)
Closing amount	**196,026**	133,830

The Group's provision for impairment of receivables of approximately RMB67,480,000 (2011: reversal of impairment of approximately RMB88,951,000) is included in administrative expenses in the consolidated statement of comprehensive income.

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

	Group	
	2012	2011
Less than 3 months	**8,228,007**	7,815,859
3 months to 6 months	**2,770,116**	4,709,078
6 months to 12 months	**295,447**	258,114
1 year to 2 years	**340,188**	228,532
2 years to 3 years	**58,743**	43,053
Over 3 years	**3,887**	2,834
	11,696,388	13,057,470

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

As at 31 December 2012, accounts receivable of the Group of approximately RMB1,171,812,000 (2011: RMB798,765,000) were secured by certain letters of credit issued by overseas third parties. No provision is provided against these receivables as at 31 December 2012 and 31 December 2011.

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

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

(e) The notes receivable are analysed as follows:

	Group	
	2012	2011
Bank acceptance notes issued by related parties	**3,350**	8,480
Bank acceptance notes issued by third parties	**6,222,210**	8,543,772
Commercial acceptance notes issued by related parties	**—**	900
Commercial acceptance notes issued by third parties	**32,000**	20,501
	6,257,560	8,573,653

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

	2012	2011
Bank acceptance notes		
CNHTC Qingdao Heavy Industry Co., Ltd.	**1,850**	3,610
CNHTC Datong Gear Co., Ltd.	**1,300**	3,920
CNHTC Taian Wuyue Special Truck Co., Ltd.	**200**	550
CNHTC Ji'nan Investment Co., Ltd.	**—**	400
	3,350	8,480
Commercial acceptance notes		
CNHTC Ji'nan Special Truck Co., Ltd.	**—**	900

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

	2012	2011
Commercial acceptance notes endorsed – issued by related parties	**—**	900

(All amounts in RMB thousands unless otherwise stated)

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

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

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

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

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

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

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

	2012	2011
Group 1	6,237,609	8,586,792
Group 2	32,000	21,401
Group 3	6,421,824	4,859,041
	12,691,433	13,467,234

(ii) As at 31 December 2012, no accounts receivable, notes receivable, other receivables and interest receivables were past due but not impaired (2011: Nil).

(iii) Impaired receivables

As at 31 December 2012, receivables that were impaired are analysed below:

	2012	2011
Accounts and other receivables	939,753	896,521
Less: Provision for impairment	(196,026)	(133,830)
	743,727	762,691

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.

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

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

	2012	2011
RMB	**12,001,547**	13,129,926
USD	**1,167,988**	835,695
EURO	**218,144**	263,652
HKD	**839**	652
	13,388,518	14,229,925

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

(i) As at 31 December 2012 and 31 December 2011, other receivables (including current and non-current portion) mainly represented loans to third parties of the finance segment of the Group which bear interest at mutually agreed rates.

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

	Group	
	2012	2011
Listed securities		
– equity securities	**1,489**	5,221

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

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

(All amounts in RMB thousands unless otherwise stated)

22. Fixed deposits – Group and Company

As at 31 December 2012, the Company placed over three-month fixed deposits in reputable PRC bank at Hong Kong with amount of RMB64,000,000 (2011: Nil).

23. Restricted cash – Group and Company

	Group		Company	
	2012	2011	**2012**	2011
Restricted cash denominated in RMB	**894,215**	1,692,105	—	6,194
Restricted cash denominated in EURO	—	62,648	—	62,648
	894,215	1,754,753	—	68,842

The breakdown of restricted cash by nature as at 31 December 2012 and 2011 is as follows:

	Group		Company	
	2012	2011	**2012**	2011
Deposits for issuing bank acceptance notes	**224,254**	731,170	—	—
Deposits for issuing letters of credit	**175,816**	286,791	—	68,842
Security for bank borrowings	—	20,504	—	—
Security for confirming business	—	2,492	—	—
Security for consumer credit	**20,335**	—	—	—
Mandatory reserve deposits (a)	**473,810**	713,796	—	—
	894,215	1,754,753	—	68,842

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

24. Cash and cash equivalents – Group and Company

	Group		Company	
	2012	2011	**2012**	2011
Cash on hand	**249**	506	**3**	3
Time deposits with initial term over three months, held at call with banks (a)	**978,000**	1,901,005	**—**	—
Current bank deposits (b)	**3,996,713**	7,675,367	**155,301**	117,825
Cash and cash equivalents	**4,974,962**	9,576,878	**155,304**	117,828
Denominated in:				
– RMB	**4,764,222**	9,395,786	**153,916**	116,013
– HKD	**103,187**	30,859	**1,382**	224
– USD	**99,997**	129,302	**—**	21
– GBP	**3,893**	10,770	**—**	—
– EURO	**3,657**	10,146	**4**	1,568
– others	**6**	15	**2**	2
	4,974,962	9,576,878	**155,304**	117,828

(a) The weighted average effective interest rate on time deposits, with maturities over 3 months, was 2.79% per annum (2011: 3.20%). As these time deposits can be drawn on demand and available within short time frame without penalty, the Directors are of the view that such time deposits are qualified as demand deposit and classified as cash and cash equivalents.

(b) The weighted average effective interest rate on current bank deposits, with maturities ranging from one to three months, was 0.82% per annum (2011: 1.17%).

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

(All amounts in RMB thousands unless otherwise stated)

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

(c) Credit quality of cash at banks

The Group categorises its cash at bank into the following:

i) Group 1 – Major international banks; and

ii) Group 2 – Large China reputable banks.

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

	Group		Company	
	2012	2011	**2012**	2011
Group 1	**67,826**	137,649	**—**	—
Group 2	**4,906,887**	9,438,723	**155,301**	117,825
	4,974,713	9,576,372	**155,301**	117,825

25. Equity

(a) Share capital

Authorised and issued share capital

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

Ordinary share, issued and fully paid

	2012		2011	
	Numbers of Share	**Amount**	Numbers of Share	Amount
At 1 January and at 31 December	**2,760,993,339**	**261,489**	2,760,993,339	261,489

25. Equity (Continued)

(b) The Company's equity

Details of the movements in the Company's equity during the year are set out below:

	Share capital	Share premium	Capital redemption reserve	Retained earnings	Total
At 1 January 2011	261,489	16,444,600	10,935	631,445	17,348,469
Total comprehensive income for the year (Note 12)	—	—	—	287,205	287,205
Dividends relating to year 2010, paid	—	—	—	(415,981)	(415,981)
At 31 December 2011	261,489	16,444,600	10,935	502,669	17,219,693
At 1 January 2012	**261,489**	**16,444,600**	**10,935**	**502,669**	**17,219,693**
Total comprehensive income for the year (Note 12)	—	—	—	**136,346**	**136,346**
Dividends relating to year 2011, paid	—	—	—	**(225,092)**	**(225,092)**
At 31 December 2012	**261,489**	**16,444,600**	**10,935**	**413,923**	**17,130,947**

25. Equity (Continued)

(c) Notes to the Group's reserves

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

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.

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

26. Borrowings – Group and Company

	Group		Company	
	2012	2011	**2012**	2011
Non-current				
Long-term bank borrowings – unsecured	**3,827,829**	2,106,800	**2,147,730**	—
RMB bonds, unsecured (a)	**1,791,159**	—	**1,791,159**	—
	5,618,988	2,106,800	**3,938,889**	—
Current				
Long-term bank borrowings, current portion – unsecured	**1,366,700**	26,700	**540,000**	—
RMB bonds, unsecured (b)	**—**	2,693,586	**—**	2,693,586
	1,366,700	2,720,286	**540,000**	2,693,586
Short-term bank borrowings				
– secured (c)	**800,000**	20,000	**—**	—
– unsecured	**3,221,547**	10,758,524	**—**	—
	4,021,547	10,778,524	**—**	—
	5,388,247	13,498,810	**540,000**	2,693,586
Total borrowings	**11,007,235**	15,605,610	**4,478,889**	2,693,586

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

(b) On 29 October 2010, the Company issued RMB2,700,000,000 bonds, due in October 2012. The bonds were unsecured and carried an effective interest rate of 3.71% per annum, with the interest being payable semiannually. Such bonds were fully repaid in October 2012.

(c) As at 31 December 2012, bank borrowings of approximately RMB800,000,000 were secured by certain inventories (Note 19). As at 31 December 2011, bank borrowings of approximately RMB20,000,000 were secured by certain bank deposits (Note 23).

(All amounts in RMB thousands unless otherwise stated)

26. Borrowings – Group and Company (Continued)

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

	Group		Company	
	2012	2011	**2012**	2011
Within 1 year	**5,388,247**	13,498,810	**540,000**	2,693,586
Between 1 and 2 years	**5,538,888**	1,200,000	**3,938,889**	—
Between 2 and 5 years	**80,100**	906,800	**—**	—
	11,007,235	15,605,610	**4,478,889**	2,693,586

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

	Group		Company	
	2012	2011	**2012**	2011
RMB	**11,007,235**	15,605,610	**4,478,889**	2,693,586

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

	Group		Company	
	2012	2011	**2012**	2011
RMB	**5.64%**	5.07%	**4.42%**	3.71%

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

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

	Group		Company	
	2012	2011	**2012**	2011
Within 6 months	**4,168,246**	5,745,224	**540,000**	—
Between 6 and 12 months	**920,000**	5,060,000	**—**	—
Between 1 and 5 years	**4,127,830**	2,106,800	**2,147,730**	—
	9,216,076	12,912,024	**2,687,730**	—

26. Borrowings – Group and Company (Continued)

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

	2012	2011
Carrying amount	**5,618,988**	2,106,800
Fair value	**5,534,604**	2,059,911

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

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

	2012	2011
Floating rate		
– expiring within one year	**3,562,994**	3,249,301

27. Deferred income tax – Group

(a) The amounts are as follows:

	2012	2011
Deferred tax assets:		
– Deferred tax asset to be recovered after more than 12 months	**496,843**	389,597
– Deferred tax asset to be recovered within 12 months	**384,113**	430,574
	880,956	820,171
Deferred tax liabilities:		
– Deferred tax liabilities to be recovered after more than 12 months	**(34,851)**	(28,023)
– Deferred tax liabilities to be recovered within 12 months	**(13,956)**	(14,665)
	(48,807)	(42,688)
Deferred tax assets – net	**832,149**	777,483

(All amounts in RMB thousands unless otherwise stated)

27. Deferred income tax – Group (Continued)

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

	2012	2011
At 1 January	777,483	807,076
Credit/ (charged) to consolidated statement of comprehensive income (Note 10 (a))	54,666	(17,303)
Directly charged to equity	—	(12,290)
At 31 December	832,849	777,483

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

Deferred tax assets	Impair– ment of assets	Pensions and other post- retirement benefits	Unrealised profit	Accrued expenses and provisions	Tax revaluation	Deferred income	Tax Losses	Others	Total
As at 1 January 2011	78,330	9,050	285,720	216,335	118,769	106,057	15,216	12,787	842,264
Credit/(charge) to consolidated statement of comprehensive income	19,355	(2,310)	(88,901)	(1,249)	(5,874)	(4,003)	62,290	(1,401)	(22,093)
As at 31 December 2011 and as at 1 January 2012	97,685	6,740	196,819	215,086	112,895	102,054	77,506	11,386	820,171
Credit/(charge) to consolidated statement of comprehensive income	4,099	(858)	(51,542)	(43,015)	(9,790)	(9,745)	170,879	757	60,785
As at 31 December 2012	101,784	5,882	145,277	172,071	103,105	92,309	248,385	12,143	880,956

27. Deferred income tax – Group (Continued)

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

Deferred tax liabilities	Accelerated tax depreciation	Fair value gains	Tax revaluation	Total
As at 1 January 2011	(1,634)	(31,985)	(1,569)	(35,188)
(Charge)/credit to consolidated statement of comprehensive income	(34)	3,255	1,569	4,790
Directly charged to equity	—	(12,290)	—	(12,290)
As at 31 December 2011 and as at 1 January 2012	(1,668)	(41,020)	—	(42,688)
Charged to consolidated statement of comprehensive income	**(2,729)**	**(3,390)**	**–**	**(6,119)**
As at 31 December 2012	**(4,397)**	**(44,410)**	**—**	**(48,807)**

(All amounts in RMB thousands unless otherwise stated)

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

	2012	2011
Trade and bills payables	6,445,515	9,180,233
Advances from customers	1,319,853	2,452,927
Accrued expenses	416,395	573,905
Staff welfare and salaries payable	194,907	215,214
Taxes liabilities other than income tax	151,477	204,363
Other payables	2,190,649	1,074,820
	10,718,796	13,701,462

As at 31 December 2012 and 2011, the ageing analysis of the trade and bills payables was as follows:

	2012	2011
Less than 3 months	5,168,978	4,830,401
3 months to 6 months	1,231,132	4,240,625
6 months to 12 months	25,297	92,723
1 year to 2 years	13,032	6,955
2 years to 3 years	5,595	1,618
Over 3 years	1,481	7,911
	6,445,515	9,180,233

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

	2012	2011
RMB	7,677,213	9,994,107
USD	236,992	241,512
EURO	7,054	18,576
HKD	1,047	858
GBP	937	—
	7,923,243	10,255,053

29. Termination and post-employment benefits – Group

	2012	2011
Termination benefits (a)	15,280	22,330
Post-employment benefits (b)	5,810	6,390
Post-employment medical insurance plan (c)	1,490	2,090
	22,580	30,810

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

	2012	2011
Termination benefits, included in staff costs (Note 8)	550	960

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

	2012	2011
Present value of benefit plans	7,450	8,070
Unrecognised actuarial losses	(1,640)	(1,680)
Liability in the consolidated balance sheet	5,810	6,390

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

	2012	2011
Beginning of the year	6,390	6,950
Total expenses (interest cost) (Note 8)	210	270
Benefits paid	(790)	(830)
End of the year	5,810	6,390

(All amounts in RMB thousands unless otherwise stated)

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

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

	2012	2011
Present value of benefit plan	1,980	2,490
Unrecognised actuarial losses	(490)	(400)
Liability in the consolidated balance sheet	1,490	2,090

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

	2012	2011
Beginning of the year	2,090	2,680
Total expenses (interest expense) (Note 8)	110	100
Benefits paid	(710)	(690)
End of the year	1,490	2,090

(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:

	2012	2011
Post-employment benefits and medical insurance plan discount rate	3.25%	3.50%
Average salary increase rate	10% to 12%	10% to 12%

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

30. Provisions for other liabilities – Group

	Legal claims	Products warranties	Total
As at 1 January 2011	3,030	539,125	542,155
Additional provision (Note 6)	—	862,085	862,085
Untilised during the year	(3,030)	(922,936)	(925,966)
As at 31 December 2011 and as at 1 January 2012	—	478,274	478,274
Additional provision (Note 6)	—	**680,051**	**680,051**
Untilised during the year	—	**(854,132)**	**(854,132)**
As at 31 December 2012	—	**304,193**	**304,193**

31. Deferred income – Group

As at 31 December 2012 and 2011, deferred income represented assets-related government subsidies at the amount of approximately RMB394,383,000 (2011: RMB605,052,000).

(All amounts in RMB thousands unless otherwise stated)

32. Notes to the consolidated statement of cash flows

(a) Cash generated from operations

	2012	2011
Profit before income tax	320,438	1,465,967
Adjustments for:		
– Provision for/ (reversal of) impairment of trade and other receivables (Note 6 and Note 20 (b))	67,480	(88,951)
– Depreciation (Note 16)	828,668	785,892
– Amortisation (Note 15 and Note 18)	166,903	164,446
– Write-down inventories to net realisable value (Note 6 and Note 19)	89,636	207,837
– Losses/ (gains) on disposals of property, plant and equipment (Note 7 and Note (b))	10,107	(2,617)
– Losses on disposals of investment properties (Note 7)	8,865	—
– Losses on fair value losses on financial assets at fair value through profit or loss (Note 7)	176	188
– Fair value (gains) /losses on investment properties (Note 17)	(25,977)	3,729
– Interest income (Note 9)	(114,676)	(202,677)
– Interest expense (Note 9)	631,840	781,137
– Foreign exchange gains on financing activities (Note 9)	—	(1,122)
– Foreign exchange (gains) /losses on cash	(755)	48,773
	1,982,705	3,162,602
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation):		
– Inventories	2,542,569	2,981,262
– Trade and other receivables and amounts due from related parties	(8,407)	(2,896,914)
– Restricted cash	840,034	313,491
– Trade and other payables, amounts due to related parties and other liabilities	(3,443,600)	(3,270,279)
– Provisions for other liabilities	(174,081)	(63,881)
– Termination and post-employment benefits	(8,230)	(9,030)
Cash generated from operations	1,730,990	217,251

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

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

	2012	2011
Net book amount (Note 16)	**13,094**	47,974
(Losses) /gains on disposals of property, plant and equipment (Note 7 and Note (a))	**(10,107)**	2,617
Net-off with payables	**(193)**	(44,786)
Proceeds from disposals of property, plant and equipment	**2,794**	5,805

(c) Major non-cash transactions

For the year ended 31 December 2012, the Group endorsed bank acceptance notes to the suppliers for purchase of property, plant and equipment amounting to approximately RMB1,509,793,000 (2011: approximately RMB1,777,701,000).

33. Contingencies and guarantees

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

(All amounts in RMB thousands unless otherwise stated)

34. Commitments

(a) Capital commitments

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

	2012	2011
Property, plant and equipment	1,932,306	1,451,066

(b) Operating lease commitments – As a lessee

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

	2012	2011
No later than 1 year	45,661	35,307
Later than 1 year and no later than 2 years	34,970	15,969
Later than 2 years and no later than 5 years	22,968	12,767
Later than 5 years	177	312
	103,776	64,355

(c) Lease payments receivable – As a lessor

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

	2012	2011
No later than 1 year	3,910	8,911
Later than 1 year and no later than 2 years	3,436	2,235
Later than 2 years and no later than 5 years	6,072	5,753
Later than 5 years	1,684	3,164
	15,102	20,063

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

(a) Investments in subsidiaries

	2012	2011
Investments, at cost:		
Listed investments	1,926,283	1,926,283
Unlisted investments	13,936,674	13,759,839
	15,862,957	15,686,122
Market value of listed investments	3,431,930	3,293,043

As at 31 December 2012, the Company had direct or indirect interest in the following subsidiaries:

Company Name	Country/place and date of incorporation and place of operations (Note)	Type of legal entity	Issued/paid in capital (in million)	Interest held	Principal activities
Directly held:					
Listed –					
Sinotruk Ji'nan Truck Co., Ltd. (中國重汽集團濟南卡車股份有限公司)	PRC/ 28 September 1998	Joint stock company with limited liability	RMB419.43	63.78%	Manufacture and sales of trucks and spare parts
Unlisted –					
Sinotruk Ji'nan Power Co., Ltd. (中國重汽集團濟南動力有限公司)	PRC/ 27 April 2006	Limited liability company	RMB6,675.08	100%	Manufacture and reproduction of engines
Sinotruk Ji'nan Commercial Truck Co., Ltd. (中國重汽集團濟南商用車有限公司)	PRC/ 17 January 2001	Limited liability company	RMB1,871.29	100%	Manufacture and sales 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	RMB555	100%	Import and export of trucks and spare parts
Sinotruk Ji'nan Ganghua Import & Export Co., Ltd. (中國重汽集團濟南港華進出口有限公司)	PRC/ 23 December 2005	Limited liability company	RMB206	100%	Import and export of heavy duty trucks
Sinotruk Factory Design Institute Co., Ltd. (中國重汽集團設計研究院有限公司)	PRC/ 6 July 1993	Limited liability company	RMB10.5	100%	Construction design and technical consulting service

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

(a) Investments in subsidiaries (Continued)

Company Name	Country/place and date of incorporation and place of operations (Note)	Type of legal entity	Issued/paid in capital (in million)	Interest held	Principal activities
Directly held (Continued):					
Sinotruk (Hong Kong) International Investment Limited (中國重汽 (香港) 國際資本有限公司)	Hong Kong 6 August 2004	Limited liability company	HKD 3,266.92	100%	Consultations and strategic planning in respect of automobile market, import and export trading, asset operations and investment holdings
Sinotruk Finance Co., Ltd. (中國重汽財務有限公司)	PRC/ 4 October 1987	Limited liability company	RMB1,033.56	79.45%	Taking deposits, facilitating borrowings, discounting notes, providing entrusted loan, entrusted investment and customer credit
Indirectly held:					
Sinotruk Chongqing Fuel System Co., Ltd. (中國重汽集團重慶燃油噴射系統有限公司)	PRC/ 1 June 1973	Limited liability company	RMB338.49	100%	Manufacture and sales of oil pump and nozzle
Sinotruk Hangzhou Engines Co., Ltd. (中國重汽集團杭州發動機有限公司)	PRC/ 30 April 2006	Limited liability company	RMB1,931	100%	Manufacture and reproduction of engines
Hangzhou Automobile Engines Foundry Co., Ltd. (杭州汽發鑄造有限公司)	PRC/ 8 December 2000	Limited liability company	RMB60	100%	Manufacture of castings
Sinotruk Ji'nan Fuqiang Power Co., Ltd. (中國重汽集團濟南複強動力有限公司)	PRC/ 14 January 1995	Limited liability company	USD 51.38	100%	Manufacture and reproduction of engines
Sinotruk Ji'nan Axle & Transmission Co., Ltd. (中國重汽集團濟南橋箱有限公司)	PRC/ 26 December 2005	Limited liability company	RMB646.74	81.53%	Manufacture and sales of trucks and axle and transmission parts
Sinotruk Liuzhou Yunli Special Vehicles Co., Ltd. (中國重汽集團柳州運力專用汽車有限公司)	PRC/ 11 April 1989	Limited liability company	RMB103	60%	Refit and sales of heavy duty trucks
Ji'nan Ganghao Development Co., Ltd. (濟南港豪發展有限公司)	PRC/ 11 April 2008	Limited liability company	HKD 972.90	100%	Manufacture and sales of trucks and spare parts
Hangzhou Ganghang Power System Co., Ltd. (杭州港杭動力系統有限公司)	PRC/ 17 September 2008	Limited liability company	HKD 60	100%	Manufacture and reproduction of engines
Hangzhou Ganghao Power System Co., Ltd. (杭州港豪動力系統有限公司)	PRC/ 18 September 2008	Limited liability company	HKD 140	100%	Manufacture and reproduction of engines
Sinotruk Ji'nan Gangxin Automobile Parts & Components Co., Ltd. (中國重汽集團濟南港信汽車部件有限公司)	PRC/ 14 January 2009	Limited liability company	RMB100	81.53%	Research, manufacture and sales of spare parts

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

(a) Investments in subsidiaries (Continued)

Company Name	Country/place and date of incorporation and place of operations (Note)	Type of legal entity	Issued/paid in capital (in million)	Interest held	Principal activities
Indirectly held (Continued):					
Sinotruk Hubei Huawei Special Vehicles Co., Ltd. (中國重汽集團湖北華威專用汽車有限公司)	PRC/ 4 June 2002	Limited liability company	RMB62.77	60%	Refit and sales of heavy duty trucks
Sinotruk Mianyang Special Vehicles Co., Ltd. (中國重汽集團綿陽專用汽車有限公司)	PRC/ 26 June 2009	Limited liability company	RMB50	100%	Manufacture and reproduction of spare parts; sales of trucks
Sinotruk Ji'nan HOWO Bus Co., Ltd. (中國重汽集團濟南豪沃客車有限公司)	PRC/ 23 February 2010	Limited liability company	RMB180	100%	Manufacture and sales of bus, bus chassis and bus auto parts
Sinotruk Ji'ning Commercial Truck Co., Ltd. (中國重汽集團濟寧商用車有限公司)	PRC/ 10 January 2005	Limited liability company	RMB300	100%	Manufacture and sales of trucks and spare parts
Sinotruk Ji'nan Ganghao Bonded Logistics Co., Ltd. (中國重汽集團濟南港豪保税物流有限公司)	PRC/ 29 Mar 2010	Limited liability company	USD 16	100%	Provision of storage services, bonded logistics services, local freight forwarding agent and related information consulting; design of logistics engineering; research, development, processing and manufacture of spare parts; import and export
Sinotruk Chengdu Wangpai Commercial Vehicles Co., Ltd. (中國重汽集團成都王牌商用車有限公司)	PRC/ 31 May 2007	Limited liability company	RMB800	80%	Research, development, manufacture and sales of commercial vehicles
Nanchong Sinotruk Wangpai Shuncheng Mechanics Co., Ltd. (南充重汽王牌順城機械有限公司)	PRC/ 21 September 2001	Limited liability company	RMB510	80%	Manufacture and sales of spare parts, steels, hardware and engineering plastics
Sichuan Sinotruk Wangpai Xingcheng Hydraulic Parts Co., Ltd. (四川重汽王牌興城液壓件有限公司)	PRC/ 6 September 2005	Limited liability company	RMB500	80%	Manufacture and sales of spare parts, general machinery components, coal machinery, hardware, chemicals, electromechanical equipment and metals
Chengdu Sinotruk Wangpai Automobiles Testing Co., Ltd. (成都王牌汽車檢測有限責任公司)	PRC/ 22 August 2006	Limited liability company	RMB0.5	80%	Sales of spare parts and vehicle inspection
Sinotruk Fujian HaiXi Vehicles Co., Ltd. (中國重汽集團福建海西汽車有限公司)	PRC/ 24 November 2010	Limited liability company	RMB200	80%	Manufacture and sales of trucks and spare parts and related information consulting

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

(a) Investments in subsidiaries (Continued)

Company Name	Country/place and date of incorporation and place of operations (Note)	Type of legal entity	Issued/paid in capital (in million)	Interest held	Principal activities
Indirectly held (Continued):					
Sinotruk Hangzhou Engines Sales Co., Ltd. (中國重汽集團杭州發動機銷售有限公司)	PRC/ 14 December 2011	Limited liability company	RMB50	100%	Wholesale of engines and spare parts
Sinotruk Xinjiang Commercial Truck Co., Ltd. (中國重汽集團新疆商用車有限公司)	PRC/ 29 July 2011	Limited liability company	RMB40	100%	Research, development, manufacture and sales of spare parts (excluding engines) and trucks; after-sales service of trucks; import and export
Sinotruk Ji'nan Rubber & Plastic Components Co., Ltd. (中國重汽集團濟南橡塑件有限公司)	PRC/ 15 December 2011	Limited liability company	RMB240	100%	Research, development, manufacture, sales and consulting of spare parts, engineering machinery and rubber products; maintenance and lease of machinery equipment.

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

(b) Amounts due from subsidiaries

	2012	2011
Non-current		
Loan to subsidiaries (i)	3,940,000	—
Current		
Loan to a subsidiary, current portion (ii)	540,000	2,680,000
Interest receivable	60,502	16,050
Deposits (iii)	13	165,284
	600,515	2,861,334

(i) As at 31 December 2012, the loan to a subsidiary, Sinotruk Ji'nan Power Co., Ltd., at the amount of RMB2,680,000,000 is unsecured, with effective interest rate of 6.15%, denominated in RMB and repayable on 25 October 2014. As at 31 December 2012, the loan to a subsidiary, Sinotruk Ji'nan Commercial Truck Co., Ltd., at the amount of RMB1,260,000,000 is unsecured, with effective interest rate of 4.85%, denominated in RMB and repayable on 28 Febuary 2014.

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

(b) Amounts due from subsidiaries (Continued)

(ii) As at 31 December 2012, the loan to a subsidiary, Sinotruk Ji'nan Commercial Truck Co., Ltd., at the amount of RMB540,000,000 is unsecured, with effective interest rate of 4.85%, denominated in RMB and repayable on 28 Febuary 2013.

(iii) As at 31 December 2012, the Company had deposited at the amount of RMB13,000 (2011: RMB165,284,000) as current deposits at Sinotruk Finance Co., Ltd. which has been established with the approval from relevant PRC government authorities to function as an authorised non-bank financial institution specifically to facilitate the internal financing transactions, to provide financial services for members of the Group and CNHTC and its subsidiaries (other than the Group, "CNHTC Group") and to provide financial services to the Group or CNHTC Group's customers regarding their purchases from the Group or CNHTC Group.

(c) Amounts due to subsidiaries

	2012	2011
Other payables	125	350

36. Related party transactions

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

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

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

In addition to the related party information shown elsewhere in the consolidated financial statements, the following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties (excluding Other State-owned Enterprises) during the years ended 31 December 2012 and 2011 and balances arising from related party transactions as at 31 December 2012 and 2011.

36. Related party transactions (Continued)

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 holding company
Sinotruk BVI (中國重汽 (維爾京群島) 有限公司)	The immediate holding company
CNHTC Qingdao Heavy Industry Co., Ltd. (中國重汽集團青島重工有限公司)	Subsidiary of CNHTC
CNHTC Ji'nan Bus Co., Ltd. (中國重汽集團濟南客車有限公司)	Subsidiary of CNHTC
CNHTC Taian Wuyue Special Truck Co., Ltd. (中國重汽集團泰安五嶽專用汽車有限公司)	Subsidiary of CNHTC
CNHTC Lease Firm (中國重汽集團租賃有限公司)	Subsidiary of CNHTC
CNHTC Wuzhishan Luohai Real Estates Co., Ltd. (中國重汽集團五指山灤海房地產有限公司)	Subsidiary of CNHTC
CNHTC Ji'nan Investment Co., Ltd. (中國重汽集團濟南投資有限公司)	Subsidiary of CNHTC
CNHTC Real Estates Company (中國重型汽車集團房地產開發公司)	Subsidiary of CNHTC
Shandong Xin Hai Guarantee Co., Ltd. (山東鑫海擔保有限公司)	Subsidiary of CNHTC
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 Vehicles Engine Factory (杭州汽車發動機廠)	Subsidiary of CNHTC
Ji'nan Automobile Test Center (濟南汽車檢測中心)	Subsidiary of CNHTC
CNHTC Ji'nan Special Truck Co., Ltd. (中國重汽集團濟南專用車有限公司)	Subsidiary of CNHTC
CNHTC Datong Gear Co., Ltd. (中國重汽集團大同齒輪有限公司)	Subsidiary of CNHTC
Ji'nan Tianqiao District Xin Hai Small-Sum Loan Co., Ltd. (濟南市天橋區鑫海小額貸款有限公司)	Subsidiary of CNHTC
MAN Truck & Bus AG	The directors of MAN Truck & Bus AG are the directors of the Company.
Sinotruk Baotou Xinhongchang Special Vehicle Co., Ltd. (中國重汽集團包頭新宏昌專用車有限公司)	Associate of a subsidiary of the Company

36. Related party transactions (Continued)

(a) Significant related party transactions

	2012	2011
Sale of trucks		
CNHTC Qingdao Heavy Industry Co., Ltd.	63,363	176,193
CNHTC Ji'nan Special Truck Co., Ltd.	50,078	77,276
CNHTC Taian Wuyue Special Truck Co., Ltd.	12,780	15,942
CNHTC	8,675	6,171
CNHTC Datong Gear Co., Ltd.	5,282	1,282
CNHTC Ji'nan Investment Co., Ltd.	915	27,156
CNHTC Ji'nan Construction Co., Ltd.	114	—
CNHTC Ji'nan Bus Co., Ltd.	106	—
CNHTC Lease Firm	77	26,114
	141,390	330,134
Sale of spare parts		
CNHTC Ji'nan Investment Co., Ltd.	444,678	569,166
CNHTC Taian Wuyue Special Truck Co., Ltd.	3,194	5,771
CNHTC Datong Gear Co., Ltd.	2,680	2,024
CNHTC Ji'nan Bus Co., Ltd.	2,089	10,946
CNHTC Ji'nan Construction Co., Ltd.	957	3,644
CNHTC Qingdao Heavy Industry Co., Ltd.	320	—
CNHTC Ji'nan Special Truck Co., Ltd.	85	—
CNHTC Ji'nan Realty Management Co., Ltd.	23	21
CNHTC	—	41
	454,026	591,613
Purchases of trucks		
CNHTC Qingdao Heavy Industry Co., Ltd.	380,389	409,999
CNHTC Ji'nan Investment Co., Ltd.	263,220	400,642
CNHTC Ji'nan Special Truck Co., Ltd.	183,524	178,259
CNHTC Taian Wuyue Special Truck Co., Ltd.	170,001	208,432
Sinotruk Baotou Xinhongchang Special Vehicle Co., Ltd.	49,529	135,489
MAN Truck & Bus AG	1,342	949
	1,048,005	1,333,770

(All amounts in RMB thousands unless otherwise stated)

36. Related party transactions (Continued)

(a) Significant related party transactions (Continued)

	2012	2011
Purchases of spare parts		
CNHTC Datong Gear Co., Ltd.	410,573	545,556
CNHTC Ji'nan Bus Co., Ltd.	96,442	140,879
CNHTC Taian Wuyue Special Truck Co., Ltd.	26,115	108
CNHTC Ji'nan Investment Co., Ltd.	20,564	44,020
MAN Truck & Bus AG	5,232	12,022
CNHTC Qingdao Heavy Industry Co., Ltd.	4,570	405
CNHTC Ji'nan Construction Co., Ltd.	720	16,855
CNHTC Ji'nan Realty Management Co., Ltd.	137	162
CNHTC Ji'nan Special Truck Co., Ltd.	25	20
Ji'nan Automobile Test Center	—	47
	564,378	760,074
Sales of services		
CNHTC Ji'nan Bus Co., Ltd.	1,599	2,522
CNHTC Ji'nan Investment Co., Ltd.	1,331	79
CNHTC Ji'nan Realty Management Co., Ltd.	983	1,393
CNHTC Datong Gear Co., Ltd.	888	6
CNHTC Qingdao Heavy Industry Co., Ltd.	315	227
CNHTC Ji'nan Special Truck Co., Ltd.	17	1
CNHTC Taian Wuyue Special Truck Co., Ltd.	1	—
CNHTC Ji'nan Construction Co., Ltd.	—	490
	5,134	4,718
Purchases of general services		
CNHTC Ji'nan Realty Management Co., Ltd.	42,509	32,830
CNHTC	41,122	59,351
CNHTC Ji'nan Investment Co., Ltd.	12,740	14,930
CNHTC Ji'nan Construction Co., Ltd.	2,882	6,286
CNHTC Ji'nan Bus Co., Ltd.	621	1,558
CNHTC Datong Gear Co., Ltd.	509	259
Ji'nan Automobile Test Center	176	1,884
CNHTC Ji'nan Special Truck Co., Ltd.	91	—
	100,650	117,098

36. Related party transactions (Continued)

(a) Significant related party transactions (Continued)

	2012	2011
Rental income		
CNHTC Qingdao Heavy Industry Co., Ltd.	7,170	7,200
CNHTC Ji'nan Bus Co., Ltd.	2,524	3,347
Ji'nan Automobile Test Center	631	631
	10,325	11,178
Rental expenses		
CNHTC	13,330	16,521
Shandong Xin Hai Guarantee Co., Ltd.	1,297	1,297
	14,627	17,818
Purchases of construction services		
CNHTC Ji'nan Construction Co., Ltd.	106,776	129,161
Sales of technical support services		
CNHTC Real Estates Company	3,401	—
CNHTC Qingdao Heavy Industry Co., Ltd.	2,720	2,000
CNHTC Ji'nan Special Truck Co., Ltd.	2,200	200
CNHTC	1,619	5,057
CNHTC Datong Gear Co., Ltd.	1,050	2,125
CNHTC Ji'nan Investment Co., Ltd.	—	1,600
CNHTC Taian Wuyue Special Truck Co., Ltd.	—	1,600
	10,990	12,582

(All amounts in RMB thousands unless otherwise stated)

36. Related party transactions (Continued)

(a) Significant related party transactions (Continued)

	2012	2011
Interest expenses for deposit taking services		
CNHTC	1,378	600
CNHTC Real Estates Company	310	386
CNHTC Ji'nan Investment Co., Ltd.	159	133
CNHTC Ji'nan Realty Management Co., Ltd.	148	94
Ji'nan Tianqiao District Xin Hai Small-sum Loan Co., Ltd.	88	96
CNHTC Datong Gear Co., Ltd.	87	57
CNHTC Qingdao Heavy Industry Company	78	149
Ji'nan Automobile Test Center	63	64
CNHTC Taian Wuyue Special Truck Co., Ltd.	58	87
CNHTC Ji'nan Bus Co., Ltd.	43	84
CNHTC Ji'nan Construction Co., Ltd.	32	29
CNHTC Ji'nan Special Truck Co., Ltd.	27	66
CNHTC Wuzhishan Luohai Real Estates Company	15	2
Shandong Xin Hai Guarantee Co., Ltd.	2	26
Hangzhou Vehicles Engine Factory	2	1
	2,490	1,874
Sales of fixed assets		
CNHTC	366	—
CNHTC Real Estates Company	79	—
CNHTC Ji'nan Investment Co., Ltd.	2	—
CNHTC Ji'nan Bus Co., Ltd.	—	656
	447	656
Purchase of fixed assets		
CNHTC Ji'nan Investment Co., Ltd.	708	—
Ji'nan Tianqiao District Xin Hai Small-sum Loan Co., Ltd.	341	—
CNHTC Ji'nan Construction Co., Ltd.	125	—
CNHTC Taian Wuyue Special Truck Co., Ltd.	—	1,450
CNHTC Ji'nan Special Truck Co., Ltd.	—	357
CNHTC	—	29
	1,174	1,836

36. Related party transactions (Continued)

(a) Significant related party transactions (Continued)

	2012	2011
Technology license agreement		
MAN Truck & Bus AG	2,981	—
Key management compensation		
Directors		
– Basic salaries, housing allowances, other allowances and benefits-in-kind	4,406	5,697
Senior management		
– Basic salaries, housing allowances, other allowances and benefits-in-kind	1,025	1,058
	5,431	6,755

(b) Balances with related parties

	2012	2011
Amounts due from related parties		
Trade receivables	9,228	14,204
Prepayments	1,898	5,298
Other receivables	1,568	—
	12,694	19,502
Amounts due to related parties		
Non-current		
Long-term payables	170,069	245,741
Current		
Long-term payables - current portion	84,624	85,706
Trade payables	12,415	2,996
Other payables	11,179	78,400
Customers advances	2,788	11,707
Deposits taking	488,931	452,232
	599,937	631,041

As at 31 December 2012 and 2011, except for the long-term payables and deposits taking, amounts due from/to related parties were all unsecured, interest free and due within one year. As at 31 December 2012 and 2011, long-term payables to related parties were unsecured, interest free and due within 5 years. As at 31 December 2012 and 2011, deposits taking from related parties were unsecured, bearing interest at rates mutually agreed and due within one year.

(All amounts in RMB thousands unless otherwise stated)

36. Related party transactions (Continued)

(b) Balances with related parties (Continued)

	2012	2011
Trade receivables		
CNHTC	6,441	—
CNHTC Real Estates Company	2,787	—
CNHTC Ji'nan Construction Co., Ltd.	—	4,096
CNHTC Ji'nan Special Truck Co., Ltd.	—	4,004
CNHTC Ji'nan Investment Co., Ltd.	—	3,200
CNHTC Datong Gear Co., Ltd.	—	2,125
CNHTC Taian Wuyue Special Truck Co., Ltd.	—	779
	9,228	14,204
Prepayments		
MAN Truck & Bus AG	1,898	—
CNHTC Ji'nan Construction Co., Ltd.	—	4,730
CNHTC Qingdao Heavy Industry Co., Ltd.	—	538
CNHTC Ji'nan Investment Co., Ltd.	—	30
	1,898	5,298
Other Receivables		
MAN Truck & Bus AG	1,511	—
CNHTC Datong Gear Co., Ltd.	57	—
	1,568	—
Long-term payables under technology license agreement due to MAN Truck & Bus AG		
Non-current portion	170,069	245,741
Current portion	84,624	85,706
	254,693	331,447

36. Related party transactions (Continued)

(b) Balances with related parties (Continued)

	2012	2011
Trade payables		
CNHTC Ji'nan Construction Co., Ltd.	5,443	—
CNHTC Datong Gear Co., Ltd.	4,423	890
CNHTC Ji'nan Investment Co., Ltd.	1,915	—
Sinotruk Baotou Xinhongchang Special Vehicle Co., Ltd.	349	1,059
CNHTC Qingdao Heavy Industry Co., Ltd.	285	—
MAN Truck & Bus AG	—	918
CNHTC Taian Wuyue Special Truck Co., Ltd.	—	129
	12,415	2,996
Other payables		
CNHTC Ji'nan Bus Co., Ltd.	5,456	—
CNHTC Ji'nan Construction Co., Ltd.	2,612	75,811
CNHTC Qingdao Heavy Industry Co., Ltd.	1,523	524
CNHTC Ji'nan Special Truck Co., Ltd.	628	889
Sinotruk Baotou Xinhongchang Special Vehicle Company	500	—
CNHTC Ji'nan Investment Co., Ltd.	250	—
CNHTC Taian Wuyue Special Truck Co., Ltd.	200	700
CNHTC Ji'nan Realty Management Co., Ltd.	10	472
Ji'nan Automobile Test Center	—	4
	11,179	78,400
Customers advances		
CNHTC Qingdao Heavy Industry Co., Ltd.	2,234	8,549
Sinotruk Baotou Xinhongchang Special Vehicle Company	480	—
CNHTC Wuzhishan Luohai Real Estates Co., Ltd.	50	—
CNHTC Taian Wuyue Special Truck Co., Ltd.	16	—
CNHTC Lease Firm	8	3,158
	2,788	11,707

(All amounts in RMB thousands unless otherwise stated)

36. Related party transactions (Continued)

(b) Balances with related parties (Continued)

	2012	2011
Deposit taking		
CNHTC Ji'nan Investment Co., Ltd.	207,168	45,523
CNHTC	204,687	336,223
CNHTC Ji'nan Realty Management Co., Ltd.	20,214	1,913
CNHTC Real Estates Company	12,967	19,873
CNHTC Ji'nan Special Truck Co., Ltd.	11,688	1,222
Ji'nan Automobile Test Center	11,158	1,581
CNHTC Qingdao Heavy Industry Co.,Ltd.	7,313	9,150
CNHTC Taian Wuyue Special Truck Co., Ltd.	6,972	8,409
CNHTC Wuzhishan Luohai Real Estates Co., Ltd.	3,018	3
CNHTC Datong Gear Co., Ltd.	2,551	562
Hangzhou Vehicles Engine Factory	815	1
Ji'nan Tianqiao District Xin Hai Small-sum Loan Co., Ltd.	305	25,520
CNHTC Ji'nan Construction Co., Ltd.	49	572
CNHTC Ji'nan Bus Co., Ltd.	15	1,113
Shandong Xin Hai Guarantee Co., Ltd.	11	567
	488,931	452,232

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

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

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

As at 31 December 2012 and 2011, majority of the Group's bank balances and borrowings are with state-owned banks. The Group also has transactions with Other State-owned Enterprises including but not limited to sales of products, purchases of raw material and services. The directors of the Company are of the opinion that these transactions are conducted in the ordinary business of the Group.

37. Approval of accounts

These consolidated financial statements have been approved for issue by the Board on 26 March 2013.

FIVE YEARS FINANCIAL SUMMARY

OPERATING RESULTS

	For the year ended 31 December				
	2008 RMB'000	2009 RMB'000	2010 RMB'000	2011 RMB'000	**2012** **RMB'000**
Turnover	26,000,199	27,900,781	39,656,160	36,603,546	**27,888,431**
Profit before income tax	1,299,105	1,309,022	2,054,248	1,465,967	**320,438**
Income tax expense	(185,909)	(292,973)	(324,733)	(297,645)	**(148,957)**
Profit for the year	1,113,196	1,016,049	1,729,515	1,168,322	**171,481**
Attributed to:					
Equity holders of the Company	880,774	836,759	1,480,745	1,002,177	**122,969**
Non-controlling interests	232,422	179,290	248,770	166,145	**48,512**
Profit for the year	1,113,196	1,016,049	1,729,515	1,168,322	**171,481**

ASSETS, LIABILITIES AND EQUITY

	As at 31 December				
	2008 RMB'000	2009 RMB'000	2010 RMB'000	2011 RMB'000	**2012** **RMB'000**
Total assets	28,302,312	39,374,871	53,909,618	51,993,325	**43,749,563**
Total liabilities	15,858,580	21,198,022	34,149,547	31,424,725	**23,294,451**
Total equity	12,443,732	18,176,849	19,760,071	20,568,600	**20,455,112**
Attributed to:					
Equity holders of the Company	11,305,492	16,893,017	18,127,378	18,749,639	**18,649,102**
Non-controlling interests	1,138,240	1,283,832	1,632,693	1,818,961	**1,806,010**
Total equity	12,443,732	18,176,849	19,760,071	20,568,600	**20,455,112**

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

CNHTC

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