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)

## ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2014

## RESULTS

The Board is pleased to announce the consolidated results of Sinotruk (Hong Kong) Limited and its subsidiaries for the year ended 31 December 2014 together with the comparative figures for the previous year as follows:

### Consolidated Statement of Comprehensive Income
### For the year ended 31 December 2014

| | Note | **2014** | 2013 |
|---|---|---|---|
| | | **Audited** | Audited |
| | | **RMB'000** | RMB'000 |
| Turnover | 3 | **32,809,402** | 30,409,787 |
| Cost of sales | 4 | **(27,273,250)** | (25,318,995) |
| Gross profit | | **5,536,152** | 5,090,792 |
| Distribution costs | 4 | **(2,280,186)** | (2,237,779) |
| Administrative expenses | 4 | **(2,406,100)** | (2,075,425) |
| Other gains – net | 5 | **304,607** | 209,958 |
| Operating profit | | **1,154,473** | 987,546 |
| Finance income | | **77,598** | 83,715 |
| Finance costs | | **(427,843)** | (478,968) |
| Finance costs – net | | **(350,245)** | (395,253) |
| Profit before income tax | | **804,228** | 592,293 |
| Income tax expense | 6 | **(209,269)** | (152,738) |
| Profit for the year | | **594,959** | 439,555 |

## Consolidated Statement of Comprehensive Income (Continued)
## For the year ended 31 December 2014

| | Note | **2014** | 2013 |
|---|---|---|---|
| | | **Audited** | Audited |
| | | **RMB'000** | RMB'000 |
| Other comprehensive income: | | | |
| *Items that will not be reclassified subsequently to profit or loss* | | | |
| Remeasurements of termination and post-employment benefits | | **(5,730)** | (5,410) |
| *Items that may be reclassified to profit or loss* | | | |
| Losses on currency translation | | **(7,866)** | (17,909) |
| Total comprehensive income for the year | | **581,363** | 416,236 |
| Profit attributable to: | | | |
| — equity holders of the Company | | **408,032** | 271,387 |
| — non-controlling interests | | **186,927** | 168,168 |
| | | **594,959** | 439,555 |
| Total comprehensive income attributable to: | | | |
| — equity holders of the Company | | **394,436** | 248,068 |
| — non-controlling interests | | **186,927** | 168,168 |
| | | **581,363** | 416,236 |
| Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in RMB per share) | | | |
| — basic and diluted | 7 | **0.15** | 0.10 |

## Consolidated Statement of Financial Position
## As at 31 December 2014

| | Note | **2014** | 2013 |
|---|---|---|---|
| | | **Audited** | Audited |
| | | **RMB'000** | RMB'000 |
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Land use rights | | **1,764,228** | 1,545,785 |
| Property, plant and equipment | | **11,756,288** | 12,681,507 |
| Investment properties | | **188,974** | 180,023 |
| Intangible assets | | **643,289** | 672,195 |
| Goodwill | | **3,868** | 3,868 |
| Deferred income tax assets | | **1,081,522** | 952,781 |
| Investment in associates | | **8,967** | 2,319 |
| Trade receivables and other receivables | 8 | **522,453** | 423,897 |
| | | **15,969,589** | 16,462,375 |
| **Current assets** | | | |
| Inventories | | **6,577,334** | 7,803,963 |
| Trade receivables, other receivables and other current assets | 8 | **12,833,842** | 16,124,932 |
| Financial assets at fair value through profit and loss | | **111,179** | 1,236 |
| Amounts due from related parties | | **25,333** | 16,512 |
| Cash and bank balances | | **8,775,515** | 5,288,229 |
| | | **28,323,203** | 29,234,872 |
| **Total assets** | | **44,292,792** | 45,697,247 |

## Consolidated Statement of Financial Position (continued)

## As at 31 December 2014

| | Note | 2014 Audited | 2013 Audited |
|---|---|---|---|
| | | RMB'000 | RMB'000 |
| **EQUITY** | | | |
| **Capital and reserves attributable to equity holders of the Company** | | | |
| Share capital: nominal value | | - | 261,489 |
| Other statutory capital reserves | | - | 16,455,535 |
| Share capital and other statutory capital reserves | | **16,717,024** | 16,717,024 |
| Other reserves | | **(1,322,434)** | (1,465,041) |
| Retained earnings: | | | |
| - Proposed final dividend | | **131,110** | 87,481 |
| - Others | | **3,645,178** | 3,524,672 |
| | | **19,170,878** | 18,864,136 |
| **Non-controlling interests** | | **2,075,501** | 1,948,236 |
| **Total equity** | | **21,246,379** | 20,812,372 |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Borrowings | | **2,412,465** | 753,400 |
| Deferred income tax liabilities | | **28,918** | 29,870 |
| Termination and post-employment benefits | | **17,020** | 21,470 |
| Deferred income | | **243,246** | 294,914 |
| Long-term payable | | - | 4,920 |
| Amounts due to related parties | | - | 85,268 |
| | | **2,701,649** | 1,189,842 |
| **Current liabilities** | | | |
| Trade payables, other payables and other current liabilities | 9 | **14,556,737** | 13,810,802 |
| Current income tax liabilities | | **65,895** | 60,353 |
| Borrowings | | **4,813,985** | 9,019,237 |
| Amounts due to related parties | | **555,447** | 448,276 |
| Provisions for other liabilities | | **352,700** | 356,365 |
| | | **20,344,764** | 23,695,033 |
| **Total liabilities** | | **23,046,413** | 24,884,875 |
| **Total equity and liabilities** | | **44,292,792** | 45,697,247 |
| **Net current assets** | | **7,978,439** | 5,539,839 |
| **Total assets less current liabilities** | | **23,948,028** | 22,002,214 |

**Notes:**

## 1. General information

The Company was incorporated in Hong Kong on 31 January 2007 as a limited liability company and its shares are listed on the Main Board of the Stock Exchange since 2007.

The Group is principally engaged in the manufacturing and sales of commercial trucks including 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 registered office of the Company is situated at Units 2102-2103, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong.

## 2. Basis of preparation

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

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

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

## 2. Basis of preparation (Continued)

**Changes in accounting policy and disclosures**

(1) New and amended standards adopted by the Group

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

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

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

## 2. Basis of preparation (Continued)

### Changes in accounting policy and disclosures (Continued)

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

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

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

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

## 2. Basis of preparation (Continued)

### Changes in accounting policy and disclosures (continued)

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

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

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

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

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

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

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

Other standards, amendments and interpretations which are effective for the financial year beginning on 1 January 2014 are not material to the Group.

## 2. Basis of preparation (Continued)

### Changes in accounting policy and disclosures (Continued)

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

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

| Standards | Description | Effective date |
|---|---|---|
| Amendments to HKAS 19 | Defined benefits plans | 1 July 2014 |
| Annual improvements 2012 | Annual improvements to HKFRSs 2010-2012 cycle | 1 July 2014 |
| Annual improvements 2013 | Annual improvements to HKFRSs 2011-2013 cycle | 1 July 2014 |
| HKFRS 14 | 'Regulatory Deferral Accounts' | 1 January 2016 |
| Amendment to HKFRS 11 | Accounting for acquisitions of interests in joint operations | 1 January 2016 |
| Amendments to HKAS 16 and HKAS 38 | Clarification of acceptable methods of depreciation and amortisation | 1 January 2016 |
| Amendments to HKAS 16 and HKAS 41 | Agriculture: bearer plants | 1 January 2016 |
| Amendments to HKFRS 10 and HKAS 28 | Sale or contribution of assets between an investor and its associate or joint venture | 1 January 2016 |
| Amendment to HKAS 27 | Equity method in separate financial statements | 1 January 2016 |
| Annual improvements 2014 | Annual improvements to HKFRSs 2012-2014 cycle | 1 January 2016 |
| Amendments to HKFRS 10, HKFRS 12 and HKAS 28 | Investment entities: applying the consolidation exception | 1 January 2016 |
| Amendments to HKAS 1 | Disclosure initiative | 1 January 2016 |
| HKFRS15 | 'Revenue from Contracts with Customers' | 1 January 2017 |
| HKFRS 9 | 'Financial Instruments' | 1 January 2018 |

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

## 2. Basis of preparation (Continued)

### Changes in accounting policy and disclosures (Continued)

(3) New Companies Ordinance

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

## 3. Turnover and segment information

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

| | Audited | | | | | |
|---|---|---|---|---|---|---|
| | **Heavy duty trucks** | **Light duty trucks and buses** | **Engines** | **Finance** | **Elimination** | **Total** |
| | **RMB'000** | **RMB'000** | **RMB'000** | **RMB'000** | **RMB'000** | **RMB'000** |
| External segment revenue | | | | | | |
| Sales of goods | **27,612,353** | **3,509,981** | **1,049,603** | **-** | **-** | **32,171,937** |
| Provision of financing services | **-** | **-** | **-** | **301,156** | **-** | **301,156** |
| Rendering of services | **298,932** | **7,512** | **29,865** | **-** | **-** | **336,309** |
| Total | **27,911,285** | **3,517,493** | **1,079,468** | **301,156** | **-** | **32,809,402** |
| Inter-segment revenue | **364,785** | **87,233** | **6,643,250** | **80,933** | **(7,176,201)** | **-** |
| **Segment revenue** | **28,276,070** | **3,604,726** | **7,722,718** | **382,089** | **(7,176,201)** | **32,809,402** |
| **Operating profit/(losses) before unallocated expenses** | **625,790** | **(251,953)** | **434,457** | **200,074** | **164,264** | **1,172,632** |
| Unallocated expenses | | | | | | **(18,159)** |
| Operating profit | | | | | | **1,154,473** |
| **Finance costs – net** | | | | | | **(350,245)** |
| **Profit before income tax** | | | | | | **804,228** |
| Income tax expense | | | | | | **(209,269)** |
| **Profit for the year** | | | | | | **594,959** |

## 3. Turnover and segment information (Continued)

The segment results for the year ended 31 December 2013 are as follows:

| | Audited | | | | | |
|---|---|---|---|---|---|---|
| | Heavy duty trucks | Light duty trucks and buses | Engines | Finance | Elimination | Total |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| External segment revenue | | | | | | |
| Sales of goods | 25,683,664 | 2,824,777 | 1,111,784 | - | - | 29,620,225 |
| Provision of financing services | - | - | - | 217,126 | - | 217,126 |
| Rendering of services | 453,008 | 17,202 | 102,226 | - | - | 572,436 |
| Total | 26,136,672 | 2,841,979 | 1,214,010 | 217,126 | - | 30,409,787 |
| Inter-segment revenue | 73,847 | 28,917 | 6,154,041 | 46,642 | (6,303,447) | - |
| Segment revenue | 26,210,519 | 2,870,896 | 7,368,051 | 263,768 | (6,303,447) | 30,409,787 |
| Operating profit/(losses) before unallocated expenses | 719,404 | (272,142) | 260,592 | 187,946 | 117,225 | 1,013,025 |
| Unallocated expenses | | | | | | (25,479) |
| Operating profit | | | | | | 987,546 |
| Finance costs – net | | | | | | (395,253) |
| Profit before income tax | | | | | | 592,293 |
| Income tax expense | | | | | | (152,738) |
| Profit for the year | | | | | | 439,555 |

## 3. Turnover and segment information (Continued)

Other segment items included in the consolidated statement of comprehensive income for the year ended 31 December 2014:

| | Audited | | | | | |
|---|---|---|---|---|---|---|
| | **Heavy duty trucks** | **Light duty trucks and buses** | **Engines** | **Finance** | **Unallocated** | **Total** |
| | **RMB'000** | **RMB'000** | **RMB'000** | **RMB'000** | **RMB'000** | **RMB'000** |
| Depreciation | **488,003** | **83,659** | **647,223** | **824** | **47** | **1,219,756** |
| Amortisation of intangible assets and land use rights | **55,128** | **7,148** | **136,534** | **69** | **19** | **198,898** |

Other segment items included in the consolidated statement of comprehensive income for the year ended 31 December 2013:

| | Audited | | | | | |
|---|---|---|---|---|---|---|
| | Heavy duty trucks | Light duty trucks and buses | Engines | Finance | Unallocated | Total |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Depreciation | 453,945 | 58,148 | 509,056 | 863 | 46 | 1,022,058 |
| Amortisation of intangible assets and land use rights | 49,525 | 7,838 | 122,306 | 69 | 19 | 179,757 |

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

| | Audited | | | | | |
|---|---|---|---|---|---|---|
| | **Heavy duty trucks** | **Light duty trucks and buses** | **Engines** | **Finance** | **Unallocated** | **Total** |
| | **RMB'000** | **RMB'000** | **RMB'000** | **RMB'000** | **RMB'000** | **RMB'000** |
| Segment assets | **28,521,535** | **3,237,356** | **11,657,660** | **11,385,105** | **4,614,150** | **59,415,806** |
| Elimination | | | | | | **(15,123,014)** |
| Total assets | | | | | | **44,292,792** |
| Segment liabilities | **11,766,202** | **2,718,824** | **2,776,726** | **9,993,912** | **7,361,583** | **34,617,247** |
| Elimination | | | | | | **(11,570,834)** |
| Total liabilities | | | | | | **23,046,413** |
| Segment capital expenditure | **381,382** | **191,684** | **133,536** | **186** | **15** | **706,803** |

### 3. Turnover and segment information (Continued)

Segment assets and liabilities as at 31 December 2014 are reconciled to entity assets and liabilities as follows:

| | **Audited** | |
|---|---|---|
| | **Assets** | **Liabilities** |
| | **RMB'000** | **RMB'000** |
| Segment assets/liabilities after elimination | **39,678,642** | **15,684,830** |
| Unallocated: | | |
| Deferred tax assets/liabilities | **1,081,522** | **28,918** |
| Current tax assets/liabilities | **91,047** | **65,895** |
| Current borrowings | **-** | **4,813,985** |
| Non-current borrowings | **-** | **2,412,465** |
| Other assets/liabilities of the Company | **3,441,581** | **40,320** |
| Total | **44,292,792** | **23,046,413** |

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

| | Audited | | | | | |
|---|---|---|---|---|---|---|
| | Heavy duty trucks | Light duty trucks and buses | Engines | Finance | Unallocated | Total |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Segment assets | 27,164,787 | 3,273,124 | 11,869,463 | 5,521,798 | 6,279,281 | 54,108,453 |
| Elimination | | | | | | (8,411,206) |
| Total assets | | | | | | 45,697,247 |
| Segment liabilities | 9,973,869 | 2,369,783 | 2,838,884 | 4,264,243 | 9,931,230 | 29,378,009 |
| Elimination | | | | | | (4,493,134) |
| Total liabilities | | | | | | 24,884,875 |
| Segment capital expenditure | 549,745 | 372,964 | 343,523 | 44 | 5 | 1,266,281 |

## 3. Turnover and segment information (Continued)

Segment assets and liabilities as at 31 December 2013 are reconciled to entity assets and liabilities as follows:

| | Audited | |
|---|---|---|
| | Assets | Liabilities |
| | RMB'000 | RMB'000 |
| Segment assets/liabilities after elimination | 39,417,966 | 14,953,645 |
| Unallocated: | | |
| Deferred tax assets/liabilities | 952,781 | 29,870 |
| Current tax assets/liabilities | 82,204 | 60,353 |
| Current borrowings | - | 9,019,237 |
| Non-current borrowings | - | 753,400 |
| Other assets/liabilities of the Company | 5,244,296 | 68,370 |
| Total | 45,697,247 | 24,884,875 |

Turnover 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.

| | **2014** | 2013 |
|---|---|---|
| | **Audited** | Audited |
| | **RMB'000** | RMB'000 |
| **Turnover** | | |
| Mainland China | **26,249,202** | 24,881,188 |
| Overseas | **6,560,200** | 5,528,599 |
| | **32,809,402** | 30,409,787 |

## 3. Turnover and segment information (Continued)

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

| | **2014** | 2013 |
|---|---|---|
| | **Audited** | Audited |
| | **RMB'000** | RMB'000 |
| **Total assets** | | |
| Mainland China | **37,232,586** | 37,204,393 |
| Overseas | **7,060,206** | 8,492,854 |
| | **44,292,792** | 45,697,247 |

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

| | **2014** | 2013 |
|---|---|---|
| | **Audited** | Audited |
| | **RMB'000** | RMB'000 |
| **Non-current assets other than deferred income tax assets** | | |
| Mainland China | **14,655,261** | 15,285,198 |
| Overseas | **232,806** | 224,396 |
| | **14,888,067** | 15,509,594 |

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

| | **2014** | 2013 |
|---|---|---|
| | **Audited** | Audited |
| | **RMB'000** | RMB'000 |
| **Capital expenditure** | | |
| Mainland China | **706,707** | 1,266,231 |
| Overseas | **96** | 50 |
| | **706,803** | 1,266,281 |

## 4. Expenses by nature

| | **2014** | 2013 |
|---|---|---|
| | **Audited** | Audited |
| | **RMB'000** | RMB'000 |
| Materials cost | **23,642,448** | 22,359,809 |
| Employee benefit expenses | **2,786,620** | 2,428,714 |
| Warranty expenses | **735,570** | 720,371 |
| Utilities expenses | **727,029** | 681,951 |
| Maintenance costs | **267,841** | 192,211 |
| Subcontracting costs | **260,425** | 217,969 |
| Amortisation of land use rights | **34,513** | 36,951 |
| Depreciation of property, plant and equipment | **1,219,756** | 1,022,058 |
| Amortisation of intangible assets | **164,385** | 142,806 |
| Transportation expenses | **874,755** | 940,044 |
| Advertising costs | **91,250** | 94,486 |
| Travel and office expenses | **224,154** | 225,157 |
| Transaction taxes | **144,313** | 141,112 |
| Write-down of inventories to net realisable value | **104,155** | 192,454 |
| Auditor's remuneration | **15,282** | 13,438 |
| Provision for impairment of trade and other receivables | **201,893** | 62,867 |
| Rental expenses | **51,059** | 53,845 |
| Other charges | **414,088** | 105,956 |
| Total | **31,959,536** | 29,632,199 |
| Representing: | | |
| Cost of sales | **27,273,250** | 25,318,995 |
| Distribution costs | **2,280,186** | 2,237,779 |
| Administrative expenses | **2,406,100** | 2,075,425 |
| Total | **31,959,536** | 29,632,199 |

## 5. Other gains – net

| | 2014<br>Audited<br>RMB'000 | 2013<br>Audited<br>RMB'000 |
|---|---|---|
| Losses from financial assets at fair value through profit or loss | **(12,342)** | (241) |
| Disposal of scraps | **64,833** | 63,598 |
| Government grants (a) | **179,432** | 222,231 |
| Fair value gains / ( losses) on investment properties | **8,331** | (20,746) |
| (Losses) / gains on disposals of property, plant and equipment | **(8,452)** | 5,354 |
| Rental income | **15,642** | 15,334 |
| Loss on investment in associates | **(2,352)** | (2,245) |
| Foreign exchange gains / ( losses) - net | **28,904** | (72,519) |
| Others | **30,611** | (808) |
| Total | **304,607** | 209,958 |

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

## 6. Taxation

The Company, Sinotruk (Hong Kong) International Investment Limited and Sinotruk Hong Kong Capital Holding Limited are subject to Hong Kong profits tax at the rate of 16.5% (2013: 16.5%) on their estimated assessable profit for the year. In addition, the Company is determined as a Chinese resident enterprise and, accordingly, is subject to corporate income tax of the People's Republic of China ("**PRC**"), which has been calculated based on the corporate income tax rate of 25% (2013: 25%).

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

## 6. Taxation (Continued)

Sinotruk Ji'nan Power Co., Ltd. and Sinotruk Hangzhou Engines Co., Ltd. have been recognised as the High New Tech Enterprises in 2011 and their application for renewal of the status of the High New Tech Enterprises have been approved by local tax bureaus. Sinotruk Ji'nan Fuqiang Power Co., Ltd. has been recognised as the High New Tech Enterprises in 2012. According to the tax incentives of the Corporate Income Tax Law of the PRC (the "**CIT Law**") for High New Tech Enterprises, these companies are subject to a reduced corporate income tax rate of 15% for three years (2013: 15%).

Sinotruk Chongqing Fuel System Co., Ltd., Sinotruk Liuzhou Yunli Special Vehicles Co., Ltd., Sinotruk Chengdu Wangpai Commercial Vehicles Co., Ltd. and Sinotruk Mianyang Special Vehicles Co., Ltd. are subject to a corporate income tax rate of 15% according to the Western Development tax incentives of the CIT Law (2013: 15%).

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

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

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

| | **2014** | 2013 |
|---|---|---|
| | **Audited** | Audited |
| | **RMB'000** | RMB'000 |
| Current tax: | | |
| - Hong Kong profits tax | **2,920** | 5,068 |
| - PRC corporate income tax | **336,042** | 238,432 |
| Total current tax | **338,962** | 243,500 |
| Deferred tax | **(129,693)** | (90,762) |
| Income tax expense | **209,269** | 152,738 |

## 7. Earnings per share

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

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

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

## 8. Trade receivables, other receivables and other current assets

| | 2014 | 2013 |
|---|---|---|
| | **Audited** | Audited |
| | **RMB'000** | RMB'000 |
| **Non-current** | | |
| Accounts receivable | **75,850** | 25,018 |
| Loans and receivables from financing services | **453,404** | 404,955 |
| Less: Provision for impairment of loans and receivables from financing services | **(6,801)** | (6,076) |
| Loans and receivables from financing services - net | **446,603** | 398,879 |
| Trade receivables and other receivables | **522,453** | 423,897 |
| **Current** | | |
| Accounts receivable | **7,099,231** | 5,368,913 |
| Less: Provision for impairment of accounts receivable | **(326,445)** | (227,583) |
| Accounts receivable - net | **6,772,786** | 5,141,330 |
| Notes receivable | | |
| - Bank acceptance notes | **3,600,291** | 8,675,848 |
| - Commercial acceptance notes | **50,230** | 35,611 |
| Notes receivable - total | **3,650,521** | 8,711,459 |
| Trade receivables - net | **10,423,307** | 13,852,789 |
| Loans and receivables from financing services | **1,352,304** | 1,232,793 |
| Less: Provision for impairment from financing services | **(26,082)** | (20,584) |
| Loans and receivables from financing services - net | **1,326,222** | 1,212,209 |
| Other receivables | **459,031** | 371,708 |
| Less: Provision for impairment of other receivables | **(7,581)** | (4,603) |
| Other receivables - net | **451,450** | 367,105 |
| Interest receivables | **44,958** | 20,766 |
| Receivables and other current assets before prepaid items | **12,245,937** | 15,452,869 |
| Prepayments | **237,100** | 271,070 |
| Prepaid taxes other than income tax | **259,758** | 318,789 |
| Prepaid income taxes | **91,047** | 82,204 |
| Trade receivables, other receivables and other current assets - net | **12,833,842** | 16,124,932 |

## 8. Trade receivables, other receivables and other current assets (Continued)

As at 31 December 2014 and 2013, the carrying amounts of the Group's receivables and other current assets before prepaid items approximated their fair values.

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

| | **2014** | 2013 |
|---|---|---|
| | **Audited** | Audited |
| | **RMB'000** | RMB'000 |
| Less than 3 months | **7,992,719** | 7,523,947 |
| 3 months to 6 months | **1,585,902** | 5,343,327 |
| 6 months to 12 months | **166,756** | 136,570 |
| 1 year to 2 years | **391,190** | 828,416 |
| 2 years to 3 years | **362,509** | 41,843 |
| Over 3 years | **81** | 3,704 |
| | **10,499,157** | 13,877,807 |

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

## 8. Trade receivables, other receivables and other current assets (Continued)

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

| | 2014 Audited RMB'000 | 2013 Audited RMB'000 |
|---|---|---|
| Less than 3 months | **258,543** | 400,502 |
| 3 months to 6 months | **316,913** | 336,987 |
| 6 months to 12 months | **750,766** | 474,720 |
| 1 year to 2 years | **365,333** | 387,865 |
| 2 years to 3 years | **81,270** | 11,014 |
| | **1,772,825** | 1,611,088 |

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

## 9. Trade payables, other payables and other current liabilities

| | 2014 Audited RMB'000 | 2013 Audited RMB'000 |
|---|---|---|
| Trade and bills payables | **10,116,689** | 8,346,626 |
| Advances from customers | **1,029,313** | 1,706,698 |
| Accrued expenses | **622,382** | 367,212 |
| Staff welfare and salaries payable | **228,848** | 226,174 |
| Taxes liabilities other than income tax | **217,964** | 83,062 |
| Other payables | **2,341,541** | 3,081,030 |
| | **14,556,737** | 13,810,802 |

## 9. Trade payables, other payables and other current liabilities (Continued)

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

| | **2014** | 2013 |
|---|---|---|
| | **Audited** | Audited |
| | **RMB'000** | RMB'000 |
| Less than 3 months | **8,294,348** | 4,710,497 |
| 3 months to 6 months | **1,683,625** | 3,561,271 |
| 6 months to 12 months | **117,025** | 44,450 |
| 1 year to 2 years | **11,953** | 25,843 |
| 2 years to 3 years | **6,151** | 2,082 |
| Over 3 years | **3,587** | 2,483 |
| | **10,116,689** | 8,346,626 |

# Proposed Final Dividends and Withholding Tax

The Board recommends the payment of a final dividend of HKD0.06 per Share for the year ended 31 December 2014 (the "**2014 Final Dividend**") with a sum of approximately HKD165,660,000 which is subject to shareholders' approval at the forthcoming 2015 annual general meeting of the Company to be held on 15 June 2015. The 2014 Final Dividend, if approved, will be distributed on or about 17 July 2015 to shareholders of the Company whose names appear on the register of members of the Company on 30 June 2015.

The Company has been determined as a Chinese resident enterprise. Pursuant to the "Enterprise Income Tax Law of the People's Republic of China"《中華人民共和國企業所得稅法》and the "Detailed Rules for the Implementation of the Enterprise Income Tax Law of the People's Republic of China"《中華人民共和國企業所得稅法實施條例》, a Chinese-controlled offshore incorporated enterprise shall withhold and pay enterprise income tax for its non-PRC resident enterprise shareholders. As the withholding and payment obligation lies with the Company, the Company will withhold and pay enterprise income tax for its non-PRC resident enterprise Shareholders to whom the Company pays the 2014 Final Dividend.

In respect of all the Shareholders whose names are not registered as natural persons (including HKSCC Nominees Limited, corporate nominees or trustees such as securities companies and banks, and other entities or organisations, which are all considered as non-PRC resident enterprise Shareholders), the Company will distribute the 2014 Final Dividend after deducting an enterprise income tax of 10% or other appropriate rates. The Company will not withhold and pay the income tax in respect of the 2014 Final Dividend payable to PRC resident enterprise Shareholders, exempted entities or any natural person Shareholders.

# Closure of Register of Members

The annual general meeting of the Company will be held on 15 June 2015 and the register of members of the Company will be closed from 11 June 2015 to 15 June 2015 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify to attend and vote in the annual general meeting, holders of the Shares must lodge their share certificates together with the relevant share transfer documents with Computershare Hong Kong Investor Services Limited, the share registrar of the Company, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 10 June 2015.

For the distribution of the 2014 Final Dividend, the register of members of the Company will be closed from 29 June 2015 to 30 June 2015 (both days inclusive), during which period no transfer of Shares will be registered. In order to qualify to receive the proposed 2014 Final Dividend, holders of the Shares must lodge their share certificates together with the relevant share transfer documents with Computershare Hong Kong Investor Services Limited, the share registrar of the Company, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 26 June 2015.

## Market Overview

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

## Review of Operations

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

### Heavy Duty Trucks Segment

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

**Domestic Business**

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

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

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

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

**International Business**

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

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

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

## Light Duty Trucks and Buses Segment

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

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

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

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

## Engines Segment

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

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

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

## Technological Upgrade

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

## Research and Development

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

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

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

## Finance Segment

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

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

## Significant Investments

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

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

In December 2014, the Group entered into a contract with Shenyin and Wanguo Securities Co., Ltd. to purchase its 0.6% equity interest in Sinotruk Finance. The Group will hold a 80.0% equity interest in Sinotruk Finance following this transaction. Sinotruk Finance is currently applying for such shareholding changes with relevant government departments which is expected to be completed in 2015.

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

## Human Resources

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

## Business Strategies and Prospects

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

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

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

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

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

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

## Turnover, gross profit and gross profit margin

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

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

## Distribution costs

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

## Administrative expenses

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

## Other gains – net

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

## Finance costs – net

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

## Income tax expense

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

## Profit for the year and earnings per share

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

## Trade and net financial service receivables

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

As at 31 December 2014, the net financial services receivables increased from RMB 1,611 million to RMB 1,773 million, representing an increase of RMB162 million or 10.1%. The finance segment of the Group has credit period of one to three years. In addition, these financing services receivables are secured by the vehicles together with guarantees provided by the dealers and relevant parties.

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

## Cash flow

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

Net cash outflow from investing activities in the year 2014 was RMB406 million, an increase of cash outflow of RMB69 million as compared with cash outflow of RMB337 million in the year 2013. The increase was mainly due to purchase of financial products.

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

## Liquidity and financial resources

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

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

As at 31 December 2014, total available credit facilities of the Group amounted to RMB34,984 million, of which RMB6,788 million had been utilised. An aggregate amount of RMB1,218 million of restricted bank deposits was pledged to secure various credit facilities. In addition, Sinotruk Finance has made mandatory deposits of RMB1,117 million to PBOC for its financial operations. The Group meets its daily liquidity needs by matching operating cash flow patterns with funds on hand and enhances its liquidity by way of application for longer credit periods from suppliers, utilization of banking facilities and issue of bills such as short-term commercial acceptance notes and bank acceptance notes.

## Financial Management and Policy

The finance department is responsible for financial risk management of the Group. One of our key financial policies is to manage exchange rate risk. Our treasury policy prohibited the Group from participating in any speculative activities. As at 31 December 2014, most of the Group's assets and liabilities were denominated in RMB. Cash and bank balances equivalent to approximately RMB214 million, accounts receivables and other receivables equivalent to approximately RMB1,611 million, accounts payable equivalent to approximately RMB610 million and amounts due to related parties equivalent to approximately RMB78 million, were denominated in currencies other than RMB.

## Capital Structure

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

As at 31 December 2014, the Company's market capitalisation was RMB9,431 million (calculated by the issued share capital of the Company: 2,760,993,339 Shares, closing price: HKD 4.33 per Share and at the exchange rate of 1: 0.78887 between HKD and RMB).

## Going Concern

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

## Contingent Liabilities, Legal Proceedings and Potential Litigation

During the Period, the Group was not involved in any litigation, arbitration or administrative proceedings that could have a material adverse effect on its financial condition and results of operations. The Group estimates that the total amount of claims of all lawsuits is approximately RMB127 million. There was no provision for legal claims as at 31 December 2014.

## Corporate Governance

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

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

Compliance of Rules 3.10A and 3.11 of the Listing Rules

Upon the appointment of Mr Franz Neundlinger as an ED on 5 December 2013, the Board comprised sixteen members including five INEDs. As a result, the number of INEDs had fallen below one-third of the Board as required under Rule 3.10A of the Listing Rules.

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

## Adoption of New Articles of Association

The New Companies Ordinance came into effect on 3 March 2014. The Company proposes to put forward to Shareholders for approval at the forthcoming 2015 annual general meeting of the Company a special resolution to adopt the New Articles in substitution for and to the exclusion of the existing Memorandum and Articles. The proposed New Articles mainly reflect certain changes under the New Companies Ordinance, update market and governance practices and consolidate all previous amendments. A circular containing, among others, details of the proposed New Articles will be sent to the Shareholders as soon as practicable.

## Purchase, Sale of Redemption of Securities

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

## 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.

## Review of Financial Statements

The Group’s consolidated financial statements for the year ended 31 December 2014 have been reviewed by the Audit Committee. Also, the figures in respect of the Group’s consolidated balance sheet, consolidated statement of comprehensive income and related notes as set out in this preliminary results announcement have been agreed by the Company’s external auditors, PricewaterhouseCoopers, to the amounts set out in the Group’s audited consolidated financial statements for the year ended 31 December 2014. The procedures performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by PricewaterhouseCoopers on this preliminary results announcement.

## Definitions

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

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| "Articles" | the articles of association of the Company |
| "Audit Committee" | the audit committee of the Company |
| "Board" | the board of Directors |
| "Chengdu Wangpai" | Sinotruk Chengdu Wangpai Commercial Vehicles Co., Ltd., a non wholly-owned subsidiary of the Company |
| "China" or "PRC" | the People's Republic of China, and for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan |
| "CNHTC" or "Parent Company" | 中國重型汽車集團有限公司 (China National Heavy Duty Truck Group Company Limited), a state-owned enterprise organized under the laws of the PRC with limited liability, being the ultimate holding company of the Company and the controlling shareholder (as defined in the Listing Rules) of the Company |
| "CNHTC Group" | CNHTC and its subsidiaries other than the Group |
| "Companies Ordinance" | the predecessor Companies Ordinance (Chapter 32 of the Laws of Hong Kong), which was in operation before the implementation of the New Companies Ordinance |
| "Company" or "Sinotruk" | Sinotruk (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability, and the securities of which are listed on the Main Board of the Stock Exchange |
| "Director(s)" | the director(s) of the Company |
| "ED(s)" | the executive Director(s) |
| "Fujian Haixi" | Sinotruk Fujian Haixi Vehicles Co., Ltd., a non wholly-owned subsidiary of the Company |
| "Group" | the Company and its subsidiaries |
| "HDT(s)" | heavy duty truck(s) and medium-heavy duty truck(s) |

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| "HKD" | Hong Kong dollars, the lawful currency of Hong Kong |
| "Hong Kong" | the Hong Kong Special Administrative Region of the PRC |
| "INED(s)" | the independent non-executive Director(s) |
| "LDT(s)" | light duty truck(s) |
| "Listing Rules" | the Rules Governing the Listing of Securities on the Stock Exchange |
| "MAN Group" | MAN SE and its subsidiaries |
| "MAN SE" | MAN SE, a company incorporated under the Laws of Germany, the shares of which are listed on the German Stock Exchange in Frankfurt, Germany (ISIN DE 0005937007, WKN 593700) and the beneficiary owner of 25% of the issued share capital of the Company plus one Share |
| "Memorandum" | the memorandum of association of the Company |
| "New Articles" | the new articles of association proposed to be adopted by the Company at the forthcoming 2015 annual general meeting of the Company |
| "New Companies Ordinance" | Companies Ordinance (Chapter 622 of the Laws of Hong Kong) which took effect from 3 March 2014 |
| "Period" | the year ended 31 December 2014 |
| "PBOC" | The Peoples' Bank of China |
| "RMB" | Renminbi, the lawful currency of 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 |
| "Shareholder(s)" | holder(s) of the Share(s) from time to time |
| "Sinotruk Finance" | Sinotruk Finance Co., Ltd., a non wholly-owned subsidiary of the Company |
| "Stock Exchange" | the Stock Exchange of Hong Kong Limited |

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| "Subsidiary" | a subsidiary for the time being of the Company within the meaning of the New Companies Ordinance (Chapter 622 of the Laws of Hong Kong) whether incorporated in Hong Kong or elsewhere and "Subsidiaries" shall be construed accordingly |
| "%" | per cent |

By order of the Board
**Sinotruk (Hong Kong) Limited**
**Ma Chunji**
*Chairman*

Beijing, PRC, 26 March 2015

*As at the date of this announcement, the eight executive Directors are Mr. Ma Chunji, Mr. Cai Dong, Mr. Tong Jingen, Mr. Wang Shanpo, Mr. Kong Xiangquan, Mr. Liu Wei, Mr. Liu Peimin and Mr. Franz Neundlinger; the three non-executive Directors are Dr. Georg Pachta-Reyhofen, Mr. Anders Olof Nielsen and Mr. Jörg Astalosch; and the six independent non-executive Directors are Dr. Lin Zhijun, Dr. Ouyang Minggao, Mr. Chen Zheng, Dr. Lu Bingheng, Mr. Yang Weicheng and Dr. Huang Shaoan.*