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 2010

Contents

Corporate Information

DIRECTORS

Executive Directors:

Ma Chunji *(Chairman of the Board)*
Cai Dong *(President)*
Wei Zhihai *(Vice President)*
Wang Haotao *(Vice President)*
Tong Jingen *(Chief Economist)*
Wang Shanpo *(Chief Engineer)*
Pan Qing *(Vice President)*

Non-executive Directors:

Georg Pachta-Reyhofen
Jörg Schwitalla
Lars Wrebo

Independent Non-executive Directors:

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

EXECUTIVE COMMITTEE

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

STRATEGY AND INVESTMENT COMMITTEE

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

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

STOCK CODE

3808

INVESTOR RELATIONS

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

PUBLIC RELATIONS CONSULTANT

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

Highlights

	2010	2009	Increase/(Decrease)	
				%
Operating results (RMB million)				
Turnover	**39,656**	27,901	11,755	42.1
Earnings before interest and tax	**2,505**	1,593	912	57.3
Profit attributable to equity holders of the Company	**1,481**	837	644	77.0
Profitability				
Gross profit margin	**16.0%**	13.4%	2.6%	19.4
Operating profit margin	**5.8%**	4.9%	0.9%	18.4
Net profit margin	**4.4%**	3.6%	0.8%	22.2
Liquidity				
Current ratio (time)	**1.4**	1.5	(0.1)	(6.7)
Inventory turnover (days)*	**105.0**	83.2	21.8	26.2
Trade receivable turnover (days)*	**78.5**	65.5	13.0	19.8
Trade payable turnover (days)*	**119.2**	115.5	3.7	3.2
Per share data				
Earnings per share - basic (RMB)	**0.54**	0.38	0.16	42.1
Dividend per share (HKD)	**0.18**	0.06	0.12	200.0
Share information *(as at 31 December)*				
Number of issued shares (million)	**2,761**	2,761	—	—
Market capitalisation (RMB million)	**18,819**	22,049	(3,230)	(14.6)

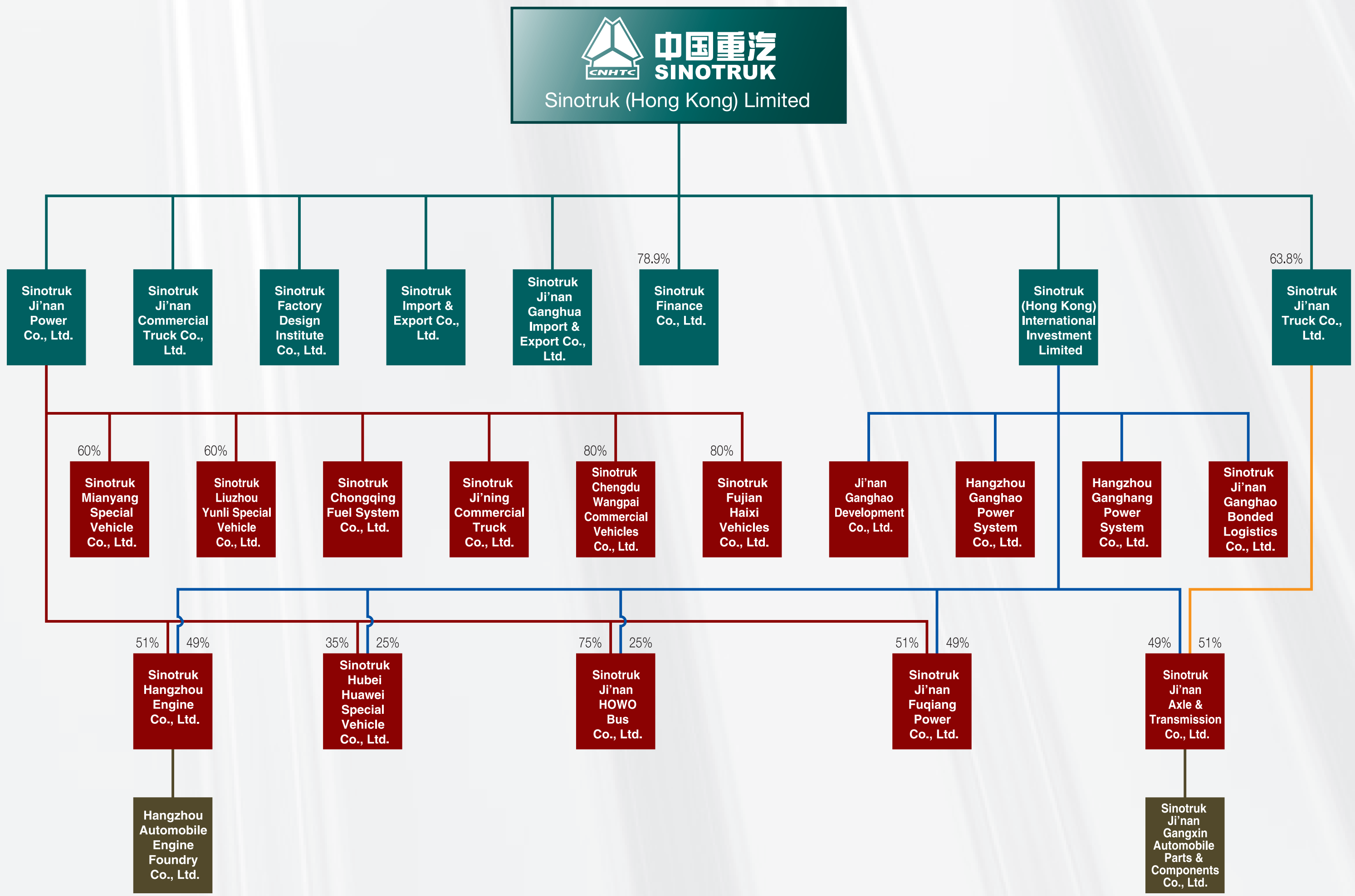
* 2009 figures are not adjusted with the changes after the adoption of merger accounting from the acquisition of CNHTC Jining Commercial Truck Co., Ltd.

- Turnover at RMB39,656 million, 42.1% increase
- Heavy duty truck sales volume at 150,064 units, 38.3% increase; export volume at 13,549 units, 59.4% increase
- Profit attributable to equity holders of the Company at RMB1,481 million, 77.0% increase
- Basic earnings per share at RMB0.54, 42.1% increase
- Proposed final dividend per share at HKD0.18, 200% increase

Organisation Structure

Organisation Structure

As at 31 December 2010



Note : All above subsidiaries are wholly-owned subsidiaries of the Company unless otherwise stated

Chairman's Statement

"During the period under review, the Group's turnover rose 42.1% to RMB39.7 billion; its profit attributable to equity holders increased by 77.0% to RMB1.5 billion."

Ma Chunji
Chairman

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors"), I am pleased to present the annual results for Sinotruk (Hong Kong) Limited ("Sinotruk" or the "Company") and its subsidiaries (together, the "Group") for the year ended 31 December 2010 ("period under review").

Review

Global and domestic economic conditions in 2010 were volatile and complex. Major economies were slowly recovering. Meanwhile, China's economy was expansive, gradually leaving behind the negative effects of the global financial crisis. The domestic economy maintained the growth momentum of the end of 2009 in the first half of 2010, before slowing somewhat in the second half of the year. During 2010, domestic demand for heavy duty truck was strong due to China's robust growth.

The Group conducted a careful analysis of special market situations and took advantage of the opportunities from China's rapid economic growth and strong demand for heavy duty truck. With appropriate actions and decision, production and operational indicators established new records. The Group further enhanced its overall strength and core competencies. According to the statistic of China Association of Automobile Manufacturers (CAAM), sales of heavy trucks by the Group together with its parent company, China National Heavy Duty Truck Group Company Limited ("Parent Company" or "CNHTC") were 199,600 units in 2010, an increase of 58.2% over 2009. The Group has a leading position in the construction truck market segment which is dominated by tippers as well as in the special vehicle segment which is dominated by cement mixer truck. Sales of tractors continued to rise.

During the period under review, the Group's turnover rose 42.1% to RMB39,656 million. Profit before income tax increased by 56.9% to RMB2,054 million. Profit attributable to equity holders of the Company increased by 77.0% to RMB1,481 million.

During the period under review, the Group maintained stable development in various areas and continued to insist on innovations. This led to the upgrade of the overall production technologies. Particularly, the reduction of the weight of tractors in turn increases its competitive strength and the success of the development of high-power natural gas engines resulted in the growth of sales in trucks equipped with powerful natural gas engines.

We saw strong sales of our improved 70-ton HOWO Mine Overload Dumper, which has influenced the development trend of large-tonnage mine dumping trucks. The product has become a new source of growth for the Group.

In order to fulfill the customers' demand for loans to purchase heavy duty trucks, we actively provide consumption loan product which support truck sales.

The Group remained China's top truck exporter by taking initiatives to expand overseas markets. It exported 13,549 units, a 59.4% increase over the year 2009.

The Group implemented lean manufacturing methods through all its product lines as part of its commitment to product quality. The Group together with its parent company won the "Governor of Shandong Quality Award" in 2010.

The Group takes a proactive approach to risk management and risk mitigation, in order to manage legal and market risks from operations.

There has been good progress in our strategic cooperation with MAN SE, the global truck technology leader, and localization of the transferred technology is on schedule. Both parties sped up the introduction of new products to markets and gradually expand scope of cooperation.

In December of 2010, our Parent Company, China's first heavy duty truck manufacturer, celebrated its 50th anniversary as well as the 10th anniversary of Sinotruk's restructuring and reform. It shows the ups and downs of 50 years and the great achievements of the Parent Company. We endeavour to develop into an internationally renowned and domestically irreplaceable heavy duty truck manufacturer as well as to build up an international heavy duty truck brand.

Acquisition and consolidation

In accordance with the automobile industry restructuring and revitalization plan as well as its own development strategies, the Group successfully acquired Sinotruk Chengdu Wangpai Commercial Vehicles Co., Ltd., and also established a joint venture, Sinotruk Fujian Haixi Vehicles Co., Ltd. with Yongan Fudi Investment Company Limited. The acquisitions have enabled us to optimize our product mix, and further enhanced our products' competitiveness in the southwest and southeast areas and, at the same time, marked the Group's entry into the medium-heavy duty truck and light duty truck industry.

Dividends

In view of our strong 2010 results and sound financial position, the Board has recommended a final dividend of HKD0.18 per share for the financial year ended 31 December 2010, representing a 200% increase over the dividend paid for the year 2009.

Prospects and Strategy

2011 marks the beginning of China's Twelfth Five-year Plan. China's economy will maintain steady growth trend. Although we expect to see some negative effects on the heavy duty truck industry due to rising raw material costs and a moderate slowdown in economic growth, demand for heavy duty trucks will be boosted by government policies of increasing investment in infrastructure for water conservancy and management and regional economies.

Recovery of the global economy appears uneven and the existence of some uncertain factors may pose challenges for exports of heavy duty trucks. However, we believe the overall trend is positive and expect to see a year-over-year increase in exports in 2011.

Despite the challenging external environment, the Group will continue to focus on sustainable and rapid growth in its core businesses. Among our priorities are:

1) To expand our well established sales network; develop and refine our sales, services, and spare parts networks; improve our marketing capability and services standards; maintain dominance in the construction market for heavy duty trucks; develop our cargo transportation truck and spare parts network so as to increase the market share.

2) To establish our risk management system and strengthen risk controls in key areas in order to support sustainable business growth.

3) To strengthen technological innovation to enhance technology standards and product quality; to better prepare for the promotion and launch of new products; to continuously supply products with high technology and good quality to satisfy different needs of customers.

4) To execute "going out" strategy by further establishing and improving brand image and increasing exports.

5) To make substantial progress in the introduction of technology, product localization process and cooperation in exploration of international markets under our strategic cooperation arrangement with MAN SE while continuing to develop and expand the areas and scope of cooperation.

6) To optimize industrial structure and carry out strategic restructuring under the requirements of national automobile industry restructuring and revitalization plan as well as the Group's own development strategies; to aim to build a complete range of commercial vehicles with main focus on heavy duty trucks and to increase enterprise's profitability.

Appreciation

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

Ma Chunji
Chairman

25 March 2011


制动和离合系统功能项检查

CONTINUE TO STRIDE FORWORD

Management Discussion and Analysis

During the period under review, the Group has completed the acquisition of CNHTC Jining Commercial Truck Co., Ltd. ("Jining Commercial Truck"). The acquisition of Jining Commercial Truck was considered to be a business combination under common control as the Group and Jining Commercial Truck are under common control of China National Heavy Duty Truck Group Company Limited ("CNHTC") both before and after the acquisition. All operating and financial data have been restated by including those of Jining Commercial Truck as if Jining Commercial Truck had always been part of the Group.

MARKET OVERVIEW

China's economy maintained its growth momentum in year 2010. The country's gross domestic product grew by 10.3% during the period, fixed asset investment increased by 23.8%. The demand for heavy duty trucks grew in tandem as the heavy duty truck industry benefited from government investment in infrastructural construction projects, provincial economy revival plans and other favorable policies. According to the China Association of Automobile Manufacturers (CAAM)（中國汽車工業協會）, about 1,017,400 heavy duty trucks (of more than 14 tons) were sold in China in 2010, represents an increase of 59.9% over 2009.

REVIEW OF OPERATIONS

Trucks Segment

During the period under review, the Group's heavy duty truck sales grew by 38.3% to 150,064 units. Truck sales (including inter-segment revenue) increased by 40.9% to RMB 37,463 million as a result of increase in volume sold.

Domestic Business

In 2010, the start of infrastructural construction projects and the economic recovery, along with busy cargo transportation stimulated demand for heavy duty trucks. We captured the opportunities by leveraging our advantages in the market segment for heavy duty trucks for construction projects and by expanding our distribution network for tractor trucks. As a result, the sales of all kinds of products increased significantly. Monthly combined truck sales by the Group and its Parent Company were maintained at more than 20,000 units in March, April, and May 2010. In particular, the volume was a record high of more than 24,000 units in April 2010.

The Group and its Parent Company maintained its growth momentum in sales and its competitive edge in the market segment for heavy duty trucks for construction projects and special vehicles. The Group still plays a dominant role in the construction truck market. By using new technology to reduce the weight of the trucks, the Group produced a new model of tractor truck which gained recognition and boosted sales volume in the market.

During the period under review, the Group continued to improve its four networks of sales and marketing, after-sales services, component sales and refitting. The establishment of those networks at all levels across different regions in China constituted the Group's network and increased the penetration of its marketing efforts.

In 2010, the Group made special efforts in four areas: 1) finer segmentation of networks - the Group made finer segmentation by markets and by categories and carried out tailor-made sales and services; 2) expansion of network coverage - the Group extended its sales and service network which covers customers in suburban areas and enables end users to easily purchase the Group's products and obtain after-sales services; 3) the Group made progress in strengthening the marketing of network for tractor truck; and 4) the Group enhanced efforts in training its staff in order to raise the standards of its sales and services and meet the needs of the expansion of sales and after-sales networks and sales of new products. These moves rationalized the development of the marketing and sales network and enhanced the efficiency of the operations.

As at 31 December 2010, there were 1,321 domestic distributors selling the Group's products, including 232 4S centres and 234 stores specializing in products of the Group's own brand; 1,956 services stations providing quality after-sales services for users of the Group's products. During the year, more than 130 stores which specialized in sales of tractor trucks had been set up. 280 refitting companies provides refitting services for the Group's customers makes the sales network more comprehensive.

International Business

During the period under review, the global economy was in the trend of recovery. However, the recovery of different economies differed significantly. Adverse factors, including the sovereign bonds crisis in Europe and trade conflicts, generated extra uncertainties to the global economic recovery. The global heavy duty truck market has not yet fully recovered due to these factors.

To cope with the challenges and complicated issues on the international markets, the Group has adopted a series of measures for markets with different characteristics to further expand and penetrate the emerging markets while maintaining existing markets. The Group has established 24 sales divisions, and had more than 70 distributors, more than 230 sales outlets, and about 200 service outlets providing services for users all over the world.

In 2010, the Group exported 13,549 heavy duty trucks, representing a growth of 59.4%, and continued to rank first in export of heavy duty trucks in China.

Technological Upgrade and Production Capacity

During the period under review, the Group made significant investments which was mainly in MAN engines, TGA cabins and spare parts to enhance production technology, quality control, and optimizing capacities for producing trucks, engines, gearbox as well as to increase forged parts production capacity. The move also raised quality standard and enhance research and development ("R&D") capability.

In order to implement our regional development strategy, and realize "Zero Mileage Delivery" at regional level, Sinotruk Jinan Truck Co., Ltd. ("Sinotruk Jinan Truck Company") has constructed assembly factory at Sichuan Mianyang, which is scheduled to commence production in year 2011. We believe the new factory will shorten the delivery period, cut the transportation cost, and boost the sales in the region.

The progress of the introduction of technology and product localization is on track according to the agreement between the Group and MAN SE.

In order to match the Group's development strategies, the Group has increased its investment in light duty truck production, and acquired Sinotruk Chengdu Wangpai Commercial Vehicles Co., Ltd.（"Chengdu Wangpai", 中國重汽集團成都王牌商用車有限公司）and formed Sinotruk Fujian Haixi Vehicles Co., Ltd.（"Fujian Haixi", 中國重汽集團福建海西汽車有限公司）enabling the Group to diversify its products portfolio and product lines.

The Group's annual production capacity increased to 160,000 units of heavy duty trucks, 40,000 units of light duty trucks, and 200,000 units of engines. It also has research, development and production bases in Jinan, Hangzhou and Chengdu. It optimizes its product mix, production layout and production capacity to satisfy more market demand.

Truck

Under its continuous commitment to research and development, innovation, product diversification together with merger and acquisitions, the Group expands its product lines to cover all series of commercial trucks including heavy duty truck, medium-heavy duty truck, light duty truck and coach.

During the period under review, the launch of upgraded 70-ton HOWO Mine Overload Dumper （礦山霸王）was well received by the market, and became another growth driver.

The Group continued its development of trucks powered by new type of energy, CNG and LNG, and introduced new series of environmentally friendly and cost effective trucks which are widely used in transportation, construction, mining and other fields. We believe those trucks are gradually gaining recognitions in the market and have great market potentials in the future.

The Group injects advanced technology and products into existing technology and markets of Sinotruk Chengdu Wangpai and Sinotruk Fujian Haixi lifting their technological standards and launches new products of medium-heavy duty trucks and light duty trucks to satisfy market demands.

Engines Segment

During the period under review, Engines segment sold a total of 199,875 engines, representing an increase of 49.6% over 2009. Revenue (including inter-segment revenue) totaled RMB 12,412 million, represents an increase of 57.0%. External sales accounted for 18.3% of the Group's engine sales.

In addition, the project of the localization of MAN engine has been in progress and the completion of this project will further strengthen the Group's competitive strength and enable it to gain market opportunity during the transitional period in upgrading into China IV emission standard.

Research and Development

The Group is dedicated to research and development and will continue to invest in the innovation and development of new technology. Its technology centre is equipped with experience and skilled heavy duty vehicle engineering staff and advanced design platform and laboratory equipment and is backed by the Group's research funds. The centre focuses on the development of new technology and new products. During the period under review, the centre developed, tested and optimized trucks and their key parts and components and carried out testing verifications. It also accelerates the localization of imported technologies.

Up to now, the Group with its Parent Company together participated in the formulation of 28 industry standards for China's heavy duty trucks and had applied for 1,503 patents, of which 1,354 patents had been granted. We continued to rank first in the domestic heavy duty truck industry in terms of the number of patents owned.

During the period under review, the Group provided 1,576 models with China III emission standard to accommodate the various needs of customers.

Lean Management

The Group carried out lean management to enhance the overall management quality and core competitive strength. The measures included the improvement of employees and products quality, reduction of cost and improvement of production efficiency. The Group continues to improve the quality control management system, increase the employees' consciousness of product quality, establish alert system on technology and quality control, strengthen the team with high management calibers and enhance production skill. In addition, the Group had successfully established an information network of product quality, quality control and automated production controls. As a result, the Group maintains its in the leading position in the industry in terms of product quality.

Development of Risk Management System

In order to prevent legal risk, financial risk, market risk and other risks associated with the operation, the Group executes risk management at all levels and has hired a PRC professional risk management company to provide comprehensive risk management services and establishes corporate risk management system to strengthen risk control on key segments to ensure the continuous, healthy and rapid development of the Group.

Significant Investments and Cooperation

In January 2010, Sinotruk Jinan Power Company Limited（中國重汽集團濟南動力有限公司）("Jinan Power") and Sinotruck (Hong Kong) International Investment Limited invested RMB180 million to establish Sinotruk Jinan HOWO Bus Co., Ltd.（中國重汽集團濟南豪沃客車有限公司）of which Jinan Power invested RMB135 million, accounting for 75% of the registered capital and Sinotruk (Hong Kong) International Investment Limited invested RMB45 million, accounting for the remaining 25% of the registered capital. Sinotruk Jinan HOWO Bus Co., Ltd. is principally engaged in the manufacturing and sales of bus, bus chassis and bus auto parts, as well as providing technical services.

In March 2010, Sinotruk (Hong Kong) International Investment Limited invested USD16 million to establish a wholly owned subsidiary, Sinotruk Jinan Ganghao Bonded Logistics Co., Ltd.（中國重汽集團濟南港豪保稅物流有限公司）("Jinan Ganghao Logistics"). Jinan Ganghao Logistics is principally engaged in provision of storage services and bonded logistics services.

In May 2010, Jinan Power had successfully acquired 100% equity interests in Jining Commercial Truck from CNHTC at a consideration of RMB81 million and the change of ownership had been completed.

In August 2010, Jinan Power entered into a joint venture agreement with Chengdu Dachenggong Mechanics Company Limited（成都大成功機械股份有限公司）in which Jinan Power agreed to acquire 80% equity interests in Chengdu Wangpai, the consideration for the acquisition is RMB325 million. After the completion of the equity transfer, both shareholders agreed to contribute additional capital in proportion to their shareholding in Chengdu Wangpai. Sinotruk Jinan Power had additionally contributed RMB286 million in cash to Chengdu Wangpai. Chengdu Wangpai is principally engaged in manufacturing and sales of medium-heavy duty trucks and light duty trucks.

In September 2010, Jinan Power and Yongan Fudi Investment Company Limited（永安福迪投資有限公司）established a joint venture, Fujian Haixi, with a registered capital of RMB 5 million of which Jinan Power invested RMB 4 million, representing 80% of the registered capital. In March 2011, Jinan Power according to its equity proportion in Fujian Haixi, had contributed additional capital at RMB 156 million in cash. Fujian Haixi is principally engaged in manufacturing and sales of medium-heavy duty trucks and light duty trucks.

Finance Segment

In 2010, the external revenue of the Group's finance segment increased from RMB65 million by RMB10 million to RMB75 million. The increase was mainly due to the expansion of the consumer credit business, the growth in lending portfolio and the increase in interest income from bill discount.

During the period under review, in order to adapt to the market changes, Sinotruk Finance Co., Ltd., under credit risk controls, promoted the sales of trucks with provision of credit. It expanded its consumer consumption credit businesses such as pledge business, automobile loan insurance business and comprehensive credit business. In addition, Sinotruk Finance Co., Ltd. accelerated the establishment of regional offices of its consumer credit business in China. As at the end of 2010, Sinotruk Finance Co., Ltd. had already set up 16 regional offices and enlarged its consumer credit business coverage over 20 provinces and most parts of China. A preliminary vehicle consumer credit network was established. In 2010, 3,761 units of heavy duty trucks were sold through consumer credit.

Human Resources

As at 31 December 2010, the Group had a total of 18,202 employees. The Group values human resources role in operations. The Group strives to hire senior management caliber individuals and professional technicians and reinforces the management of supervisor grade employees. The Group selects and recruits high caliber individuals for the key and new established positions with stringent assessment, implemented the exchange of personnel in key positions. The Group continues to evaluate various job positions, set up and modify job requirements so as to match the growth of the Group. The Group also promotes sound working environment with decent facilities and improves working standard for better management system with a view to increasing the management efficiency.

The Group continues to execute performance pay system to improve staff incentives and employee motivation. In addition, the Group creates a better opportunity for outstanding and good performance employees and encourages staff to complete the task indicators. The Group also focuses on training and developing high caliber individuals by increasing investment on training resources in order to satisfy the rapid development of the Group.

Prospects

The year of 2011 is the first year to implement the Twelfth Five-Year Plan in China and it is also a significant year to accelerate the transformation of development of economy. Currently, the China government determines to stabilize the growth of economy and to control inflation as its first priority mission. The increase of bank reserve requirement ratio and interest rates on deposits and lending at the end of 2010 indicated that the China government adjusted its monetary policy from a loose policy to a more prudent policy. The growth rate of fixed asset investment and the economic growth of year 2011 will be slow down compared to the booming economy of year 2010 but there are no significant changes in the crucial factors to promote a steady growth of China economy. The implementation of infrastructure construction projects by the China government, including the improvement of livelihood, regional revitalization plans and urbanization, and the increasing transportation volume of goods will further impetus the demand on heavy duty trucks.

Looking forward to 2011, the world economic situation is still complicated and uncertain factors affect the economic recovery will continue to exist. The world economy will continue to uneven development trend and the export of heavy truck will be affected.

The Group will seize the opportunity of development and adopt various measures to accelerate its development, including:

1. To expand sales network and enhance the quality of sales and services comprehensively. The Group will further develop and improve sales, services and component sales system, as well as to make finer regional marketing network and increase the overall quality of operation and sales network so as to achieve branding for each major product. In addition, the Group will further develop cargo trucks sales network and through vigorous measures and market promotion to increase the market share of cargo trucks. The Group will seize opportunity to set up assembly base in distant regions with great market potential. The Group continues the expansion of after-sales services network so as to increase work ability and after-sales services standard. The Group also focuses credit sales management and, under accepted credit risk level, promotes truck sales by provision of consumer credit.

2. To firmly execute “going out” strategy by further establishing and improving brand image and expanding exports. Pursuant to the characteristics of each international market, the Group will explore different sales models and new cooperation patterns as well as establishes, with characteristics of Sinotruk, efficient networks of sales, services and spare parts in major target international markets. The Group will actively regulate the cooperation of overseas distributors, utilize the advantages of multi-brand, develop each brand sales network to form large international market network. Moreover, the Group will promote KD production in overseas markets with high market potential, strengthen business training for import and export departments so as to increase quality of after-sales services and expand exports.

3. To have substantial progress in various aspects in cooperation with MAN SE including various cooperation projects, localization of technology and products as well as the exploration of international markets. According to the development of market, both parties will explore and expand areas and scopes of the cooperation.

4. Capitalizing on the Group's strengths on capital, human resources and research and development capability, the Group will continue to focus on technology innovation, digest new import technology, develop new products to keep as the technology leader in heavy duty truck industry. The Group will continue to implement stringent quality management and take advantage of domestic production by global automobile parts manufacturers to provide high quality products to satisfy the different needs of the customers.

5. To continue the implementation of lean management, the Group will establish overall risk management system to improve the quality of corporation management standard and maintain a rapid and healthy development.

Financial review

Turnover, gross profit and gross profit margin

For the year ended 31 December 2010, the Group's turnover rose by RMB11,755 million or 42.1% to RMB39,656 million (2009: RMB27,901million). The increase in turnover was mainly contributed by (i) the increase in truck sales volume and (ii) the increase in average selling price.

Gross profit increased by RMB2,591 million or 69.1% to RMB6,344 million (2009: RMB3,753 million). Gross profit margin increased by 2.6 percentage points to 16.0% (2009: 13.4%). The increase in gross profit was contributed by (i) the change of product mix by increase in the sales volume of higher profit margin high-powered trucks which increases the profitability, (ii) the dilution effect on fixed cost of truck allocated by the substantial growth in trucks sales and production volume, (iii) the implementation of lean management leading an obviously effect on quality level and work efficiency and (iv) centralized bidding and procurement, further reducing the external procurement and purchasing costs.

Distribution costs

Distribution costs increased from RMB1,551 million for 2009 to RMB2,366 million for 2010, increased by RMB815 million or 52.5%. The increase was mainly due to the increase in truck sales volume leading to the increase in delivery costs.

Administrative expenses

Administrative expenses increased from RMB1,110 million for 2009 to RMB1,661million for 2010, increased by RMB551 million or by 49.6%. The increase was mainly due to (i) increase in amortization of intangible assets of the Group and (ii) the expansion of the Group's operation scale and the growth of salaries and benefits.

Other gains/losses – net

There was a net other losses of RMB24 million in year 2010 against the net other gain of RMB263 million in year 2009. The change was mainly due to the increase of foreign exchange losses as a result of approximately 10% depreciation of Euro against RMB during year 2010.

Financial costs – net

Net financial costs for 2010 were RMB239 million while the net finance costs was RMB45 million for 2009. The increase of net financial costs as mainly resulted by the increase in loan interest rate and increase in interest expense.

Income tax expense

Income tax expense increased by RMB32 million or 10.9% to RMB325 million in year 2010 from RMB293 million in year 2009 due to increase in profit before tax.

Profit for the year and earnings per share

Profit for the year 2010 increased by 70.2% to RMB1,730 million from RMB1,016 million in year 2009. The basic earnings per share attributable to the equity holders of the Company in year 2010 increased by 42.1% from RMB0.38 in year 2009 to RMB0.54 in year 2010. The percentage of the increase of basic earnings per share is less than that of net profit increase because of the increase of 25.4% from the weighted average number of ordinary shares in issue at 2,202 million shares in year 2009 to the current year at 2,761 million shares.

Cash flow

During the year ended 31 December 2010, net cash outflow from operating activities was about RMB6,380 million (with considering the bank acceptances bills amount increase of RMB4,572 million, the net cash outflow from operating activities during the review period was RMB1,808 million). Compared with net cash inflow from operating activities at RMB2,133 million in year 2009, the cash outflow from operating activities increased by RMB8,513 million. It was mainly contributed by (i) the impact of macro-monetary conditions, the bank acceptances bills sales to total sales increased and (ii) the increase of levels of finished products and spare parts for the preparation of the peak season of first quarter of 2011.

Net cash outflow from investing activities in year 2010 was RMB322 million, a decrease of RMB1,840 million compared to that of year 2009. The decrease was mainly due to the reduction in fixed deposits.

In year 2010, net cash inflow from financing activities was RMB6,841 million while it was RMB4,845 million in year 2009. The cash flow from financing activities was increased by RMB1,996 million. The increase was due to the increase in borrowings.

Liquidity and Financial Resources

In October 2010, the Company issued two-year RMB 2.7 billion bonds maturity in 2012 to increase the Group's working capital.

The Group had cash and cash equivalents of RMB11,561 million, and bank acceptance bills of RMB7,947 million at 31 December 2010. Compared with year 2009, cash and cash equivalents recorded an increase of RMB23 million and bank acceptance bills an increase of RMB4,572 million. The Group's total borrowings (including long-term and short-term borrowings) were about RMB14,207 million as at 31 December 2010. Its gearing ratio was 26.4%, which was calculated by dividing borrowings by total assets (2009: 22.2%). 99.0% of borrowings were denominated in RMB (2009: 87.9%). Most of the borrowings had floating rates lower than the bank benchmark interest rates and were due within one year. The current ratio (total current assets divided by total current liabilities) as at 31 December 2010 was 1.4 (2009: 1.5).

As at 31 December 2010, the Group's total available credit facilities amounted to RMB34,070 million of which RMB13,441 million had been utilised. A total net book value of RMB1,566 million of the Group's deposits and bank deposits was pledged to secure its borrowings and loan facilities. In addition, Sinotruk Finance Co., Ltd. had made mandatory deposits at RMB250 million to People's Bank of China ("PBOC") for its financial operations. The Group meets the daily liquidity needs by matching operating cash flow patterns with funds on hand and enhances its liquidity by way of application of longer credit periods from suppliers, 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 2010, most of the Group's assets and liabilities were denominated in RMB, except for restricted cash and bank deposits of foreign currencies which are totally equivalent to approximately RMB1,456 million, accounts receivable of approximately RMB161 million, foreign currency borrowings of approximately RMB140 million and accounts payable of approximately RMB212 million which were denominated in foreign currencies.

Capital Structure

As at 31 December 2010, owner's equity was RMB19,760 million, representing an increase of RMB1,583 million or 8.7% when compared with RMB18,177 million at the end of year 2009. As at 31 December 2010, the Company's market capitalisation was RMB18,819 million (calculated by issued share capital: 2,760,993,339 shares, closing price: HKD8.01 per share and at the exchange rate of 0.85093 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 under review, 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 RMB42 million. The total provision for legal claims was RMB3 million. The Group has already made full provisions for claims with high risk of loss, and, as such, it did not have other material contingent liability with respect to legal claims to declare.

Directors and Senior Management

Executive Directors

Ma Chunji (馬純濟), aged 57, is the chairman of our Board. Mr Ma is a senior economist with over 30 years' experience in government, corporate management and strategic planning. Mr Ma graduated from the Central Party College in 1995 with a diploma in economic management. He is currently the vice-chairman of China Association of Automobile Manufacturers (中國汽車工業協會) and a member of the Eleventh National People's Congress. Mr Ma joined us in August 2000. Mr Ma received a "National Model Worker" award from the State Council in 2005. In 2006, he was conferred a lifetime membership at the World Confederation of Productivity Science (世界生產力科學院) and was awarded the title "Star Entrepreneur of Jinan City (濟南市明星企業家)" in 2007, the title "Shandong Province Top Ten Confucianist Merchants" (山東省十大儒商) in 2008, and in 2009 the title "Brilliant 60 years, Top Ten Persons of the Year in Automobile (輝煌60年中國十大汽車風雲人物)" and the title "Top Hundred of Heroic Models in Shandong Province for Outstanding Contributions to the Establishment and Construction of New China (山東省一百位為新中國成立、建設做出突出貢獻的英雄模範人物)". He is also the chairman of our Parent Company. Prior to joining us, Mr Ma had been vice mayor of Jinan Municipal Government, the head of Jinan Auto Accessory Works (濟南汽車配件廠) and the district head of Huaiyin District, Jinan City (濟南市槐蔭區) and the director of the Economic Committee of Jinan (濟南市經委), and deputy commissioner of Jinan Mechanics and Industrial Bureau (濟南市機械工業局).

Cai Dong (蔡東), aged 47, is our executive Director and president. Mr Cai is a senior engineer with a bachelor degree in engineering from Jiangsu Polytechnic University (江蘇工學院) and an executive MBA degree from Nankai University (南開大學). He joined Jinan Auto Manufacturing Factory in 1983 and led research and development, production and marketing activities. He received an "Outstanding National Entrepreneur" award conferred jointly by the China United Enterprises Association (中國企業聯合會), China Entrepreneurs Association (中國企業家協會) and China Enterprise Management Science Foundation (中國企業管理科學基金會) in April 2006. Mr Cai was previously director of the technology center of our Parent Company. Mr Cai was a director, chief engineer and the general manager of our Parent Company from 2001 to 2007.

Wei Zhihai (韋志海), aged 56, is our executive Director and vice president. Mr Wei graduated from Tsinghua University with a diploma in legal studies in 2005. Mr Wei is a senior economist with over 20 years of experience in business development and corporate management. Mr Wei joined us in 2004. Mr Wei is the chairman of Sinotruk (Hong Kong) International Investment Limited and its PRC subsidiary, Jinan Ganghao Development Co., Ltd. and Sinotruk Chengdu Wangpai Commercial Vehicles Co., Ltd. as well as chief legal advisor of our Parent Company. Prior to joining us, Mr Wei was the deputy director of the Economic Committee of Jinan, and the head of Jinan No. 4 Machine Tool Works (濟南第四機床廠). Mr Wei was a director and the deputy general manager of our Parent Company from 2004 to 2007.

Directors and Senior Management

Wang Haotao (王浩濤), aged 47, 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 the Parent Company in 1987. Mr Wang is currently the vice general manager and director of our parent company as well as the chairman of Sinotruk Jinan Truck Company. Sinotruk Jinan Truck Company is a subsidiary of the Company, the shares of which are listed on the Shenzhen Stock Exchange in the PRC. He was the director of business development and international cooperation department of our parent company from 1994 to 1998 and the deputy general manager of our Parent Company in 2001.

Tong Jingen (童金根), aged 48, is our executive Director, company secretary and chief economist. Mr Tong graduated with a master's degree in engineering from Tsinghua University in 1989. Mr Tong is a senior economist with 20 years of experience in corporate management and business development in the automotive industry. He joined Jinan Auto Manufacturing Factory in 1983 and was the chief economist and director of our Parent Company from July 2002 to April 2007. Mr Tong was the deputy director of the corporate management department of Jinan Motor Vehicle Company (濟南汽車製造廠) from 1995 to 1996, and was the deputy manager of sales department of our Parent Company from 1998 to 2001.

Wang Shanpo (王善坡), aged 46, is our executive Director and chief engineer. Mr Wang graduated with a bachelor degree in engineering from Jilin University of Technology (吉林工業大學) in 1984 and with a master's degree in engineering from Shandong Industrial University (山東工業大學) in 1991. Mr Wang is a senior engineer with 20 years of experience in automotive research and development and engineering. He joined the Parent Company in 1984 and was the chief engineer of our parent company. Mr Wang was the director of the technology center of our Parent Company from 1999 to 2000.

Pan Qing (潘慶), aged 43, is our executive Director and vice president. Mr Pan studied material science in University of Science and Technology Beijing in the PRC in 1987 and later obtained a master of science degree in material science from Technical University Berlin in 1994. Mr Pan joined us in October 2009. Mr Pan used to be a director of Volkswagen (China) Investment Co., Ltd. mainly responsible for dealer network management and corporate strategy. Mr Pan has had extensive experience in marketing strategy and planning with many renowned automobile companies including Daimler Chrysler Group, Mercedes-Benz AG and Mitsubishi Fuso Truck & Bus Corp.

Non-executive Directors

Georg Pachta-Reyhofen, aged 55, is our non-executive Director. Dr Pachta-Reyhofen is chief executive officer of the management board of MAN SE. MAN SE's shares are listed on the German Stock Exchange in Frankfurt (ISIN DE 0005937007, WKN 593700). He is also chief executive officer of MAN Truck & Bus AG (formerly known as MAN Nutzfahrzeuge AG). Dr Pachta-Reyhofen also serves on the supervisory boards of MAN Diesel & Turbo SE, MAN Latin America Ltda. and Rheinmetall MAN Military Vehicles GmbH. Dr Pachta-Reyhofen graduated from Vienna University of Technology with a mechanical engineering degree and a doctorate in engineering science and obtained the title of doctor of technical sciences later. Dr Pachta-Reyhofen started working for the MAN Group when he joined ÖAF Gräf und Stift AG (now MAN Sonderfahrzeuge AG) in 1986. From 1996 to 1999, he worked with MAN A.S. (now MAN Türkiye A.S.) as technical director and became a member of its executive board with responsibility for development, quality assurance and logistics in 1998. In 1999, he was made 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. He was chairman of the executive board of MAN Diesel SE from July 2006 until the end of 2009.

Jörg Schwitalla, aged 50, is our non-executive Director. Mr Schwitalla is the chief human resources officer of the management board of MAN SE. Mr Schwitalla is also member of the supervisory board of MAN Diesel & Turbo SE, MAN Latin America, MAN Truck & Bus AG, and MAN Pensionsfonds AG. Mr Schwitalla graduated with a degree in business administration in 1987. He worked for over ten years for tire manufacturer Michelin in various personnel and production functions at different locations. He was senior vice president human resources in the CompAir/Invensys Group for two years. He spent seven years with automotive components supplier Valeo in personnel and management functions in Germany and France and became vice president human resources in Paris. He initially joined the MAN Group as vice president human resources for MAN Truck & Bus AG in October 2006 before assuming responsibility for the MAN Group in the same capacity in June 2007. He was made senior vice president human resources for the MAN Group in January 2009 and subsequently chief human resources officer of the MAN SE's management board in May 2009.

Lars Wrebo, aged 49, is our non-executive Director. Mr Wrebo is a member of the executive board of MAN Truck & Bus AG and responsible for production and logistics. Mr Wrebo is also chairman of the supervisory board of MAN Nutzfahrzeuge Austria AG, MAN Bus Sp.z.o.o. Poland, MAN Turkiye A.S. and Neoplan Bus GmbH – Plauen. Furthermore Mr Wrebo is a member of the supervisory board of Rheinmetall MAN Military Vehicles GmbH. He graduated in mechanical engineering and production systems from KTH Royal Institute of Technology in Sweden in 1986. Mr Wrebo joined Saab-Scania as a trainee, progressing to hold various managerial positions in Saab engine production. He was made technical manager for Scania in 1992 before being appointed as managing director of Scania Production in France. In 2001 he was made responsible within group management nominated as SVP group member with responsibility for chassis and cabs production. Mr Wrebo joined the MAN Group in 2006 as a member of the executive board of MAN Truck & Bus AG.

Independent Non-executive Directors

Shao Qihui (邵奇惠), aged 76, 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 56, is our independent non-executive Director. Dr Lin graduated from Xiamen University in 1982 with a master degree in economics and later received a Ph.D. degree in Economics (Accounting) from Xiamen University (廈門大學) in 1985 and received a master degree (MSc in Accounting) from University of Saskatchewan in 1991. He is a member of the American Institute of Certified Public Accountants (AICPA), the Chinese Institute of Certified Public Accountants (CICPA) and the Certified Management Accountants of Australia (CMA). He is currently a professor and the head of the Department of Accountancy and Law in the Hong Kong Baptist University. Dr Lin was previously an auditing staff at an international accounting firm (Touche Ross International, now known as "Deloitte Touche Tohmatsu") in Toronto. He has been teaching in 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 China Everbright Limited (stock code: 0165) and Springland International Limited (stock code: 1700), both companies'securities are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Ouyang Minggao (歐陽明高), aged 52, is our independent non-executive Director. Professor Ouyang graduated from the Technical University of Denmark with a doctorate degree in engineering in 1993. He is one of the nationally recognized experts in the area of strategic development of automobile technology and energy. He is currently a Standing Member of the Chinese People's Consultative Conference (全國政協常委), deputy director of academic committee in Tsinghua University and director of the National Laboratory of Automobile Safety and Energy Saving (汽車安全與節能國家重點實驗室). In addition, he is 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 76, 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 all 24 provinces in the PRC and this technology received the remarkable economic benefits and received three national awards and more than ten provincial awards. Professor Hu has been one of the core innovators of parts rolling technology in PRC. He has been granted various awards, including "State Outstanding Contributor "(國家級有突出貢獻科技專家) "State Outstanding Technical Officer" (全國優秀科技工作者), "National Labor Day Medal" (全國五一勞動獎章) and "Technology Achievement Award of Chinese Mechanical Engineering Society" (中國機械工程學會科技成就獎). Professor Hu was elected the member of the Chinese Academy of Engineering (中國工程院) in 1997.

Chen Zheng (陳正), aged 65, 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 79, is our independent non-executive Director. Mr Li graduated from the Jilin University of Technology (吉林工業大學) in 1956 with a bachelor degree in automotive engineering. Mr Li has been an engineer of Beijing Automotive and Tractor Research Laboratory (北京汽車拖拉機研究所) and Changchun Automotive Research Institute (長春汽車研究所), the chief engineer of China Auto Parts and Accessories Corporation (中國汽車零部件工業公司) and the senior engineer of China Automobile Industry Federation (中國汽車工業聯合會). He has substantial experience in the research and development of automobile technology and corporate strategic management. Mr Li has been appointed as one of the members of the expert committee of China Association of Automobile Manufacturers (中國汽車工業協會) since 2004.

Company secretaries

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

Kwok Ka Yiu (郭家耀), aged 46, is our company secretary and financial controller. Mr Kwok has nearly seven years of audit experience in one of the prestigious international audit firms, KPMG and over ten years of financial and accounting experiences with companies listed on the Stock Exchange. Mr Kwok holds an MBA degree from the University of Hong Kong and is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Mr Kwok joined us in May 2007.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICE

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

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct for securities transactions by the Directors. 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 year under review.

BOARD OF DIRECTORS

Separation of Responsibilities

The Board is responsible for formulating group policies and business directions, and monitoring internal controls and performances. Executive Committee is responsible for implementing the decisions made by the Board. President is responsible for daily operation. As at 31 December 2010, the Executive Committee is formed by seven executive Directors including Mr Ma Chunji, Mr Cai Dong, Mr Wei Zhihai, Mr Wang Haotao, Mr Tong Jingen, Mr Wang Shanpo and Mr Pan Qing. In addition, the Board has set up Strategic and Investment Committee, Remuneration Committee and Audit Committee to deal with different businesses and matters and authorised administrative management personnel to handle daily matters. Details of different committees will be discussed below.

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

Composition of the Board

As at 31 December 2010, the Board had a total number of 16 Directors comprising 7 executive Directors including Mr Ma Chunji, Mr Cai Dong, Mr Wei Zhihai, Mr Wang Haotao, Mr Tong Jingen, Mr Wang Shanpo and Mr Pan Qing, 3 non-executive Directors including Dr Georg Pachta-Reyhofen, Mr Jörg Schwitalla and Mr Lars Wrebo and 6 independent non-executive Directors including Dr Shao Qihui, Dr Lin Zhijun, Dr Ouyang Minggao, Dr Hu Zhenghuan, Mr Chen Zheng and Mr Li Xianyun. Mr Ma Chunji is the chairman of the Board and Mr Cai Dong is the President. Biographies of the Directors are set out in the section "Directors and Senior Management".

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

Board Meetings

The Company generally convenes 4 regular full Board meetings per year or more meetings may be convened when necessary. During the year 2010, in addition to written resolutions, 4 regular full Board meetings were convened, and the following major agenda items had reviewed, amended or approved respectively:

(1) 2009 annual report and the respective announcements and documents, 2009 final dividend and the annual general meeting;

(2) 2010 interim report and the respective announcements and documents;

(3) amendments of annual caps for connected transactions caps, new connected transactions and the extraordinary general meeting;

(4) issue of RMB bonds;

(5) banking facilities;

(6) operation and financial reports;

(7) operation and financial budgets; and

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

In year 2010, details of Directors' attendance in the following meetings are set out below:

	Regular Full Board Meeting	Audit Committee Meeting
Executive Directors		
Mr Ma Chunji	4/4	
Mr Cai Dong	4/4	
Mr Wei Zhihai	4/4	
Mr Wang Haotao	4/4	
Mr Wang Guangxi	4/4	3/3
Mr Tong Jingen	4/4	2/3
Mr Wang Shanpo	4/4	
Mr Pan Qing	4/4	
Non-executive Directors		
Dr Georg Pachta-Reyhofen	3/4	
Mr Jörg Schwitalla	1/4	
Mr Lars Wrebo	3/4	
Independent non-executive Directors		
Dr Shao Qihui	4/4	
Dr Lin Zhijun	4/4	3/3
Dr Ouyang Minggao	4/4	2/3
Dr Hu Zhenghuan	4/4	
Mr Chen Zheng	4/4	3/3
Mr Li Xianyun	4/4	

STRATEGY AND INVESTMENT COMMITTEE

The Strategy and Investment Committee is mainly responsible for the formulation of medium and long term strategic plans and business development strategies including the studying and recommendation of significant investment financing initiatives and significant capital operations and asset operation projects. The Strategy and Investment Committee currently comprises 7 members, namely, Mr Ma Chunji, Mr Cai Dong, Dr Shao Qihui, Dr Ouyang Minggao, Dr Hu Zhenghuan, Mr Wang Haotao and Mr Wang Shanpo. Dr Shao Qihui, Dr Ouyang Minggao and Dr Hu Zhenghuan are independent non-executive Directors. Mr Ma Chunji is the chairman of the committee.

REMUNERATION COMMITTEE

The Remuneration Committee is mainly responsible for the appraisal of the senior management performance and making recommendation on their remuneration including the formulation of performance assessment standards, procedures, major proposals and mechanisms of the assessment systems and rewards and penalties. The Remuneration Committee will also supervise the remuneration and other benefits offered by the Company to Directors. The Remuneration Committee currently comprises 5 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 independent non-executive Directors. Mr Chen Zheng is the chairman of the committee.

AUDIT COMMITTEE

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

The Audit Committee currently comprises 4 members, namely, Dr Lin Zhijun, Dr Ouyang Minggao, Mr Chen Zheng, and Mr Tong Jingen. Dr Lin Zhijun, Dr Ouyang Minggao and Mr Chen Zheng are independent non-executive Directors. Dr Lin Zhijun is the chairman of the committee. With Dr Lin's past working experience as auditor and his academic background in finance and accounting, the Company considers that Dr Lin is a qualified person with the proper professional knowledge in accounting and finance required by Rule 3.10(2) of the Listing Rules. In addition, Dr Ouyang Minggao and Mr Chen Zheng possess rich experience in the heavy duty truck industry.

During year 2010, the Committee had convened three times and had discussed, reviewed and approved the following items respectively:

(1) 2010 interim review plan and 2010 annual audit plan;

(2) auditor's reports to the Audit Committee in respect of 2009 annual audit and 2010 interim review;

(3) 2009 annual report and 2010 interim report and related results announcements;

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

(5) re-appointment of auditor;

(6) internal controls reports; and

(7) internal control system of the Group.

REMUNERATION AND BENEFITS FOR DIRECTORS AND SENIOR MANAGEMENT

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

ACCOUNTABILITY AND AUDITING

The Directors are responsible for preparing the financial statements for the financial year ended 31 December 2010 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 2010, the generally accepted accounting principles in Hong Kong, Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards are adopted, with consistent use of appropriate accounting policies, for making reasonable and prudent judgments and estimates.

INTERNAL CONTROL

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

NON-COMPETING UNDERTAKING

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

REMUNERATION OF AUDITORS

For the year ended 31 December 2010, the Group had the amounts of remuneration paid or payable to the auditors - PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian CPAs Limited Company for 2010 interim review and annual audit services as well as provision for independent financial review services in issue of RMB bonds at RMB 13,537,400 and RMB1,200,000 respectively. In addition, a subsidiary has paid Crowe Horwath China CPAs Co., Ltd. for 2010 annual audit services at RMB 200,000.

COMMUNICATIONS WITH SHAREHOLDERS

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

The Securities Department of the Company is responsible for promoting investor relations actively for increased communications and ensuring that the investors are able to obtain information about the Company on a fair and timely basis to assist them in making the best investment decisions. For cultivating good relationship with shareholders and potential investors, the Company has participated in a number of one-on-one meetings, investors' conferences, road shows and site visits during the year 2010. Analysts and fund managers may enrich their knowledge on the production operations of the Group through these activities. Investors and the public may also browse the website of the Company www.sinotruk.com for the latest information available in respect of the Group including information on the financial conditions and the latest business developments of the Group.

The Board and senior management are well aware of their important tasks of acting on behalf of the interests of all shareholders and raising the shareholders' returns. The Board considers that annual general meeting is an important opportunity for direct communication with the shareholders. The Company encourages all shareholders to participate in the 2011 annual general meeting, where the members of the Board will be present, providing an effective platform for interflows and communications between the shareholders and the Board.

Report of the Directors

The Directors are pleased to present their report and the audited financial statements of the Group for the year ended 31 December 2010.

PRINCIPAL BUSINESS

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

OPERATING RESULTS AND RESERVES

The results of the Group for the year ended 31 December 2010 are set out in the consolidated statement of comprehensive income.

The details of the reserves of the Group during the year under review are set out in the consolidated statement of changes in equity on page 58 and note 26(c) to the consolidated financial statements.

PROPOSED DIVIDENDS

The Directors recommend the payment of a final dividend of HKD0.18 per Share for the year ended 31 December 2010 ("2010 Final Dividend") totalling approximately HKD496,979,000, which is subject to shareholders' approval at the forthcoming 2011 annual general meeting to be held on 18 May 2011. The Company is 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》which implemented in 2008 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. Hence, as the withholding and payment obligation lies with the Company, the Company will withhold and pay enterprise income tax for its non-PRC resident enterprise shareholders to whom the Company pays the 2010 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 2010 Final Dividend after deducting enterprise income tax of 10% or other appropriate rates. The Company will not withhold and pay the income tax in respect of the 2010 Final Dividend payable to any natural person shareholders or exempted entities.

CLOSURE OF REGISTER OF MEMBERS

The 2010 Final Dividend, if approved, will be distributed on or about 25 May 2011 to shareholders of the Company whose names appear on the register of members of the Company on 18 May 2011. The register of members of the Company will be closed from 12 May 2011 to 18 May 2011 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for receiving the proposed 2010 Final Dividend, holders of the Company's shares must lodge their share certificates together with the relevant share transfer documents with Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 11 May 2011.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Movements in the share capital of the Company during the year under review are set out in the consolidated statement of changes in equity on page 58 and note 26 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's distributable reserves as at 31 December 2010 were approximately RMB631,445,000.

CHARITABLE DONATION

The Group's total charitable donation for the year under review amounted to RMB180,640 (2009: RMB368,400).

BORROWINGS

Details of the Group's borrowings and RMB bonds as at 31 December 2010 are set out in note 27 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 155.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

SHARE OPTION SCHEME

The Company did not have any share option scheme in the year ended 31 December 2010.

DIRECTORS

Directors during the year 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)*
Pan Qing *(Vice President)*
Wang Guangxi *(Vice President)*
(resigned on 26 December 2010)

Non-executive Directors:
Georg Pachta-Reyhofen (appointed on 19 March 2010)
Jörg Schwitalla (appointed on 19 March 2010)
Lars Wrebo (appointed on 19 March 2010)

Independent non-executive Directors:
Shao Qihui
Lin Zhijun
Ouyang Minggao
Hu Zhenghuan
Chen Zheng
Li Xianyun

Pursuant to article 84 of the articles of association of the Company, Cai Dong, Wei Zhihai, Wang Haotao, Tong Jingen, Wang Shanpo, and Shao Qihui will be retired at the forthcoming annual general meeting and, being eligible, will be available for re-election as Directors.

DIRECTORS' SERVICE CONTRACTS

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

Each of the non-executive Directors has entered into a service contract with the Company for a term of three years from 19 March 2010 and each of the contracts can be terminated by either party giving not less than three months' prior written notice.

Each of the independent non-executive Directors has entered into a service contract with the Company for a term of three years 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.

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 under review, Mr Ma Chunji is the chairman of CNHTC, Mr Wang Haotao is the vice general manager and director of CNHTC and Mr Wang Guangxi is the deputy general manager, chief accountant and director of CNHTC, and Dr Georg Pachta-Reyhofen, Mr Jörg Schwitalla, and Mr Lars Wrebo are the directors of MAN SE. Save as significant transactions between the Group and CNHTC (including its associates) and between the Group and MAN SE (including its associates) as disclosed in below connected transactions in the report of the Directors and in the related party transactions in note 37 to the consolidated financial statements, no contract of significance to the business of the Group subsisted during or at the end of the year under review in which a Director was materially interested, either directly or indirectly.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Company are set out on page 23 to page 28.

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

As at 31 December 2010, so far is known to the Directors, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions therein that they shall be deemed to have pursuant to such provisions of the SFO), or any interests or short positions which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or any interests or short positions which have to be notified to the Company and the Stock Exchange pursuant to Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules.

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

As at 31 December 2010, so far as it is known to the Directors, the person (other than a Director or chief executive of the Company) who had, or were deemed or taken to have interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register of the Company required to be kept under section 336 of the SFO or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group was as follows:

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

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.

Save as disclosed above, as at 31 December 2010, so far as it is known to the Directors, there was no other person (other than a Director or chief executive of the Company) who had, or were deemed or taken to have interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register of the Company required to be kept under section 336 of the SFO or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

MANAGEMENT CONTRACTS

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

MAJOR CUSTOMERS AND SUPPLIERS

The followings are the percentages of purchases and sales attributable to the major customers and suppliers of the Group for the year ended 31 December 2010:

Purchases	
– the largest supplier	2.3%
– the five largest suppliers	7.4%
Sales	
– the largest customer	5.1%
– the five largest customers	9.7%

CNHTC owns 100% equity interest in CNHTC Datong Gear Co., Ltd., being one of the five largest customers. Save as disclosed, none of the Directors, or any of their associates or any shareholders who, to the knowledge of the Directors, hold over 5% of the issued share capital of the Company, had any beneficial interest in the major customers or suppliers of the Group noted above.

CONNECTED TRANSACTIONS

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

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

1) Construction Contract

Date of agreement:	18 August 2008
Parties:	• CNHTC Jinan Construction Co., Ltd. ("CNHTC Jinan Construction", formerly known as "CNHTC Jinan Construction Project Management Co., Ltd."), a wholly-owned subsidiary of CNHTC • Jinan Ganghao Development Co., Ltd. ("Jinan Ganghao"), a wholly-owned subsidiary of the Company
Term:	From 18 August 2008 to August 2009
Objective:	CNHTC Jinan Construction acts as the contractor for the construction of factory premises of Jinan Ganghao in Jinan City, Shangdong Province, the PRC (the "Construction Project")
Consideration:	Such consideration was determined by reference to the term of the construction work, material costs and labour costs to be consumed in the Construction Project as well as the Price List of Installation Works of Shangdong Province and the Lists of Consumption Quotas for Construction Works and Installation Works of Shangdong Province.
Total cap:	RMB76,560,000 (subject to adjustment)
Actual consideration upto 31 December 2010:	RMB56,220,000

The Construction Project was completed in August 2009 and the final consideration was concluded in the year of 2010.

2) Equity Transfer Agreement

Date of agreement:	25 November 2009
Parties:	• Sinotruk Ji'nan Power Co., Ltd. ("Jinan Power"), a wholly owned subsidiary of the Company • CNHTC
Objective:	Jinan Power acquires 100% equity interest of CNHTC Jining Commercial Truck Co., Ltd. ("Jining Commercial Truck") from CNHTC (the "Acquisition of Jining Commercial Truck") so as to diversify the product offerings of the Group, to broaden the Group's income and customer base and further enhance the Group's production capacity and to effectively minimize potential competition between the Group and CNHTC and to reduce connected transactions between Jining Commerical Truck and the Group
Consideration:	Not more than RMB97,401,300
Actual consideration:	RMB81,212,000

The Acquisition of Jining Commercial Truck was completed in May 2010.

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

1) General Services Purchase Agreement

Date of agreement:	21 April 2009
Parties:	• CNHTC • the Company
Term:	2 years from 1 January 2010
Objective:	CNHTC (including its associates) will continue to provide services such as property management, equipment maintenance, transportation, staff training, medical services and products testing and improvement services, etc, to the Group
Consideration:	(a) the prices proposed by the PRC government; or (b) if there are no prices proposed by the PRC government, the market price or cost with a reasonable margin
Annual cap for the year ended 31 December 2010:	RMB130,000,000
Actual consideration for the year ended 31 December 2010:	RMB92,137,000

2) Mutual Leasing Framework Agreement

Date of agreement:	21 April 2009
Parties:	• CNHTC • the Company
Term:	3 years from 1 January 2009
Objective:	(a) to lease from CNHTC Group for production, offices, sale services, research and development purposes (b) to lease to CNHTC Group for offices and production purposes
Consideration:	(i) the prevailing market prices or (ii) if the parties cannot ascertain the prevailing market prices, costs plus a reasonable margin
Annual cap for the year ended 31 December 2010:	(a) RMB31,000,000 (b) RMB36,000,000
Actual consideration for the year ended 31 December 2010:	(a) RMB18,505,000 (b) RMB11,256,000

3) Construction Service Agreement

Date of agreement:	15 July 2009
Parties:	• CNHTC Jinan Construction • the Company
Term:	From 1 January 2010 to 31 December 2010
Objective:	To provide construction and project management services to the members of the Group
Consideration:	(a) the relevant PRC state-fixed prices; or (b) if transactions under the Construction Service Agreement not subject to PRC state-fixed prices, the market prices; or (c) if the parties cannot ascertain the prevailing market prices, costs plus a reasonable margin
Annual cap for the year ended 31 December 2010:	RMB646,000,000
Actual consideration for the year ended 31 December 2010:	RMB62,418,000

4) **Technology Support and Services Agreement**

Date of agreement:	21 April 2009
Parties:	• CNHTC • the Company
Term:	2 years from 1 January 2010
Objective:	To provide CNHTC Group with the services such as technology research and development, technology consultancy, support services, and design and supervising services
Consideration:	Technology research and development services will be based on cost plus a 10% margin
Annual cap for the year ended 31 December 2010:	RMB15,000,000
Actual consideration for the year ended 31 December 2010:	RMB9,509,000

5) Products Purchase and Sales Agreements

Date of agreement:	15 July 2009
Parties:	• CNHTC • the Company
Term:	From 1 January 2010 to 31 December 2010
Objective:	Products Purchase Agreement: CNHTC Group will sell products include refitted trucks to the Group Products Sales Agreement: the Group will supply products, including trucks, chassis and semi-tractor trucks to CNHTC Group
Consideration:	(a) the prices proposed by the PRC government; or (b) if there are no prices proposed by the PRC government, the market price or cost with a reasonable margin
Annual cap for the year ended 31 December 2010:	Products Purchase Agreement: RMB2,351,000,000 Products Sales Agreement: RMB958,000,000
Actual consideration for the year ended 31 December 2010:	Products Purchase Agreement: RMB1,137,421,000 Products Sales Agreement: RMB478,026,000

6) Mutual Supply Agreements

Date of agreement:	15 July 2009
Parties:	• CNHTC • the Company
Term:	From 1 January 2010 to 31 December 2010
Objective:	Parts Purchase Agreement: CNHTC Group will provide to the Group raw materials, parts and components and semi-finished products Parts Supply Agreement: the Group will supply raw materials, parts and components and semi-finished products to CNHTC Group
Consideration:	(a) the prices proposed by the PRC government; or (b) if there are no prices proposed by the PRC government, the market price or cost with a reasonable margin
Annual cap for the year ended 31 December 2010:	Parts Purchase Agreement: RMB1,375,000,000 Parts Supply Agreement: RMB2,797,000,000
Actual consideration for the year ended 31 December 2010:	Parts Purchase Agreement: RMB1,045,942,000 Parts Supply Agreement: RMB1,113,600,000

7) **Financial Services Framework Agreement**

Date of agreement:	21 April 2009
Parties:	• CNHTC • Sinotruk Finance Co., Ltd., a non-wholly owned subsidiary of the Company
Term:	From 21 April 2009 to 31 December 2011
Objective:	To provide a range of financial services to members of CNHTC Group including settlement services, deposits taking services, bank bills discounting services and arrangement of entrustment loans
Consideration:	(i) settlement services: free of charge; (ii) deposits services: the interest rates for such deposits are determined in accordance with the standard rates promulgated by PBOC from time to time; (iii) 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 (iv) arrangement of entrustment loans: the service fee is set at a rate with regard to the policy implemented by relevant PRC government authorities and the individual circumstances (including term of the loan).
Annual cap for the year ended 31 December 2010:	Maximum day-end balance for deposits taking and bank bills discounting services: RMB480,000,000 Aggregate of interest expenses for deposits taking services; interest income from bank bills discounting services and fee income from arrangement of entrustment loans: RMB70,000,000
Actual consideration for the year ended 31 December 2010:	Maximum day-end balance: RMB302,690,000 Aggregate amount: RMB957,000

8) The Technology License Agreement

Date of agreement:	15 July 2009
Parties:	• the Company • Sinotruk Ji'nan Commercial Truck Co., Ltd (a wholly-owned subsidiary of the Company as licensee); • Sinotruk Jinan Power Co., Ltd. (licensee); and • MAN Truck & Bus AG (formerly known as MAN Nutzfahrzeuge AG, a wholly-owned subsidiary of MAN SE as licensor)
Term:	7 years from 7 October 2009
Objective:	(i) to grant an exclusive and non-transferable right in the PRC to use the licensed technology and know-how relating to the complete TGA truck, D08, D20 and D26 engines, each type available at different engine power output ranges and compliant with Euro III, IV and V emission standards and the related parts and components (ii) the right to use the licensed technology and know-how in connection with the distribution, after-sale maintenance and services for the products and trucks manufactured by this technology
Consideration:	EURO85,000,000
Actual consideration upto 31 December 2010:	EURO85,000,000

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 in the interests of the shareholders of the Company.

Pursuant to Rule 14A.38 of the Listing Rules, the Board has appointed the auditor of the Company to carry out certain procedures on the above continuing connected transactions on the sample basis in accordance with the Hong Kong Standard on Related Services 4400 “Engagements to Perform Agreed-Upon Procedures Regarding Financial Information” promulgated by the Hong Kong Institute of Certified Public Accountants.

The auditor has 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 2010 and confirmed:

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

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

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

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

SUFFICIENCY OF PUBLIC FLOAT

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

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

Hong Kong, 25 March 2011

羅兵咸永道會計師事務所

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

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

We have audited the consolidated financial statements of Sinotruk (Hong Kong) Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 53 to 154, which comprise the consolidated and company balance sheets as at 31 December 2010, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flows statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the 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 2010 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, 25 March 2011

(All amounts in RMB thousands unless otherwise stated)

	Note	2010 Audited	2009 Restated
Turnover	5	39,656,160	27,900,781
Cost of sales	7	(33,311,730)	(24,148,172)
Gross profit		6,344,430	3,752,609
Distribution costs	7	(2,366,026)	(1,551,289)
Administrative expenses	7	(1,660,789)	(1,110,268)
Other (losses)/gains – net	8	(24,127)	262,927
Operating profit		2,293,488	1,353,979
Finance income		211,977	239,145
Finance costs		(451,217)	(284,102)
Finance costs – net	10	(239,240)	(44,957)
Profit before income tax		2,054,248	1,309,022
Income tax expense	11	(324,733)	(292,973)
Profit for the year		1,729,515	1,016,049
Other comprehensive income:			
(Losses)/gains on currency translation		(19,549)	2,537
Total comprehensive income for the year		1,709,966	1,018,586
Profit attributable to:			
– equity holders of the Company		1,480,745	836,759
– non-controlling interests		248,770	179,290
		1,729,515	1,016,049
Total comprehensive income attributable to:			
– equity holders of the Company		1,461,196	839,296
– non-controlling interests		248,770	179,290
		1,709,966	1,018,586
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in RMB per share)			
– basic	14	0.54	0.38
– diluted	14	0.54	0.36

The notes on page 60 to 154 are an integral part of these consolidated financial statements.

Details of dividends payable to equity shareholders of the Company are set out in Note 15 to these consolidated financial statements.

Consolidated Balance Sheet

As at 31 December 2010

(All amounts in RMB thousands unless otherwise stated)

	Note	2010 Audited	2009 Restated
ASSETS			
Non-current assets			
Land use rights	16	1,398,436	889,972
Property, plant and equipment	17	9,359,943	7,999,129
Investment properties	18	6,492	5,609
Intangible assets	19	761,093	361,273
Goodwill		3,868	3,868
Deferred income tax assets	28	842,264	354,298
Investments in an associate		6,196	7,500
		12,378,292	9,621,649
Current assets			
Inventories	20	13,381,835	5,789,585
Trade and other receivables	21	14,311,029	7,205,040
Financial assets at fair value through profit or loss	22	1,089	14,731
Amounts due from related parties	37(b)	30,837	79,712
Fixed deposit	23	—	1,038,492
Restricted cash	24	2,245,064	4,087,468
Cash and cash equivalents	25	11,561,472	11,538,194
		41,531,326	29,753,222
Total assets		53,909,618	39,374,871
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	26	261,489	261,489
Reserves		17,865,889	16,631,528
		18,127,378	16,893,017
Non-controlling interests		1,632,693	1,283,832
Total equity		19,760,071	18,176,849

(All amounts in RMB thousands unless otherwise stated)

	Note	2010 Audited	2009 Restated
LIABILITIES			
Non-current liabilities			
Borrowings	27	2,686,240	1,500,250
Deferred income tax liabilities	28	35,188	10,880
Termination benefits, post-employment benefits and medical insurance plan	30	39,840	51,760
Deferred income	32	504,297	329,321
Amounts due to related parties	37(b)	380,115	—
		3,645,680	1,892,211
Current liabilities			
Trade and other payables	29	17,645,026	11,257,729
Current income tax liabilities		487,038	112,030
Borrowings	27	11,520,934	7,250,297
Amounts due to related parties	37(b)	308,714	464,941
Provisions for other liabilities	31	542,155	220,814
		30,503,867	19,305,811
Total liabilities		34,149,547	21,198,022
Total equity and liabilities		53,909,618	39,374,871
Net current assets		11,027,459	10,447,411
Total assets less current liabilities		23,405,751	20,069,060

Ma Chunji
Director

Tong Jingen
Director

The notes on page 60 to 154 are an integral part of these consolidated financial statements.

Company Balance Sheet

As at 31 December 2010

(All amounts in RMB thousands unless otherwise stated)

	Note	2010 Audited	2009 Audited
ASSETS			
Non-current assets			
Land use rights	16	16,403	16,422
Property, plant and equipment	17	682	730
Intangible assets		—	3
Investments in subsidiaries	36(a)	15,199,575	13,106,130
Amounts due from subsidiaries	36(b)	2,680,000	—
		17,896,660	13,123,285
Current assets			
Trade and other receivables	21	159,628	43,534
Financial assets at fair value through profit or loss	22	—	14,731
Amounts due from subsidiaries	36(b)	16,050	1,148,184
Dividends receivable		1,369,057	919,625
Fixed deposit	23	—	1,038,492
Restricted cash	24	299,643	744,580
Cash and cash equivalents	25	572,854	760,904
		2,417,232	4,670,050
Total assets		20,313,892	17,793,335
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	26	261,489	261,489
Reserves	26	17,086,980	16,769,490
Total equity		17,348,469	17,030,979

(All amounts in RMB thousands unless otherwise stated)

	Note	2010 Audited	2009 Audited
LIABILITIES			
Non-current liabilities			
Borrowings	27	2,686,240	—
		2,686,240	—
Current liabilities			
Amounts due to subsidiaries	36(c)	73,665	1,604
Trade and other payables		65,115	16,172
Borrowings	27	140,403	744,580
		279,183	762,356
Total liabilities		2,965,423	762,356
Total equity and liabilities		20,313,892	17,793,335
Net current assets		2,138,049	3,907,694
Total assets less current liabilities		20,034,709	17,030,979

Ma Chunji
Director

Tong Jingen
Director

The notes on page 60 to 154 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2010

(All amounts in RMB thousands unless otherwise stated)

	Attributable to equity holders of the Company													
	Share capital	Share premium	Capital redemption reserve	Convertible note reserve	Other capital reserve	Property revaluation reserve	Statutory reserve	Discretionary reserve	Merger reserve	Translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2009 as previously reported	219,648	11,727,145	—	—	(3,706,878)	1,053	321,782	—	1,045,473	3,562	1,693,707	11,305,492	1,138,240	12,443,732
Adoption of merger accounting (Note 6(a))	—	—	—	—	—	—	—	—	51,000	—	(80,586)	(29,586)	5,857	(23,729)
As restated	219,648	11,727,145	—	—	(3,706,878)	1,053	321,782	—	1,096,473	3,562	1,613,121	11,275,906	1,144,097	12,420,003
Total comprehensive income for the year	—	—	—	—	—	—	—	—	—	2,537	836,759	839,296	179,290	1,018,586
Transactions with owners in their capacity as owners														
Dividends of the Company relating to 2008	—	—	—	—	—	—	—	—	—	—	(76,153)	(76,153)	—	(76,153)
Dividends to non-controlling shareholders	—	—	—	—	—	—	—	—	—	—	—	—	(29,950)	(29,950)
Repurchase of the Company's shares (Note 26(b)(i))	—	—	—	—	—	—	—	—	—	—	(59,725)	(59,725)	—	(59,725)
Purchase of non-controlling interests	—	—	—	—	14,892	—	—	—	5,857	—	—	20,749	(78,069)	(57,320)
Issue of convertible note (Note 26(b)(iii))	—	—	—	4,770,231	—	—	—	—	—	—	—	4,770,231	—	4,770,231
Conversion of the convertible note (Note 26(b)(iii))	52,776	4,717,455	—	(4,770,231)	—	—	—	—	—	—	—	—	—	—
Capital injection from non-controlling shareholders	—	—	—	—	—	—	—	—	—	—	—	—	30,612	30,612
Acquisition of a subsidiary	—	—	—	—	—	—	—	—	—	—	—	—	37,852	37,852
Contribution from controlling shareholder	—	—	—	—	—	—	—	—	123,464	—	—	123,464	—	123,464
Cancellation of the shares repurchased (Note 26(b)(ii))	(10,935)	—	10,935	—	—	—	—	—	—	—	(751)	(751)	—	(751)
Total transactions with owners	41,841	4,717,455	10,935	—	14,892	—	—	—	129,321	—	(136,629)	4,777,815	(39,555)	4,738,260
Appropriation to reserves	—	—	—	—	—	—	135,638	104,294	—	—	(239,932)	—	—	—
Balance at 31 December 2009 (Restated)	261,489	16,444,600	10,935	—	(3,691,986)	1,053	457,420	104,294	1,225,794	6,099	2,073,319	16,893,017	1,283,832	18,176,849
Balance at 1 January 2010 as previously reported	261,489	16,444,600	10,935	—	(3,691,986)	1,053	457,420	104,294	1,045,473	6,099	2,281,771	16,921,148	1,283,832	18,204,980
Adoption of merger accounting (Note 6 (a))	—	—	—	—	—	—	—	—	180,321	—	(208,452)	(28,131)	—	(28,131)
As restated	261,489	16,444,600	10,935	—	(3,691,986)	1,053	457,420	104,294	1,225,794	6,099	2,073,319	16,893,017	1,283,832	18,176,849
Total comprehensive income for the year	—	—	—	—	—	—	—	—	—	(19,549)	1,480,745	1,461,196	248,770	1,709,966
Transactions with owners in their capacity as owners														
Dividends of the Company relating to 2009	—	—	—	—	—	—	—	—	—	—	(145,623)	(145,623)	—	(145,623)
Dividends of subsidiaries to non-controlling shareholders	—	—	—	—	—	—	—	—	—	—	—	—	(33,017)	(33,017)
Capital injection from non-controlling shareholders	—	—	—	—	—	—	—	—	—	—	—	—	51,000	51,000
Effect of business combination of a subsidiary under common control (Note 6 (a))	—	—	—	—	—	—	—	—	(81,212)	—	—	(81,212)	—	(81,212)
Acquisition of a subsidiary (Note 6 (a))	—	—	—	—	—	—	—	—	—	—	—	—	82,108	82,108
Total transactions with owners	—	—	—	—	—	—	—	—	(81,212)	—	(145,623)	(226,835)	100,091	(126,744)
Appropriation to reserves	—	—	—	—	—	—	156,535	—	—	—	(156,535)	—	—	—
Balance at 31 December 2010 (Audited)	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

The notes on page 60 to 154 are an integral part of these consolidated financial statements.

(All amounts in RMB thousands unless otherwise stated)

	Note	2010 Audited	2009 Restated
Cash flows from operating activities			
Cash (used in)/generated from operations	33	(5,474,013)	2,609,788
Interest paid		(491,585)	(344,693)
Income tax paid		(413,979)	(131,694)
Net cash (used in)/generated from operating activities		(6,379,577)	2,133,401
Cash flows from investing activities			
Acquisitions of a subsidiary, net of cash (used)/acquired	6	(102,582)	7,305
Prepaid operating lease payments for land use rights	16	(389,713)	(401,333)
Purchase of property, plant and equipment		(1,042,963)	(802,623)
Proceeds from sale of property, plant and equipment	33(b)	26,024	13,287
Purchase of intangible assets		(127,783)	(179,673)
Purchase of financial assets at fair value through profit or loss		(893)	—
Proceeds from sale of financial assets at fair value through profit or loss		14,731	7,709
Acquisition of investment in an associate		—	(7,500)
Purchase of non-controlling interests		—	(57,320)
Interest received		262,599	296,749
Decrease/(increase) in fixed deposit		1,038,493	(1,038,493)
Net cash used in investing activities		(322,087)	(2,161,892)
Cash flows from financing activities			
Decrease in restricted cash		1,596,316	344
Proceeds from borrowings		17,560,806	12,842,786
Repayments of borrowings		(14,832,766)	(12,638,807)
Proceeds from issue of RMB Bonds		2,685,114	—
Proceeds from non-controlling interests shareholders' capital injection		1,000	30,612
Issue of convertible note	26(b)	—	4,770,231
Cash used for repurchase and cancellation of the Company's shares	26(b)	—	(60,476)
Dividends paid to the equity shareholders of the Company		(140,973)	(68,763)
Dividends paid to non-controlling interests shareholders		(28,846)	(30,686)
Net cash generated from financing activities		6,840,651	4,845,241
Net increase in cash and cash equivalents		138,987	4,816,750
Cash and cash equivalents at beginning of the year	25	11,538,194	6,729,119
Exchange losses on cash	33(a)	(115,709)	(7,675)
Cash and cash equivalents at end of the year	25	11,561,472	11,538,194

The notes on page 60 to 154 are an integral part of these consolidated financial statements.

1. General information of the Group

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

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

Key events

In May 2010, the Group acquired from CNHTC 100% equity interests in CNHTC Ji'ning Commercial Truck Co., Ltd. ("Ji'ning Commercial Truck"), at a consideration of approximately RMB 81,212,000.

The Group and Ji'ning Commercial Truck are under common control of CNHTC. The Group has applied merger accounting as prescribed in Hong Kong Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by Hong Kong Institute of Certified Public Accountants ("HKICPA") to account for the purchases of the equity interests in the Ji'ning Commercial Truck, as if the acquisitions had been occurred from 1 January 2009, the beginning of the earliest financial period presented. Accordingly, the consolidated financial statements included the financial information of the Group and Ji'ning Commercial Truck as if they had been combined from the beginning of the earliest financial period presented. The comparative amounts in the consolidated financial statements are restated and presented as if the entities or businesses had been combined as at 1 January 2009. The impact on the consolidated reserves of the Group arising from the common control combination is disclosed in Note 6 to the consolidated financial statements.

In September 2010, the Group acquired 80% of the equity interests in Sinotruk Chengdu Wangpai Commercial Truck Co., Ltd. ("Chengdu Wangpai"), a company that manufactures and sells medium-heavy duty trucks, from a third party for a cash consideration of RMB 324,690,000. Details of the acquisition are set out in Note 6(a)(ii).

2. Summary of significant accounting policies

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

(a) Basis of preparation

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

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

2. Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

Changes in accounting policy and disclosures

(1) New and amended standards 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 2010 and relevant to the Group.

- HKFRS 3 (revised), 'Business combinations', and consequential amendments to HKAS 27, 'Consolidated and separate financial statements', HKAS 28, 'Investments in associates', and HKAS 31, 'Interests in joint ventures', are effective prospectively to business combinations for which the acquisition date is on or after the begining of the first annual reporting period begining on or after 1 July 2009.

  The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with HKFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the statement of comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs are expensed.

- HKAS 27 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. HKAS 27 (revised) has had no impact on the current period, as none of the non-controlling interests have a deficit balance; there have been no transactions whereby an interest in an entity is retained after the loss of control of that entity, and there have been no transactions with non-controlling interests.

- HKAS 17 (amendment), 'Leases', deletes specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating lease using the general principles of HKAS 17, i.e. whether the lease transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. Prior to the amendment, land interest which title is not expected to pass to the Group by the end of the lease term was classified as operating lease under 'Leasehold land and land use rights', and amortised over the lease term.

2. Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

Changes in accounting policy and disclosures (Continued)

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

- HKAS 17 (amendment) has been applied retrospectively for annual periods beginning 1 January 2010 in accordance with the effective date and transitional provisions of the amendment. The Group has reassessed the classification of unexpired leasehold land and land use rights as at 1 January 2010 on the basis of information existing at the inception of those leases. As the leasehold land in Hong Kong which may be classified as finance lease amounted to approximate RMB16,000,000, the directors of the Company considered that this was not material and no retrospective adjustment was made.

(2) New and amended standards, and interpretations mandatory for the first time for the financial year beginning 1 January 2010 but not currently relevant to the Group.

- HK(IFRIC) - Int 17, 'Distribution of non-cash assets to owners' (effective on or after 1 July 2009).
- HK(IFRIC) - Int 18, 'Transfers of assets from customers', effective for transfer of assets received on or after 1 July 2009.
- HK(IFRIC) - Int 9, 'Reassessment of embedded derivatives and HKAS 39, Financial instruments: Recognition and measurement', effective from 1 July 2009.
- HK(IFRIC) - Int 16, 'Hedges of a net investment in a foreign operation' effective from 1 July 2009.
- HKAS 1 (amendment), 'Presentation of financial statements', effective from 1 January 2010.
- HKAS 36 (amendment), 'Impairment of assets', effective from 1 January 2010.
- HKFRS 2 (amendments), 'Group cash-settled share-based payment transactions', effective from 1 January 2010.
- HKFRS 5 (amendment), 'Non-current assets held for sale and discontinued operations', effective from 1 January 2010.

2. Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

Changes in accounting policy and disclosures (Continued)

(3) New standards, amendments and interpretations have been issued but are not effective for the financial year beginning 1 January 2010 and have not been early adopted.

- HKFRS 9, 'Financial instruments', issued in November 2009. This standard is the first step in the process to replace HKAS 39, 'Financial instruments: recognition and measurement'. HKFRS 9 introduces new requirements for classifying and measuring financial assets and is likely to affect the Group's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption.

- Revised HKAS 24 (revised), 'Related party disclosures', issued in November 2009. It supersedes HKAS 24, 'Related party disclosures', issued in 2003. HKAS 24 (revised) is mandatory for periods beginning on or after 1 January 2011. Earlier application, in whole or in part, is permitted.

  The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The Group will apply the revised standard from 1 January 2011. When the revised standard is applied, the Group and the parent will need to disclose any transactions between its subsidiaries and its associates.

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

- 'Classification of rights issues' (amendment to HKAS 32), issued in October 2009. The amendment applies to annual periods beginning on or after 1 February 2010. Earlier application is permitted. The Group will apply the amended standard from 1 January 2011.

- HK (IFRIC) - Int 19, 'Extinguishing financial liabilities with equity instruments', effective from 1 July 2010.

- 'Prepayments of a minimum funding requirement' (amendments to HK (IFRIC) - Int 14). The Group will apply these amendments for the financial report by period commencing on 1 January 2011.

The Group has not early adopted those third annual improvement project (2010) published in May 2010 by the HKICPA (to be effective in the financial year of 2011) in this consolidated financial statements and will apply those improvements in accordance with their respective effective dates, where applicable.

2. Summary of significant accounting policies (Continued)

(b) Merger accounting and consolidation

(i) Subsidiaries

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

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

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

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

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

Except for the business combination under common control as described above, the acquisition method of accounting is used to account for business combinations of by the Group. The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

2. Summary of significant accounting policies (Continued)

(b) Merger accounting and consolidation (Continued)

(i) Subsidiaries (Continued)

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

(ii) Transactions with non-controlling interest

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

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

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 are reclassified to profit or loss where appropriate.

2. Summary of significant accounting policies (Continued)

(b) Merger accounting and consolidation (Continued)

(iii) Associates

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

The Group's share of its associates' post-acquisition profits or losses is recognised in the consolidated statement of comprehensive income, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

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

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

(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.

2. Summary of significant accounting policies (Continued)

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Renminbi ("RMB"), which is the Company's functional currency and the presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income.

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

(iii) Group companies

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

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

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

(3) all resulting exchange differences are recognised in other comprehensive income.

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

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

2. Summary of significant accounting policies (Continued)

(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.

(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 loss to their residual values over their estimated useful lives, as follows:

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

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

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

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

Gains and losses on disposals are determined by comparing proceeds with carrying amount, and are recognised within 'other gains/(losses)' 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, residential buildings are carried at fair value, representing open market value determined annually by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are reviewed annually by the external valuer, changes in fair values are recorded in the consolidated statement of comprehensive income as part of other income.

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

(h) Intangible assets

(i) Proprietary technology

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

(ii) Computer software

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

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

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

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

2. Summary of significant accounting policies (Continued)

(j) Financial assets

(i) Classification

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

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

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

(2) Loans and receivables

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

(ii) Recognition and measurement

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

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

(iii) Offsetting financial instruments

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

2. Summary of significant accounting policies (Continued)

(j) Financial assets (Continued)

(iv) Impairment of financial assets

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

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

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

  (i) adverse changes in the payment status of borrowers in the portfolio;

  (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statement of comprehensive income.

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

2. Summary of significant accounting policies (Continued)

(k) Inventories

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

(l) Trade and other receivables

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

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

(m) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(n) Share capital

Ordinary shares are classified as equity.

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

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

2. Summary of significant accounting policies (Continued)

(o) Trade and other payables

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

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

(p) Borrowings

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

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

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

(q) Borrowing costs

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

2. Summary of significant accounting policies (Continued)

(r) Current and deferred income tax

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

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

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

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

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

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

2. Summary of significant accounting policies (Continued)

(s) Employee benefits

(i) Pension obligations

For staff in Mainland China:

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

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

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

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

For employees of the Group working in Mainland China, the Group operates defined contribution plans which are covered by various government-sponsored pension plans under which the employees are entitled to a monthly pension based on certain formulas. Under the pension plans, the Group pays contributions to the relevant government agencies and those 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.

2. Summary of significant accounting policies (Continued)

(s) Employee benefits (Continued)

(i) Pension obligations (Continued)

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

(ii) Termination benefits

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

(iii) Other post-employment benefits

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

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

2. Summary of significant accounting policies (Continued)

(s) Employee benefits (Continued)

(iii) Other post-employment benefits (Continued)

On 1 March 2006, with the approval of governmental authorities, the Group entities operating in Ji'nan joined the social medical insurance plan. According to the relevant regulations, the defined contributions that should be borne by the Group entities are calculated based on 8% of the total salary of employees, subject to certain ceiling, and are paid to the Ji'nan labor and social welfare authorities. Under the social medical insurance plan, the Group has been relieved from obligation for post-employment healthcare benefits beyond the contributions made, except for the obligation in connection with the contributions to the social medical security plan for the employees of Sinotruk Ji'nan Truck 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 sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

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

(i) Sales of goods

Revenue from the sales of goods 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.

2. Summary of significant accounting policies (Continued)

(x) Dividend distribution

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

(y) Research and development

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

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

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

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

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

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

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

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

(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, fixed deposit, restricted cash, cash and cash equivalents, borrowings and trade payables denominated in foreign currencies, mainly USD, EURO and HKD, which are exposed to foreign currency translation risk. Details of the Group's maximum exposures to the foreign exchange risks are disclosed in Note 21, 22, 23, 24, 25, 27 and 29 respectively.

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

As at 31 December 2010, if RMB had strengthened/weakened by 5% against the USD with all other variables held constant, profit before income tax for the year would have been approximately RMB 2,624,000 (2009: RMB 3,651,000) lower/higher, mainly as a result of foreign exchange losses/gains on translation of USD-denominated trade receivables, cash and cash equivalents, trade payables and borrowings.

As at 31 December 2010, if RMB had strengthened/weakened by 5% against the EURO with all other variables held constant, profit before income tax for the year would have been approximately RMB 64,202,000 (2009: RMB 25,094,000) lower/higher, mainly as a result of foreign exchange losses/gains on translation of EURO-denominated fixed deposit, restricted cash, cash and cash equivalents, trade receivables and borrowings.

As at 31 December 2010, if RMB had strengthened/weakened by 5%, against the HKD respectively with all other variables held constant, profit before income tax for the year would have been approximately RMB 4,370,000 higher/lower (2009: RMB 12,436,000 lower/higher), respectively, mainly as a result of foreign exchange gains/losses on translation of HKD-denominated trade and other receivables, cash and cash equivalents, trade payables and borrowings.

3. Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(ii) Cash flow and fair value interest rate risk

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

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

As at 31 December 2010, if the interest rates on bank borrowings had been 150 basis points higher/lower than the weighted average effective interest rate 4.33% (2009: 3.77%) per annum with all other variables held constant, profit before income tax for the year would have been RMB 72,281,000 (2009: RMB 37,353,000) lower/higher, mainly as a result of higher/lower interest expense on floating rate of bank borrowings.

(iii) Credit risk

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

(All amounts in RMB thousands unless otherwise stated)

3. Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(iv) Liquidity risk

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

	Audited				
	Repayment period				
As at 31 December 2010	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 3 years**	**Between 3 and 4 years**	**Between 4 and 5 years**
Borrowings	11,520,934	2,686,240	—	—	—
Interests payments on borrowings (a)	355,733	93,158	—	—	—
Trade and other payables (b)	14,503,403	—	—	—	—
Amount due to related parties	308,714	100,154	94,426	93,316	92,219
	26,688,784	2,879,552	94,426	93,316	92,219

(All amounts in RMB thousands unless otherwise stated)

3. Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(iv) Liquidity risk (Continued)

	Restated				
	Repayment period				
As at 31 December 2009	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years
Borrowings	7,250,297	1,500,250	—	—	—
Interests payments on borrowings (a)	163,594	29,214	—	—	—
Trade and other payables (b)	9,774,789	—	—	—	—
Amount due to related parties	464,941	—	—	—	—
	17,653,621	1,529,464	—	—	—

(a) The interest on borrowings is calculated based on borrowings held as at 31 December 2010 and 2009 without taking into account of future issues. Floating-rate interest is estimated using current interest rate as at 31 December 2010 and 2009 respectively.

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

(All amounts in RMB thousands unless otherwise stated)

3. Financial risk management (Continued)

3.2 Capital risk management

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

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

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 2010 Audited	As at 31 December 2009 Restated
Total borrowings	**14,207,174**	8,750,547
Equity attributable to equity holders of the Company	**18,127,378**	16,893,017
Debt-to-equity ratio	**0.78**	0.52

The significant increase in the debt-to-equity ratio is resulted from the issue of RMB bond and increase in short term borrowings due to the increase in the operation scale.

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).

(All amounts in RMB thousands unless otherwise stated)

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 2010.

	Audited			
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss	1,089	—	—	1,089
Total assets	1,089	—	—	1,089

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

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

4. Critical accounting estimates and judgements

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

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

(a) Current tax and deferred tax

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

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

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

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

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

(c) Warranty claims provision

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

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

4. Critical accounting estimates and judgements (Continued)

(d) Net realisable value of inventories

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

(e) Impairment of 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.

Sinotruk Ji'nan Axle & Transmission Co., Ltd., a 81.53% owned subsidiary of the Company, deposited RMB 500 million as at 31 December 2010 with a bank which was found to be involved in a financial note forgery case.

Upon comprehensive internal investigation and external communication with relevant authorities, and by reference to the results of similar legal cases settled in PRC in the past, the board of directors of the Company is of the view that a major portion of the deposits of RMB 500 million is expected to be recovered, An impairment charge of RMB 100 million has been provided in the financial statements of Sinotruk Ji'nan Axle & Transmission Co., Ltd., of which approximately RMB 81,530,000 is borne by equity holders of the Company.

If the estimated recoverable portion had been 20% lower than management's estimate, (for example, 60% instead of 80%), profit attributable to the equity holders of the Company for the year would have been approximately RMB 69,299,000 lower.

4. Critical accounting estimates and judgements (Continued)

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

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

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

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

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

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

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

5. Segment information

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

The 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 costs.

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

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

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

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

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

(All amounts in RMB thousands unless otherwise stated)

5. Segment information (Continued)

The segment results for the year ended 31 December 2010 are as follows:

	Audited				
	Trucks	Engines	Finance	Elimination	Total
External segment revenue	37,307,700	2,273,267	75,193	—	39,656,160
Inter-segment revenue	154,902	10,138,657	43,082	(10,336,641)	—
Segment revenue	37,462,602	12,411,924	118,275	(10,336,641)	39,656,160
Operating profit before unallocated expenses	2,033,092	1,076,736	98,129	(787,737)	2,420,220
Unallocated expenses					(126,732)
Operating profit					2,293,488
Finance costs – net					(239,240)
Profit before income tax					2,054,248
Income tax expense					(324,733)
Profit for the year					1,729,515

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

	Restated				
	Trucks	Engines	Finance	Elimination	Total
External segment revenue	26,376,010	1,459,335	65,436	—	27,900,781
Inter-segment revenue	204,210	6,447,483	20,397	(6,672,090)	—
Segment revenue	26,580,220	7,906,818	85,833	(6,672,090)	27,900,781
Operating profit before unallocated expenses	1,207,984	568,847	69,554	(465,955)	1,380,430
Unallocated expenses					(26,451)
Operating profit					1,353,979
Finance costs – net					(44,957)
Profit before income tax					1,309,022
Income tax expense					(292,973)
Profit for the year					1,016,049

(All amounts in RMB thousands unless otherwise stated)

5. Segment information (Continued)

Other segment items included in the consolidated statement of comprehensive income for the year ended 31 December 2010 are as follows:

	Audited				
	Trucks	Engines	Finance	Unallocated	Total
Depreciation	407,324	315,460	776	48	723,608
Amortisation of intangible assets and land use rights	40,350	89,942	38	22	130,352

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

	Restated				
	Trucks	Engines	Finance	Unallocated	Total
Depreciation	242,313	278,933	767	48	522,061
Amortisation of intangible assets and land use rights	15,941	11,273	19	20	27,253

The segment assets and liabilities as at 31 December 2010 and capital expenditure for the year then ended are as follows:

	Audited				
	Trucks	Engines	Finance	Unallocated	Total
Segment assets	33,045,591	16,504,649	3,532,112	5,964,909	59,047,261
Elimination					(5,137,643)
Total assets					53,909,618
Segment liabilities	15,566,155	5,792,489	1,951,642	14,868,180	38,178,466
Elimination					(4,028,919)
Total liabilities					34,149,547
Segment capital expenditure	1,747,201	1,457,287	1,022	—	3,205,510

(All amounts in RMB thousands unless otherwise stated)

5. Segment information (Continued)

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

	Audited	
	Assets	Liabilities
Segment assets/liabilities after elimination	**47,944,709**	**19,281,367**
Unallocated:		
Deferred tax assets/liabilities	842,264	35,188
Current tax assets/liabilities	8,328	487,038
Current borrowings	—	11,520,934
Non-current borrowings	—	2,686,240
Assets/liabilities of the Company	5,114,317	138,780
Total	**53,909,618**	**34,149,547**

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

	Restated				
	Trucks	Engines	Finance	Unallocated	Total
Segment assets	22,923,441	11,706,865	3,751,368	5,071,338	43,453,012
Elimination					(4,078,141)
Total assets					39,374,871
Segment liabilities	8,302,830	3,406,114	2,596,862	8,891,233	23,197,039
Elimination					(1,999,017)
Total liabilities					21,198,022
Segment capital expenditure	1,448,717	1,286,910	76	6	2,735,709

(All amounts in RMB thousands unless otherwise stated)

5. Segment information (Continued)

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

	Restated	
	Assets	Liabilities
Segment assets/liabilities after elimination	34,303,533	12,306,789
Unallocated:		
Deferred tax assets/liabilities	356,288	10,880
Current tax assets/liabilities	27,845	112,030
Current borrowings	—	7,250,297
Non-current borrowings	—	1,500,250
Assets/liabilities of the Company	4,687,205	17,776
Total	39,374,871	21,198,022

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.

	2010 Audited	2009 Restated
Turnover		
Mainland China	**37,055,826**	26,158,117
Overseas	**2,600,334**	1,742,664
	39,656,160	27,900,781

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

	2010 Audited	2009 Restated
Total assets		
Mainland China	**48,169,960**	35,586,622
Overseas	**5,739,658**	3,788,249
	53,909,618	39,374,871

(All amounts in RMB thousands unless otherwise stated)

5. Segment information (Continued)

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

	2010 Audited	2009 Restated
Capital expenditure		
Mainland China	3,193,789	2,523,202
Overseas	11,721	212,507
	3,205,510	2,735,709

6. Business combinations

(a) Business combination in the year ended 31 December 2010

(i) Business combination under common control

As mentioned in Note 1, in May 2010, the Group acquired 100% of equity interest in Ji'ning Commercial Truck from CNHTC.

The following is a reconciliation of the effect arising from the common control combination in respect of the acquisition of Ji'ning Commercial Truck on the consolidated balance sheets.

No significant adjustments were made to the net assets or net results to Ji'ning Commercial Truck as a result of the common control combination to achieve consistency of accounting policies.

The consolidated balance sheet as at 31 December 2010:

	The Group, excluding Ji'ning Commercial Truck	Ji'ning Commercial Truck	Adjustments	Consolidated
Investment in Ji'ning Commercial Truck	81,212	—	(81,212)	—
Other assets-net	19,815,134	(2,658)	(52,405)	19,760,071
Net assets	19,896,346	(2,658)	(133,617)	19,760,071
Share capital	261,489	100,000	(100,000)	261,489
Share premium	16,444,600	—	—	16,444,600
Other reserves	(1,929,796)	123,464	(24,355)	(1,830,687)
Retained earnings	3,488,721	(226,122)	(9,262)	3,253,337
Non-controlling interests	1,631,332	—	—	1,631,332
	19,896,346	(2,658)	(133,617)	19,760,071

(All amounts in RMB thousands unless otherwise stated)

6. Business combinations (Continued)

(a) Business combination in the year ended 31 December 2010 (Continued)

(i) Business conbination under common control (Continued)

The consolidated balance sheet as at 31 December 2009:

	The Group, as previously reported	Ji'ning Commercial Truck	Adjustments	Consolidated
Investment in Ji'ning Commercial Truck	—	—	—	—
Other assets-net	18,204,980	2,333	(30,464)	18,176,849
Net assets	18,204,980	2,333	(30,464)	18,176,849
Share capital	261,489	100,000	(100,000)	261,489
Share premium	16,444,600	—	—	16,444,600
Other reserves	(2,066,712)	123,464	56,857	(1,886,391)
Retained earnings	2,281,771	(221,131)	12,679	2,073,319
Non-controlling interests	1,283,832	—	—	1,283,832
	18,204,980	2,333	(30,464)	18,176,849

(ii) Acquisition

As mentioned in Note 1, in September 2010, the Group acquired 80% of the shares in Chengdu Wangpai.

The acquired business contributed revenues of approximately RMB 304,541,000 and net profit of approximately RMB 4,403,000 to the Group for the period from 30 September 2010 to 31 December 2010. If the acquisition had occurred on 1 January 2010, consolidated revenue and consolidated profit attributable to equity holders of the Company for the year ended 31 December 2010 would have been approximately RMB 40,959,272,000 and RMB 1,481,311,000 respectively.

These amounts have been calculated using the Group's accounting policies and by adjusting the results of the subsidiary to reflect the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment, land use rights and intangible assets had applied from 1 January 2010, together with the consequential tax effects.

(All amounts in RMB thousands unless otherwise stated)

6. Business combinations (Continued)

(a) Business combination in the year ended 31 December 2010 (Continued)

(ii) Acquisition (Continued)

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

Purchase consideration:	
– cash paid	324,690
Total purchase consideration	324,690
Fair value of net identifiable assets acquired, attributable to equity holders of the Company	328,433
Excess of share acquired assets over the purchase consideration (Note 8)	(3,743)

The excess of the Group's share of the fair value of net identifiable assets of Chengdu Wangpai over the purchase consideration was recognised as other gains.

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

	Acquiree's carrying amount	Fair value
Cash and cash equivalents	222,108	222,108
Land use rights (Note 16)	117,215	141,025
Property, plant and equipment (Note 17)	418,110	431,903
Inventories	235,593	249,663
Receivables	95,748	85,025
Payables	(662,162)	(645,432)
Employee benefit liabilities, including pensions	(6,639)	(6,639)
Borrowings	(47,000)	(47,000)
Net deferred tax liabilities (Note 28(c))	(10,229)	(11,460)
Deferred tax liabilities arising from the acquisition (Note 28(c))	—	(8,652)
Net identifiable assets acquired	362,744	410,541
Non-controlling interest (20%)		(82,108)
Net assets acquired		328,433
Inflow of cash to acquire business, net of cash acquired:		
– cash and cash equivalents in subsidiary acquired		222,108
– cash consideration		(324,690)
Net cash outflow from the acquisition		(102,582)

(All amounts in RMB thousands unless otherwise stated)

6. Business combinations (Continued)

(b) Business combination in the year ended 31 December 2009

In March 2009, the Group acquired 60% of the shares in Hubei Huawei Special Vehicle Co., Ltd., a company that refits and sells heavy duty trucks from a third party for a cash consideration of RMB 60,000,000. The acquisition resulted in a goodwill of approximately RMB 3,868,000 to the Group.

7. Expenses by nature

	2010 Audited	2009 Restated
Materials cost (Note 20)	30,107,853	21,538,898
Employee benefit expenses (Note 9)	1,727,836	1,168,802
Warranty expenses (Note 31)	1,122,707	602,628
Utilities	822,448	537,771
Amortisation of land use rights (Note 16)	22,274	16,507
Depreciation of property, plant and equipment (Note 17)	723,608	522,061
Amortisation of intangible assets (Note 19)	108,078	10,746
Transportation expenses	776,956	499,880
Advertising costs	84,240	198,279
Travel and office expenses	231,989	172,038
Transaction taxes	78,720	61,360
Write-down of inventories to net realisable value (Note 20)	93,279	35,081
Auditors' remuneration	14,937	12,858
Provision for legal claims (Note 31)	—	266
Provision for /(reversal of) impairment of trade and other receivables (Note 21(b))	119,294	(159)
Other charges	1,304,326	1,432,713
Total	37,338,545	26,809,729
Representing:		
Cost of sales	33,311,730	24,148,172
Distribution costs	2,366,026	1,551,289
Administrative expenses	1,660,789	1,110,268
Total	37,338,545	26,809,729

(All amounts in RMB thousands unless otherwise stated)

8. Other (losses)/gains – net

	2010 Audited	2009 Restated
Gains of financial assets at fair value through profit or loss	195	139,879
Disposal of scraps	129,823	87,203
Government grants related to income	75,944	48,689
Fair value gains of investment properties (Note 18)	883	1,438
Excess of share of acquired assets over the purchase consideration (Note 6)	3,743	—
Losses on disposals of property, plant and equipment	(1,778)	(4,180)
Foreign exchange losses - net	(262,403)	(37,586)
Others	29,466	27,484
Total	(24,127)	262,927

9. Employee benefit expenses

	2010 Audited	2009 Restated
Salaries, wages and bonuses	1,417,943	904,911
Contributions to pension plans	128,705	95,346
Termination benefits (Note 30(a))	920	970
Post-employment benefits (Note 30(b))	270	240
Medical insurance plan (Note 30(c))	80	80
Housing benefits	55,427	35,230
Other welfare expenses	124,491	132,025
Total (Note 7)	1,727,836	1,168,802

(All amounts in RMB thousands unless otherwise stated)

10. Finance costs – net

	2010 Audited	2009 Restated
Interest expense:		
– Bank borrowings	444,820	247,824
– Discount of notes receivable	11,050	29,706
Net foreign exchange (gains)/losses on financing activities	(4,653)	6,572
Finance costs	451,217	284,102
Finance income:		
– Interest income from bank deposits	(211,977)	(239,145)
Finance costs - net	239,240	44,957

11. Taxation

(a) Income tax expense

The Company and Sinotruk (Hong Kong) International Investment Limited are subject to Hong Kong profits tax at the rate of 16.5% (2009: 16.5%) on their estimated assessable profit for the year. In addition, the Company is determined as 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% (2009: 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 Jinan Power Co., Ltd., Sinotruk Ji'nan Axle & Tramsmission Co., Ltd., Sinotruk Ji'nan Fuqiang Power Co., Ltd. and Sinotruk Hangzhou Engine Co., Ltd. have been recognised as the High New Tech Enterprises in 2008. According to the tax incentives of the Corporate Income Tax Law of the People's Republic of China (the "CIT Law") for High New Tech Enterprises, these companies are subject to a reduced corporate income tax rate of 15% for three years.

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

Sinotruck Chongqing Fuel System Co., Ltd., Sinotruk Liuzhou Yunli Special Vehicle Co., Ltd. and Chengdu Wangpai 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% (2009: 25%).

(All amounts in RMB thousands unless otherwise stated)

11. Taxation (Continued)

(a) Income tax expense (Continued)

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

	2010 Audited	2009 Restated
Current tax:		
– Hong Kong profits tax	—	651
– PRC corporate income tax	808,503	305,904
Total current tax	808,503	306,555
Deferred tax (Note 28 (b))	(483,770)	(13,582)
Income tax expense	324,733	292,973

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:

	2010 Audited	2009 Restated
Profit before tax	2,054,248	1,309,022
Tax calculated at tax rates applicable to profits of the respective entities	477,290	299,585
Tax effects of:		
Tax exemption of certain subsidiaries	(144,545)	(122,997)
Income not subject to tax	(232)	(931)
Expenses not deductible for tax purposes	72,231	83,940
Tax losses for which no deferred tax assets were recognised	3,727	2,752
Additional allowance for research and development expenditures	(32,780)	(17,975)
Re-measurement of deferred tax resulted from changes in tax rates of certain subsidiaries	(50,958)	48,599
Income tax expense	324,733	292,973

The Group has unrecognised tax losses of approximately RMB 19,782,000 (2009: RMB 13,869,000), which can be carried forward against future taxable income and will expire within 5 years.

(All amounts in RMB thousands unless otherwise stated)

11. Taxation (Continued)

(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.

12. Directors' and senior management's emoluments

(a) Remunerations

(i) The remuneration of every director of the Company (the "Director") for the year ended 31 December 2010 is set out below:

Name of Director	Fee, salary and bonuses	Other benefits	Employer's contribution to pension scheme	Total
Mr. Ma Chunji	702	15	15	732
Mr. Cai Dong	674	26	19	719
Mr. Wei Zhihai	569	13	12	594
Mr. Wang Haotao	569	26	19	614
Mr. Tong Jingen	564	26	19	609
Mr. Wang Shanpo	564	26	19	609
Mr. Pan Qing	551	26	19	596
Dr. Georg Pachta-Reyhofen	94	—	—	94
Mr. Jörg Schwitalla	94	—	—	94
Mr. Lars Wrebo	94	—	—	94
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. Wang Guangxi (a)	564	26	19	609

(a) Resigned on 26 December 2010.

(All amounts in RMB thousands unless otherwise stated)

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

(a) Remunerations (Continued)

(ii) The remuneration of every Director for the year ended 31 December 2009 is set out below:

Name of Director	Fee, salary and bonuses	Other benefits	Employer's contribution to pension scheme	Total
Mr. Ma Chunji	530	4	13	547
Mr. Cai Dong	503	20	17	540
Mr. Wei Zhihai	434	2	12	448
Mr. Wang Haotao	434	20	17	471
Mr. Tong Jingen	429	20	17	466
Mr. Wang Shanpo	429	20	17	466
Mr. Pan Qing	-	-	-	-
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 Xian Yun	120	-	-	120
Mr. Wang Guangxi	434	20	17	471
Mr. Hakan Samuelsson	-	-	-	-
Dr. Karlheinz Hornung	-	-	-	-
Mr. Anton Weinmann	-	-	-	-

During the year 2010 and year 2009, no Directors or senior management of the Company waived any emoluments and no emoluments were paid by the Group to any of the Directors or senior management as an inducement to join or upon joining the Group or as compensation for loss of office.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group during the year 2010 include four (2009: four) Directors whose emoluments have been included in Note (a) above. The emoluments payable to the remaining individual during the year are as follows:

	2010 Audited	2009 Restated
Basic salaries, housing allowances and other allowances	1,104	1,111

The emoluments fell within the following bands:

	2010 Audited	2009 Restated
Emolument bands (in HK dollars)		
HKD 1,000,000 – HKD 2,000,000	1	1

13. Profit attributable to equity holders of the Company

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of RMB 373,478,000 (2009: RMB 270,297,000). This is reconciled to the profit for the year of the Company as follows:

	2010 Audited	2009 Restated
Amount of consolidated profit attributable to equity shareholders dealt with in the company's financial statements	373,478	270,297
Final dividends from subsidiaries attributable to the profits of the previous financial year, approved during the year	89,635	47,801
Company's profit and comprehensive income for the year (Note 26)	463,113	318,098

14. Earnings per share

(a) Basic

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

	2010 Audited	2009 Restated
Profit attributable to equity holders of the Company	1,480,745	836,759
Weighted average number of ordinary shares in issue (thousands)	2,760,993	2,201,739
Basic earnings per share (RMB per share)	0.54	0.38

14. Earnings per share (Continued)

(b) Diluted

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

	2010 Audited	2009 Restated
Profit used to determine diluted earnings per share	**1,480,745**	836,759
Weighted average number of ordinary shares in issue (thousands)	**2,760,993**	2,201,739
Adjustments for:		
– Assumed conversion of convertible note (thousands)	**—**	103,172
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**2,760,993**	2,304,911
Diluted earnings per share (RMB per share)	**0.54**	0.36

15. Dividends

(a) At a meeting held on 25 March 2011, the board of directors ("Board") proposed a final dividend in respect of the year ended 31 December 2010 of approximately HKD 496,979,000 (2009: HKD 165,660,000) (approximately RMB 418,103,000, 2009: RMB 145,734,000), representing HKD 0.18 (2009: HKD 0.06) per ordinary share. Such dividend is to be approved by the shareholders at the annual general meeting being held on 18 May 2011. These consolidated financial statements do not reflect this dividend payable.

(b) Pursuant to the CIT law, the Company is determined as a Chinese-resident enterprise and required to withhold and pay Corporate Income Tax at the specific tax rates according to CIT law for its non-PRC resident enterprise shareholders to whom the Company pays dividend. Accordingly, the Company has withheld Corporate Income Tax amounting to RMB 14,049,000 in respect of the final dividend for the year 2009 (withholding Corporate Income Tax for the final dividend for the year 2008: RMB 7,381,000) for its non-PRC resident enterprise shareholders and paid all withholding Corporate Income Tax in November 2010 (Note 29).

(All amounts in RMB thousands unless otherwise stated)

16. Land use rights - Group and Company

Land use rights in the Mainland China represent the Group's interests in land which are held on leases between 35 to 50 years.

Land use rights in Hong Kong represent the Group's interests in three parcels of land which are held on leases of 39 to 874 years.

The location is as follows:

	Group		Company	
	2010 Audited	2009 Restated	2010 Audited	2009 Audited
In Hong Kong				
- Leases of over 50 years	16,403	16,422	16,403	16,422
- Leases of between 10 to 50 years	198,679	210,797	—	—
Outside Hong Kong				
- Leases between 10 to 50 years	1,183,354	662,753	—	—
	1,398,436	889,972	16,403	16,422

The movements for land use rights are as follows:

	Group		Company	
	2010 Audited	2009 Restated	2010 Audited	2009 Audited
Opening net book amount	889,972	479,147	16,422	16,440
Acquisition of a subsidiary (Note 6(a)(ii))	141,025	25,999	—	—
Transfer from property, plant and equipment (Note 17)	113,244	—	—	—
Other additions	276,469	401,333	—	—
Amortisation charge (Note 7)	(22,274)	(16,507)	(19)	(18)
Closing net book amount	1,398,436	889,972	16,403	16,422
Cost	1,471,365	929,459	16,467	16,467
Accumulated amortisation	(72,929)	(39,487)	(64)	(45)
Net book amount	1,398,436	889,972	16,403	16,422

(All amounts in RMB thousands unless otherwise stated)

17. Property, plant and equipment - Group and Company

	Buildings	Machinery	Furniture, fittings and equipment	Vehicles	Construction in progress	Total
			Restated			
The Group						
At 1 January 2009						
Cost	1,871,595	3,357,869	168,182	169,152	2,640,160	8,206,958
Accumulated depreciation	(229,759)	(1,259,964)	(67,769)	(68,952)	—	(1,626,444)
Net book amount	1,641,836	2,097,905	100,413	100,200	2,640,160	6,580,514
Year ended 31 December 2009						
Opening net book amount	1,641,836	2,097,905	100,413	100,200	2,640,160	6,580,514
Acquisition of a subsidiary	43,584	21,671	553	3,765	2,248	71,821
Other additions	34,869	65,556	24,993	31,971	1,740,956	1,898,345
Transfers	1,041,497	1,800,075	22,375	7,934	(2,871,881)	—
Disposals (Note 33 (b))	(360)	(23,732)	(1,104)	(4,294)	—	(29,490)
Depreciation charge (Note 7)	(75,721)	(409,672)	(23,063)	(13,605)	—	(522,061)
Closing net book amount	2,685,705	3,551,803	124,167	125,971	1,511,483	7,999,129
At 31 December 2009						
Cost	2,996,791	5,218,738	206,299	186,010	1,511,483	10,119,321
Accumulated depreciation	(311,086)	(1,666,935)	(82,132)	(60,039)	—	(2,120,192)
Net book amount	2,685,705	3,551,803	124,167	125,971	1,511,483	7,999,129
			Audited			
Year ended 31 December 2010						
Opening net book amount	2,685,705	3,551,803	124,167	125,971	1,511,483	7,999,129
Acquisition of a subsidiary (Note 6)	161,850	178,851	842	3,537	86,823	431,903
Other additions	9,612	228,395	22,922	18,574	1,568,712	1,848,215
Transfers	653,632	528,183	33,759	3,952	(1,219,526)	—
Transfer to land use rights (Note 16)	—	—	—	—	(113,244)	(113,244)
Disposals (Note 33 (b))	(7,831)	(72,248)	(1,231)	(1,142)	—	(82,452)
Depreciation charge (Note 7)	(117,587)	(563,147)	(26,534)	(16,340)	—	(723,608)
Closing net book amount	3,385,381	3,851,837	153,925	134,552	1,834,248	9,359,943
At 31 December 2010						
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

(All amounts in RMB thousands unless otherwise stated)

17. Property, plant and equipment - Group and Company (Continued)

	Buildings	Furniture, fittings and equipment	Total
		Audited	
The Company			
At 1 January 2009			
Cost	813	25	838
Accumulated depreciation	(58)	(9)	(67)
Net book amount	755	16	771
Year ended 31 December 2009			
Opening net book amount	755	16	771
Additions	—	6	6
Depreciation charge	(40)	(7)	(47)
Closing net book amount	715	15	730
At 31 December 2009			
Cost	813	31	844
Accumulated depreciation	(98)	(16)	(114)
Net book amount	715	15	730
		Audited	
Year ended 31 December 2010			
Opening net book amount	715	15	730
Depreciation charge	(41)	(7)	(48)
Closing net book amount	674	8	682
At 31 December 2010			
Cost	813	31	844
Accumulated depreciation	(139)	(23)	(162)
Net book amount	674	8	682

(All amounts in RMB thousands unless otherwise stated)

17. 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	
	2010 Audited	2009 Restated	**2010 Audited**	2009 Audited
Cost of sales	**642,676**	447,486	**—**	—
Distribution costs	**1,777**	1,174	**—**	—
Administrative expenses	**79,155**	73,401	**48**	47
	723,608	522,061	**48**	47

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

	Group		Company	
	2010 Audited	2009 Restated	**2010 Audited**	2009 Audited
Borrowing cost capitalised	**35,236**	66,521	**—**	—
Average capitalisation rate	**4.28%**	4.64%	**—**	—

(c) As at 31 December 2010, the Group was in the process of applying the certificates of ownership for the buildings, with net book amount of approximately RMB 67,385,000 (2009: RMB 594,650,000). 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 2011.

(All amounts in RMB thousands unless otherwise stated)

18. Investment properties - Group

	2010 Audited	2009 Restated
At 1 January	5,609	4,171
Fair value gain (Note 8)	883	1,438
At 31 December	6,492	5,609

The investment properties are located in Hong Kong and held on lease between 10 to 50 years. They were stated at fair value as at 31 December 2010.

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

	2010 Audited	2009 Restated
Rental income	197	203

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

	2010 Audited	2009 Restated
In Hong Kong, held on:		
Leases of between 10 to 50 years	6,492	5,609

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

	2010 Audited	2009 Restated
Within 1 year	170	176

(All amounts in RMB thousands unless otherwise stated)

19. Intangible assets - Group

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

	Proprietary technology	Computer software	Total
At 1 January 2009			
Cost	29,529	14,792	44,321
Accumulated amortisation	(8,308)	(2,205)	(10,513)
Net book amount	21,221	12,587	33,808
Year ended 31 December 2009			
Opening net book amount	21,221	12,587	33,808
Acquisition of a subsidiary	2,289	5,619	7,908
Other additions	322,902	7,401	330,303
Amortisation charge (Note 7)	(6,832)	(3,914)	(10,746)
Closing net book amount	339,580	21,693	361,273
At 31 December 2009			
Cost	355,031	27,588	382,619
Accumulated amortisation	(15,451)	(5,895)	(21,346)
Net book amount	339,580	21,693	361,273
Year ended 31 December 2010			
Opening net book amount	**339,580**	**21,693**	**361,273**
Other additions	**494,615**	**13,283**	**507,898**
Amortisation charge (Note 7)	**(106,348)**	**(1,730)**	**(108,078)**
Closing net book amount	**727,847**	**33,246**	**761,093**
At 31 December 2010			
Cost	**849,646**	**40,637**	**890,283**
Accumulated amortisation	**(121,799)**	**(7,391)**	**(129,190)**
Net book amount	**727,847**	**33,246**	**761,093**

(All amounts in RMB thousands unless otherwise stated)

19. Intangible assets - Group (Continued)

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

	2010 Audited	2009 Restated
Cost of sales	2,350	6,832
Administrative expenses	105,728	3,914
Total (Note 7)	108,078	10,746

(b) Research expenditures and development expenditures that do not meet criteria for capitalisation are recognised as an expense as incurred. The total amount of expenses charged into the consolidated statement of comprehensive incomes is approximately RMB 401,719,000 (2009: RMB 388,231,000). No research and development costs have been capitalized as intangible assets during the year ended 31 December 2010 and 2009.

20. Inventories - Group

	2010 Audited	2009 Restated
Raw materials	2,231,603	1,406,127
Work in progress	792,972	630,503
Finished goods - parts and components	1,376,508	1,055,947
Finished goods - trucks	9,129,980	2,832,449
	13,531,063	5,925,026
Less: write-down of inventories to net of realisable value	(149,228)	(135,441)
	13,381,835	5,789,585

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

	2010 Audited	2009 Restated
Materials cost (Note 7)	30,107,853	21,538,898
Write-down of inventories to net realisable value (Note 7)	93,279	35,081
	30,201,132	21,573,979
Representing:		
Cost of sales	30,192,658	21,566,974
Administrative expenses	7,374	6,295
Distribution costs	1,100	710
	30,201,132	21,573,979

(All amounts in RMB thousands unless otherwise stated)

21. Trade and other receivables - Group and Comapny

	Group		Company	
	2010 Audited	2009 Restated	2010 Audited	2009 Audited
Accounts receivable	2,995,686	2,189,859	—	—
Less: Provision for impairment of accounts receivable	(111,399)	(102,244)	—	—
Accounts receivable - net	2,884,287	2,087,615	—	—
Notes receivable	8,028,397	4,051,377	—	—
Trade receivables - net	10,912,684	6,138,992	—	—
Other receivables	1,477,895	236,093	56	40,745
Less: Provision for impairment of other receivables	(118,111)	(5,999)	—	—
Other receivables - net	1,359,784	230,094	56	40,745
Interest receivables	30,679	80,950	3,895	2,789
Trade and other receivables before prepaid items	12,303,147	6,450,036	3,951	43,534
Prepayments	1,300,203	598,404	155,677	—
Prepaid taxes other than income tax	699,351	128,755	—	—
Prepaid income taxes	8,328	27,845	—	—
	14,311,029	7,205,040	159,628	43,534

(a) As at 31 December 2010 and 2009, the carrying amounts of the Group's trade and other receivables before prepaid items approximated their fair values.

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

	Group	
	2010 Audited	2009 Restated
Opening amount	108,243	111,576
Provision for / (reversal of) receivable impairment (Note 7)	119,294	(159)
Receivables written off during the year as uncollectible	(2,052)	(3,174)
Acquisition of a subsidiary	4,025	—
Closing amount	229,510	108,243

During the year, the Group made a provision of approximately RMB 100,000,000 for the deposit in a bank which is involved in a financial note forgery case (Note 4.1(e)).

The Group's provision for impairment of receivables of approximately RMB 119,294,000 (2009: reversal of impairment of approximately RMB 159,000) is included in administrative expenses (Note 7) in the consolidated statement of comprehensive income.

(All amounts in RMB thousands unless otherwise stated)

21. Trade and other receivables - Group and Comapny (Continued)

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

	Group	
	2010	2009
	Audited	Restated
Less than 3 months	**8,829,047**	4,888,506
3 months to 6 months	**1,736,320**	1,002,996
6 months to 12 months	**131,597**	190,189
1 year to 2 years	**166,361**	57,301
2 years to 3 years	**49,359**	—
	10,912,684	6,138,992

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

As at 31 December 2010, accounts receivable of approximately RMB 565,818,000 (2009: RMB 246,498,000) were secured by certain letters of credit issued by overseas third parties. No provision is provided against these receivables as at 31 December 2010 and 31 December 2009.

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

(All amounts in RMB thousands unless otherwise stated)

21. Trade and other receivables - Group and Comapny (Continued)

(e) Notes receivable are analysed as follows:

	Group	
	2010 Audited	2009 Restated
Bank acceptance notes issued by related parties	**68,100**	74,114
Bank acceptance notes issued by third parties	**7,878,419**	3,300,111
Commercial acceptance notes issued by related parties	**2,600**	6,190
Commercial acceptance notes issued by third parties	**79,278**	670,962
	8,028,397	4,051,377

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

	2010 Audited	2009 Restated
Bank acceptance notes		
CNHTC Taian Wuyue Special Truck Co., Ltd.	**65,100**	21,507
CNHTC Datong Gear Group Co., Ltd.	**3,000**	—
CNHTC Ji'nan Investment Co., Ltd.	**—**	37,233
CNHTC Ji'nan Construction Co., Ltd.	**—**	8,874
CNHTC Ji'nan Special Truck Co., Ltd.	**—**	6,450
CNHTC Special Vehicle Company	**—**	50
	68,100	74,114
Commercial acceptance notes		
CNHTC Taian Wuyue Special Truck Co., Ltd.	**2,600**	1,000
CNHTC Datong Gear Group Co., Ltd.	**—**	4,000
CNHTC Special Vehicle Company	**—**	1,000
CNHTC Ji'nan Investment Co., Ltd.	**—**	160
CNHTC Ji'nan Special Truck Co., Ltd.	**—**	30
	2,600	6,190

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

	2010 Audited	2009 Restated
Commercial acceptance notes endorsed - issued by related parties	**800**	4,160

(All amounts in RMB thousands unless otherwise stated)

21. Trade and other receivables - Group and Comapny (Continued)

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

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

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

a) Group 1 – Bank acceptance notes for which the repayment are guaranteed by large state-owned bank and interest receivables;
b) Group 2 – Commercial acceptance notes for which the repayment are guaranteed by corresponding issuer;
c) Group 3 – Accounts and other receivables due from customers or other counter parties with no defaults in the past.

	2010 Audited	2009 Restated
Group 1	7,977,198	3,455,175
Group 2	81,878	677,152
Group 3	3,718,923	2,038,789
	11,777,999	6,171,116

(ii) As at 31 December 2010, no accounts receivable, notes receivable and other receivables were past due but not impaired (2009: Nil).

(iii) Impaired receivables

As at 31 December 2010, receivables that were impaired are analysed below:

	2010 Audited	2009 Restated
Accounts and other receivables	754,658	387,163
Less: Provision for impairment	(229,510)	(108,243)
	525,148	278,920

Except for the defective deposits with principal amount of RMB 500,000,000, as described in Note 4.1 (e), the impaired receivables mainly relate to individual customers which are with doubtful repayment ability. It was assessed that a portion of the receivables is expected to be recovered.

(All amounts in RMB thousands unless otherwise stated)

21. Trade and other receivables - 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:

	2010 Audited	2009 Restated
RMB	**12,142,531**	6,017,086
USD	**79,810**	260,123
HKD	**74,758**	199
EURO	**6,048**	172,628
	12,303,147	6,450,036

(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 2010, other receivables mainly represented loans to third parties of the finance segment of the Group which bear interest at mutually agreed ratios and deposits in a bank which is involved in a financial note forgery case (Note 4.1(e)). As at 31 December 2009, other receivables mainly represented loans to third parties of the finance segment of the Group which bear interest at mutually agreed ratios.

22. Financial assets at fair value through profit or loss - Group and Company

	Group		Company	
	2010 Audited	2009 Restated	**2010 Audited**	2009 Audited
Listed securities				
- equity securities – PRC (a)	**1,089**	—	**—**	—
Forward foreign exchange contracts (b)	**—**	14,731	**—**	14,731
Total	**1,089**	14,731	**—**	14,731

(a) Changes in fair values of financial assets at fair value through profit or loss are recorded in 'other gains/(losses)', 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.

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

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

The above foreign exchange forward contracts are measured at fair value at each balance sheet date.

(All amounts in RMB thousands unless otherwise stated)

23. Fixed deposit - Group and Company

As at 31 December 2009, the Company placed a six-month fixed deposit in a reputable PRC bank located in Hong Kong with amount of EURO 106,000,000, equivalent to approximately RMB 1,038,492,000.

24. Restricted cash - Group and Company

	Group		Company	
	2010 Audited	2009 Restated	**2010 Audited**	2009 Audited
Restricted cash denominated in EURO	**299,643**	744,580	**299,643**	744,580
Restricted cash denominated in RMB	**1,945,421**	3,342,888	**—**	—
	2,245,064	4,087,468	**299,643**	744,580

The breakdown of restricted cash in nature as at 31 December 2010 and 2009 was as follows:

	Group		Company	
	2010 Audited	2009 Restated	**2010 Audited**	2009 Audited
Deposits for issuing bank acceptance notes	**1,060,624**	1,943,438	**—**	—
Deposits for issuing letters of credit	**308,327**	80,751	**132,319**	—
Security for bank borrowings	**197,324**	1,793,640	**167,324**	744,580
Security for confirming business	**24,901**	30,000	**—**	—
Mandatory reserve deposits (a)	**250,130**	239,639	**—**	—
Other restricted cash (b)	**403,758**	—	**—**	—
	2,245,064	4,087,468	**299,643**	744,580

(a) The Group is required to place mandatory deposits with 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..

(b) Other restricted cash mainly represented the cash deposit received for purchase of trucks from a person who is involved in the financial note forgery case (Note 4.1(e)). According to certain regulatory requirements, these cash received by the Group which correspondingly recorded as other payables cannot be used without the prior consent from the regulatory body.

(All amounts in RMB thousands unless otherwise stated)

25. Cash and cash equivalents - Group and Company

	Group		Company	
	2010 Audited	2009 Restated	2010 Audited	2009 Audited
Cash on hand	319	273	3	3
Time deposits with initial term of over three months (a)	5,050,664	3,077,743	430,260	—
Short-term bank deposits (b)	6,510,489	8,460,178	142,591	760,901
Cash and cash equivalents	11,561,472	11,538,194	572,854	760,904
Denominated in:				
- RMB	10,404,738	10,028,368	133,578	—
- HKD	66,372	248,862	419	3,419
- USD	52,955	92,601	23	24
- GBP	2,375	940	—	—
- EURO	1,032,847	1,167,403	438,832	757,459
- others	2,185	20	2	2
	11,561,472	11,538,194	572,854	760,904

(a) The weighted average effective interest rates on time deposits, with maturities over 3 months, were 2.19% (2009: 2.15%) per annum.

(b) The weighted average effective interest rate on short-term bank deposits, with maturities ranging from one to three months, was 0.92% per annum (2009: 0.69%).

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

(All amounts in RMB thousands unless otherwise stated)

25. Cash and cash equivalents - Group and Company (Continued)

(c) Credit quality of cash at bank

The Group categorises its cash at bank into the following:

i) Group 1 – Major international banks;
ii) Group 2 – Large China reputable banks;

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

	Group		Company	
	2010 Audited	2009 Restated	2010 Audited	2009 Audited
Group 1	91,896	106,294	—	—
Group 2	11,469,257	11,431,627	572,851	760,901
	11,561,153	11,537,921	572,851	760,901

(All amounts in RMB thousands unless otherwise stated)

26. Equity

(a) Share capital

Authorised and issued share capital

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

Ordinary share, issued and fully paid

	2010 Audited		2009 Audited	
	Number of shares	Amount	Number of shares	Amount
At 1 January	2,760,993,339	261,489	2,275,199,000	219,648
Cancellation of the shares (b)(ii)	—	—	(113,268,500)	(10,935)
Conversion of convertible note (b)(iii)	—	—	599,062,839	52,776
At 31 December	2,760,993,339	261,489	2,760,993,339	261,489

(All amounts in RMB thousands unless otherwise stated)

26. Equity (Continued)

(b) The company's equity

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

The Companay	Share capital	Share premium	Capital redemption reserve	Convertible note reserve	Retained earnings	Total
			Audited			
At 1 January 2009	219,648	11,727,145	—	—	132,486	12,079,279
Total comprehensive income for the year	—	—	—	—	318,098	318,098
Transactions with owners in their capacity as owners						
Dividends relating to 2008	—	—	—	—	(76,153)	(76,153)
Repurchase of the shares (i)					(59,725)	(59,725)
Issue of convertible note (iii)	—	—	—	4,770,231	—	4,770,231
Conversion of convertible note (iii)	52,776	4,717,455	—	(4,770,231)	—	—
Cancellation of shares repurchased (ii)	(10,935)	—	10,935	—	(751)	(751)
Total transactions with owners	41,841	4,717,455	10,935	—	(136,629)	4,633,602
At 31 December 2009	261,489	16,444,600	10,935	—	313,955	17,030,979
			Audited			
At 1 January 2010	**261,489**	**16,444,600**	**10,935**	—	**313,955**	**17,030,979**
Dividends relating to 2009	—	—	—	—	**(145,623)**	**(145,623)**
Total comprehensive income for the year	—	—	—	—	**463,113**	**463,113**
At 31 December 2010	**261,489**	**16,444,600**	**10,935**	—	**631,445**	**17,348,469**

26. Equity (Continued)

(b) The company's equity (Continued)

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

(ii) On 26 February 2009, the Company cancelled 113,268,500 ordinary shares repurchased. Directly attributable expenses of approximately HKD 798,000 (RMB 751,000) relating to the cancellation were charged against the retained earnings of the Company. After the cancellation, the number of Company's ordinary shares in issue was reduced from 2,275,199,000 to 2,161,930,500. The amount of share capital cancelled at RMB 10,935,000 was transferred from share capital to capital redemption reserve.

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

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

(c) Reserves of the Group

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

(ii) The Group's statutory reserve is the aggregate of statutory 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.

(iii) The merger reserve of the Group represents the difference between the nominal value of the shares or the capital of the subsidiaries that had been acquired and the nominal value of the Company's shares issued in exchange therefore pursuant to the Reorganisation.

(All amounts in RMB thousands unless otherwise stated)

27. Borrowings - Group and Company

	Group		Company	
	2010 Audited	2009 Restated	2010 Audited	2009 Audited
Non-current				
Long-term bank borrowings – unsecured	—	1,500,250	—	—
RMB bond – unsecured (c)	2,686,240	—	2,686,240	—
	2,686,240	1,500,250	2,686,240	—
Current				
Long-term bank borrowings, current portion – unsecured	1,946,850	40,000	—	—
Short-term bank borrowings				
– guaranteed (b)	40,000	20,000	—	—
– secured (a)	140,403	2,918,707	140,403	744,580
– unsecured	9,393,681	4,271,590	—	—
	9,574,084	7,210,297	140,403	744,580
	11,520,934	7,250,297	140,403	744,580
Total borrowings	14,207,174	8,750,547	2,826,643	744,580

(a) As at 31 December 2010, bank borrowings of approximately RMB 140,403,450 (2009: RMB 2,918,707,000) were secured by certain bank deposits (Note 24).

(b) As at 31 December 2010, bank borrowings of approximately RMB 40,000,000 (2009: RMB 20,000,000) were guaranteed by a non-controlling shareholder of a subsidiary.

(c) On 29 October 2010, the Company issued RMB 2,700,000,000 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 semi-annually.

(All amounts in RMB thousands unless otherwise stated)

27. Borrowings - Group and Company (Continued)

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

	Group		Company	
	2010 Audited	2009 Restated	**2010 Audited**	2009 Audited
Within 1 year	**11,520,934**	7,250,297	**140,403**	744,580
Between 1 and 2 years	**2,686,240**	1,500,250	**2,686,240**	—
	14,207,174	8,750,547	**2,826,643**	744,580

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

	Group		Company	
	2010 Audited	2009 Restated	**2010 Audited**	2009 Audited
RMB	**14,066,771**	7,691,840	**2,686,240**	—
HKD	**140,403**	—	**140,403**	—
USD	**—**	224,778	**—**	—
EURO	**—**	833,929	**—**	744,580
	14,207,174	8,750,547	**2,826,643**	744,580

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

	Group		Company	
	2010 Audited	2009 Restated	**2010 Audited**	2009 Audited
RMB	**4.33%**	4.17%	**3.71%**	—
HKD	**1.44%**	—	**1.42%**	—
USD	**—**	2.20%	**—**	—
EURO	**—**	0.70%	**—**	0.70%

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

(All amounts in RMB thousands unless otherwise stated)

27. Borrowings - Group and Company (Continued)

(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	
	2010 Audited	2009 Restated	**2010 Audited**	2009 Audited
Within 6 months	**8,734,084**	5,770,297	**140,403**	744,580
Between 6 and 12 months	**2,786,850**	2,010,000	**—**	—
Between 1 and 5 years	**—**	970,250	**—**	—
	11,520,934	8,750,547	**140,403**	744,580

(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:

	2010 Audited	2009 Restated
Carrying amount	**2,686,240**	1,500,250
Fair value	**2,686,240**	1,459,404

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 as at 31 December 2010:

	2010 Audited	2009 Restated
Floating rate		
– expiring within one year	**2,566,106**	3,564,000

(All amounts in RMB thousands unless otherwise stated)

28. Deferred income tax - Group

(a) The amounts are as follows:

	2010 Audited	2009 Restated
Deferred tax assets:		
– Deferred tax asset to be recovered after more than 12 months	243,906	131,327
– Deferred tax asset to be recovered within 12 months	598,358	222,971
	842,264	354,298
Deferred tax liabilities:		
– Deferred tax liabilities to be recovered within 12 months	(35,188)	(10,880)
Deferred tax assets – net	807,076	343,418

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

	2010 Audited	2009 Restated
At 1 January	343,418	339,933
Credit to consolidated statement of comprehensive income (Note 11(a))	483,770	13,582
Acquisition of a subsidiary ((c) and Note 6)	(20,112)	(10,097)
At 31 December	807,076	343,418

(All amounts in RMB thousands unless otherwise stated)

28. Deferred income tax - Group (Continued)

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

Deferred tax assets	Impairment of assets	Pensions and other post-retirement benefits	Unrealised profit	Accrued expenses and provisions	Tax revaluation	Deferred income	Others	Total
As at 1 January 2009 (Restated)	62,708	13,933	51,497	52,562	135,123	3,629	21,942	341,394
(Charge)/credit to consolidated statement of comprehensive income (Note 11(a))	(10,479)	(6,065)	39,381	21,046	(24,628)	6,644	(12,995)	12,904
As at 31 December 2009 (Restated)	52,229	7,868	90,878	73,608	110,495	10,273	8,947	354,298
Credit/(charge) to consolidated statement of comprehensive income (Note 11(a))	26,101	1,182	193,941	138,781	8,274	95,784	19,586	483,649
Acquisition of a subsidiary (Note 6)	—	—	901	3,946	—	—	(530)	4,317
As at 31 December 2010 (Audited)	78,330	9,050	285,720	216,335	118,769	106,057	28,003	842,264

Deferred tax liabilities	Accelerated tax depreciation	Fair value gains	Tax revaluation	Total
As at 1 January 2009 (Restated)	(150)	(1,311)	—	(1,461)
(Charge)/credit to consolidated statement of comprehensive income (Note 11(a))	(105)	783	—	678
Acquisition of a subsidiary	—	(10,097)	—	(10,097)
As at 31 December 2009 (Restated)	(255)	(10,625)	—	(10,880)
(Charge)/credit to consolidated statement of comprehensive income (Note 11(a))	(1,379)	3,069	(1,569)	121
Acquisition of a subsidiary (Note 6)	—	(24,429)	—	(24,429)
As at 31 December 2010 (Audited)	(1,634)	(31,985)	(1,569)	(35,188)

(All amounts in RMB thousands unless otherwise stated)

29. Trade and other payables - Group

	2010 Audited	2009 Restated
Trade and bills payables	12,681,568	9,079,215
Advances from customers	2,312,501	868,257
Accrued expenses	196,043	369,927
Staff welfare and salaries payable	80,918	138,962
Taxes liabilities other than income tax	552,161	105,794
Withholding tax on dividends to non-PRC resident enterprise shareholders (Note15(b))	—	7,381
Other payables	1,821,835	688,193
	17,645,026	11,257,729

As at 31 December 2010 and 2009, the ageing analysis of the trade and bills payables was as follows:

	2010 Audited	2009 Restated
Less than 3 months	9,675,756	6,459,420
3 months to 6 months	2,407,597	2,490,507
6 months to 12 months	524,312	72,503
1 year to 2 years	51,667	43,504
2 years to 3 years	17,767	4,867
Over 3 years	4,469	8,414
	12,681,568	9,079,215

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

	2010 Audited	2009 Restated
RMB	14,291,812	9,728,624
USD	92,854	28,740
HKD	86,335	8,848
EURO	32,402	98
CHF	—	1,098
	14,503,403	9,767,408

(All amounts in RMB thousands unless otherwise stated)

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

	2010 Audited	2009 Restated
Termination benefits (a)	30,210	40,680
Post-employment benefits (b)	6,950	7,680
Post-employment medical insurance plan (c)	2,680	3,400
	39,840	51,760

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

	2010 Audited	2009 Restated
Termination benefits, included in staff costs (Note 9)	920	970

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

	2010 Audited	2009 Restated
Present value of benefit plans	8,200	8,460
Unrecognised actuarial losses	(1,250)	(780)
Liability in the consolidated balance sheet	6,950	7,680

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

	2010 Audited	2009 Restated
Beginning of the year	7,680	8,500
Total expenses (interest cost) (Note 9)	270	240
Benefits paid	(1,000)	(1,060)
End of the year	6,950	7,680

(All amounts in RMB thousands unless otherwise stated)

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

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

	2010 Audited	2009 Restated
Present value of benefit plan	3,240	3,380
Unrecognised actuarial (losses)/ gains	(560)	20
Liability in the consolidated balance sheet	2,680	3,400

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

	2010 Audited	2009 Restated
Beginning of the year	3,400	4,060
Total expenses (interest expense) (Note 9)	80	80
Benefits paid	(800)	(740)
End of the year	2,680	3,400

(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:

	2010 Audited	2009 Restated
Post-employment benefits and medical insurance plan discount rate	3.50%	2.75%
Average salary increase rate	10% to 12%	10% to 12%

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

(All amounts in RMB thousands unless otherwise stated)

31. Provisions for other liabilities - Group

	Legal claims	Products warranties	Total
As at 1 January 2009 (Restated)	2,764	123,285	126,049
Additional provision (Note 7)	266	602,628	602,894
Untilised during the year	—	(508,129)	(508,129)
As at 31 December 2009 (Restated)	3,030	217,784	220,814
Additional provision (Note 7)	—	1,122,707	1,122,707
Untilised during the year	—	(801,366)	(801,366)
As at 31 December 2010 (Audited)	3,030	539,125	542,155

32. Deferred income - Group

As at 31 December 2010 and 2009 deferred income represented assets-related government grants:

	2010 Audited	2009 Restated
Deferred income	**504,297**	329,321

(All amounts in RMB thousands unless otherwise stated)

33. Notes to the consolidated statement of cash flows

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

	2010 Audited	2009 Restated
Profit before income tax	2,054,248	1,309,022
Adjustments for:		
- Provision for/(reversal of) impairment of trade and other receivables (Note 7 and Note 21(b))	119,294	(159)
- Depreciation (Note 17)	723,608	522,061
- Amortisation (Note 16 and Note 19)	130,352	27,253
- Write-down of inventories to net realisable value (Note 7 and Note 20)	93,279	35,081
- Loss on disposals of property, plant and equipment (b)	1,778	4,180
- Fair value gains on financial assets at fair value through profit or loss (Note 8)	(195)	(139,879)
- Fair value gains on investment property (Note 18)	(883)	(1,438)
- Interest income (Note 10)	(211,977)	(239,145)
- Interest expense (Note 10)	455,870	277,530
- Foreign exchange (gains) / losses on financing activities (Note 10)	(4,653)	6,572
- Foreign exchange losses on cash	115,709	7,675
	3,476,430	1,808,753
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation):		
- Inventories	(7,435,865)	111,244
- Trade and other receivables and amounts due from related parties	(7,785,667)	(2,673,658)
- Restricted cash	649,846	(267,237)
- Financial assets at fair value through profit or loss	(13,642)	29,462
- Trade and other payables, amounts due to related parties and other liabilities	5,325,464	3,519,269
- Provisions for other liabilities and charges	321,341	94,765
- Termination benefits, post-employment benefits and medical insurance plan	(11,920)	(12,810)
Cash (used in)/generated from operations	(5,474,013)	2,609,788

(All amounts in RMB thousands unless otherwise stated)

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

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

	2010 Audited	2009 Restated
Net book amount (Note 17)	82,452	29,490
Loss on disposals of property, plant and equipment (a)	(1,778)	(4,180)
Net-off with payables	(54,650)	(12,023)
Proceeds from disposal of property, plant and equipment	26,024	13,287

(c) Major non-cash transactions:

For the year ended 31 December 2010, the Group endorsed bank acceptance notes to the suppliers for purchase of property, plant and equipment amounting to approximately RMB 639,362,000 (2009: approximately RMB 790,792,000).

34. Contingencies and guarantees

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

35. Commitments

(a) Capital commitments

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

	2010 Audited	2009 Restated
Property, plant and equipment	1,144,852	1,286,359

(b) Operating lease commitments – As a lessee

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

	2010 Audited	2009 Restated
No later than 1 year	31,138	23,452
Later than 1 year and no later than 2 years	20,720	8,947
Later than 2 years and no later than 5 years	34,659	6,311
Later than 5 years	21,855	2,000
	108,372	40,710

(All amounts in RMB thousands unless otherwise stated)

35. Commitments (Continued)

(c) Lease payments receivable – As a lessor

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

	2010 Audited	2009 Restated
No later than 1 year	**9,603**	6,214
Later than 1 year and no later than 2 years	**6,124**	3,617
Later than 2 years and no later than 5 years	**9,399**	6,260
Later than 5 years	**5,868**	1,775
	30,994	17,866

36. Investments in subsidiaries and amounts due from/to subsidiaries

(a) Investments in subsidiaries

	2010 Audited	2009 Audited
Investments, at cost:		
Listed investments	**1,926,283**	1,926,283
Unlisted investments	**13,273,292**	11,179,847
	15,199,575	13,106,130
Market value of listed investments	**7,399,315**	7,324,412

36. Investments in subsidiaries and amounts due from/to subsidiaries (Continued)

As at 31 December 2010, the Company had direct or indirect interest in the following subsidiaries:

Company Name	Country/place and date of incorporation and place of operations	Type of legal entity	Issued/paid in capital (in million)	Interest held	Principal activities
Listed —					
Sinotruk Ji'nan Truck Co., Ltd. （中國重汽集團濟南卡車股份有限公司）	PRC/28 Sep 1998	Joint stock company with limited liability	RMB 419.43	63.78% (Directly held)	Manufacture and sales of trucks and spare parts
Unlisted —					
Sinotruk Ji'nan Power Co., Ltd. （中國重汽集團濟南動力有限公司）	PRC/27 Apr 2006	Limited liability company	RMB 6,227.76	100% (Directly held)	Manufacture and reproduction of engines
Sinotruk Ji'nan Commercial Truck Co., Ltd. （中國重汽集團濟南商用車有限公司）	PRC/17 Jan 2001	Limited liability company	RMB 1,798	100% (Directly held)	Manufacture and sales of trucks and spare parts
Sinotruk Import & Export Co., Ltd. （中國重汽集團進出口有限公司）	PRC/9 Nov 2001	Limited liability company	RMB 555	100% (Directly held)	Import and export of trucks and spare parts
Sinotruk Ji'nan Ganghua Import & Export Co., Ltd. （中國重汽集團濟南港華進出口有限公司）	PRC/23 Dec 2005	Limited liability company	RMB 206	100% (Directly held)	Import and export of heavy duty trucks
Sinotruk Factory Design Institute Co., Ltd. （中國重汽集團設計研究院有限公司）	PRC/6 Jul 1993	Limited liability company	RMB 10.5	100% (Directly held)	Consulting service of truck production techniques
Sinotruk (Hong Kong) International Investment Limited （中國重汽（香港）國際資本有限公司）	Hong Kong/6 Aug 2004	Limited liability company	HKD 3,000.01	100% (Directly held)	Consultations and strategic plannings 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 Oct 1987	Limited liability company	RMB 1,000	78.92% (Directly held)	Taking deposits, facilitating borrowings, discounting notes and providing entrusted loan and entrusted investment

36. Investments in subsidiaries and amounts due from/to subsidiaries (Continued)

Company Name	Country/place and date of incorporation and place of operations	Type of legal entity	Issued/paid in capital (in million)	Interest held	Principal activities
Sinotruk 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 Jun 1973	Limited liability company	RMB 338.49	100% (Indirectly held)	Manufacture and sales of oil pump and nozzle
Sinotruk Hangzhou Engine Co., Ltd. (中國重汽集團杭州發動機有限公司)	PRC/ 30 Apr 2006	Limited liability company	RMB 1,700	100% (Indirectly held)	Manufacture and reproduction of engines
Hangzhou Automobile Engine Foundry Co., Ltd. (杭州汽發鑄造有限公司)	PRC/ 8 Dec 2000	Limited liability company	RMB 60	100% (Indirectly held)	Manufacture of castings
Sinotruk Ji'nan Fuqiang Power Co., Ltd. (中國重汽集團濟南復強動力有限公司)	PRC/ 14 Jan 1995	Limited liability company	USD 17.02	100% (Indirectly held)	Manufacture spare parts 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 Dec 2005	Limited liability company	RMB 450	81.53% (Indirectly held)	Manufacture and sales of trucks and axle and transmission parts
Sinotruk Liuzhou Yunli Special Vehicle Co., Ltd. (中國重汽集團柳州運力專用汽車有限公司)	PRC/ 11 Apr 1989	Limited liability company	RMB 103	60% (Indirectly held)	Refits and sells heavy duty trucks and spare parts
Ji'nan Ganghao Development Co., Ltd. (濟南港豪發展有限公司)	PRC/ 11 Apr 2008	Limited liability company	HKD 350	100% (Indirectly held)	Manufacture and sales of trucks and spare parts
Hangzhou Ganghang Power System Co., Ltd. (杭州港杭動力系統有限公司)	PRC/ 17 Sep 2008	Limited liability company	HKD 60	100% (Indirectly held)	Manufacture and reproduction of engines
Hangzhou Ganghao Power System Co., Ltd. (杭州港豪動力系統有限公司)	PRC/ 18 Sep 2008	Limited liability company	HKD 140	100% (Indirectly held)	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 Jan 2009	Limited liability company	RMB 100	81.53% (Indirectly held)	Research manufacture and sales of spare parts

36. Investments in subsidiaries and amounts due from/to subsidiaries (Continued)

Company Name	Country/place and date of incorporation and place of operations	Type of legal entity	Issued/paid in capital (in million)	Interest held	Principal activities
Sinotruk Hubei Huawei Special Vehicle Co., Ltd. (中國重汽集團湖北華威專用汽車有限公司)	PRC/ 4 Jun 2002	Limited liability company	RMB 62.77	60% (Indirectly held)	Refits and sells heavy duty trucks
Sinotruk Mianyang Special Vehicle Co., Ltd. (中國重汽集團綿陽專用汽車有限公司)	PRC/ 26 Jun 2009	Limited liability company	RMB 50	60% (Indirectly held)	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) (i)	PRC/ 23 Feb 2010	Limited liability company	RMB 180	100% (Indirectly held)	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) (ii)	PRC/ 10 Jan 2005	Limited liability company	RMB 100	100% (Indirectly held)	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) (iii)	PRC/ 29 Mar 2010	Limited liability company	USD 16	100% (Indirectly held)	Provision of storage services, bonded logistics services, local freight forwarding, related information consulting and logistics engineering; research, development, processing and manufacture of spare parts; import and export
Sinotruk Chengdu Wangpai Commercial Truck Co., Ltd. (中國重汽集團成都王牌商用車有限公司) (iv)	PRC/ 31 May 2007	Limited liability company	RMB 400	80% (Indirectly held)	Research, development, manufacture and sales of commercial vehicles and commercial vehicle frame
Sinotruk Fujian Haixi Vehicle Co., Ltd. (中國重汽集團福建海西汽車有限公司) (v)	PRC/ 24 Nov 2010	Limited liability company	RMB 5	80% (Indirectly held)	Manufacture and sales of trucks and spare parts and related information consulting

(All amounts in RMB thousands unless otherwise stated)

36. Investments in subsidiaries and amounts due from/to subsidiaries (Continued)

(i) Sinotruk Ji'nan HOWO Bus Co., Ltd. was incorporated on 23 February 2010. The paid-in capital of Sinotruk Ji'nan HOWO Bus Co., Ltd. is RMB 180,000,000. Jinan Power and Sinotruk (Hong Kong) International Investment Limited hold 75% and 25% equity interests of Sinotruk Ji'nan HOWO Bus Co., Ltd. respectively.

(ii) On 31 May 2010, the Group acquired 80% of equity interests in Sinotruk Ji'ning Commercial Truck Co., Ltd., for a cash consideration of RMB 81,212,000 (Note 6(a)).

(iii) Sinotruk Ji'nan Ganghao Bonded Logistics Co., Ltd. was incorporated on 29 March 2010.The paid-in capital of Sinotruk Ji'nan Ganghao Bonded Logistics Co., Ltd. is USD 16,000,000. Sinotruk (Hong Kong) International Investment Limited holds 100% equity interests of Ji'nan Ganghao Bonded Logistics Co., Ltd..

(iv) On 30 September 2010, the Group acquired 80% of equity interests in Chengdu Wangpai, a company that sells trucks and spare parts, for a cash consideration of RMB 324,690,000 (Note 6(a)).

(v) Sinotruk Fujian Haixi Vehicle Co., Ltd. was incorporated on 28 September 2010. The paid-in capital of Sinotruk Fujian Haixi Vehicle Co., Ltd. is RMB 5,000,000. Jinan Power holds 80% equity interests.

(b) Amounts due from subsidiaries

	2010 Audited	2009 Audited
Loan to a subsidiary	**2,680,000**	—
Interest receivable	**16,050**	—
Other receivable	**—**	1,148,184
	2,696,050	1,148,184

As at 31 December 2010, loan to a subsidiary, Sinotruk Jinan Power Co., Ltd., is unsecured, with an effective interest rate of 3.835%, denominated in RMB and repayable on 25 October 2012. Its fair value is approximately RMB2,702,179,000, which is based on cash flows discounted using a rate based on the lending rate at Hong Kong of 3.4%.

(All amounts in RMB thousands unless otherwise stated)

36. Investments in subsidiaries and amounts due from/to subsidiaries (Continued)

(c) Amounts due to subsidiaries

	2010 Audited	2009 Audited
Loan from a subsidiary	73,586	—
Other payables	79	1,604
	73,665	1,604

As at 31 December 2010, loan from a subsidiary, Sinotruk (Hong Kong) International Investment Limited, is unsecured, interest free, denominated in HKD and has been repaid on 20 January 2011.

37. Related party transactions

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

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

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

In addition to the related party information shown elsewhere in the financial statements, the following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties, including Other State-owned Enterprises, during the years ended 31 December 2010 and 2009 and balances arising from related party transactions as at 31 December 2010 and 2009.

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

37. Related party transactions (Continued)

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）	Immediate holding company
CNHTC Special Vehicle Company （重汽集團專用汽車公司）	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岳專用汽車有限公司）	Subsidiary of CNHTC
CNHTC Lease Firm（中國重型汽車集團租賃商社）	Subsidiary of CNHTC
CNHTC Sales Company （中國重型汽車銷售公司）	Subsidiary of CNHTC
CNHTC Ji'nan Investment Co., Ltd.（中國重汽集團濟南投資有限公司）	Subsidiary of CNHTC
CNHTC Real Estates Company （中國重汽集團房地產開發公司）	Subsidiary of CNHTC
Shandong Xin Hai Guarantee Co., Ltd.（山東鑫海擔保有限公司）	One of the senior management of CNHTC is Chairman of Shandong Xin Hai Guarantee Co., Ltd.
CNHTC Ji'nan Realty Management Co., Ltd.（中國重汽集團濟南物業有限公司）	Subsidiary of CNHTC
CNHTC Ji'nan Construction Co., Ltd.（中國重汽集團濟南建設有限公司）	Subsidiary of CNHTC
Hangzhou Engine Factory（杭州發動機廠）	Subsidiary of CNHTC
Ji'nan Automobile Test Center （濟南汽車檢測中心）	Subsidiary of CNHTC
CNHTC Ji'nan Special Truck Co., Ltd.（中國重汽集團濟南專用車有限公司）	Subsidiary of CNHTC
CNHTC Xingtai Special Truck Co., Ltd.（中國重汽集團邢台特種車制造有限公司）	Subsidiary of CNHTC
CNHTC Datong Gear Group Co., Ltd.（中國重汽集團大同齒輪有限公司）	Subsidiary of CNHTC
Ji'nan Feicui Realty Management Co., Ltd.（濟南翡翠物業管理有限公司）	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 (formerly known as MAN Nutzfahrzeuge AG)	The directors of MAN Truck & Bus AG are the directors of the Company.
Sinotruk Baotou Xinhongchang Special Vehicle Company（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

(All amounts in RMB thousands unless otherwise stated)

37. Related party transactions (Continued)

(a) Significant related party transactions

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

	2010 Audited	2009 Restated
Sale of trucks		
CNHTC Special Vehicle Company	182,469	130,716
CNHTC Taian Wuyue Special Truck Co., Ltd.	133,510	100,543
CNHTC Ji'nan Special Truck Co., Ltd.	90,719	1,349
CNHTC Ji'nan Investment Co., Ltd.	30,064	5,170
CNHTC Lease Firm	25,947	5,448
CNHTC	7,837	—
	470,546	243,226

	2010 Audited	2009 Restated
Sale of spare parts		
CNHTC Ji'nan Investment Co., Ltd.	500,361	546,443
CNHTC Ji'nan Bus Co., Ltd.	10,886	392
CNHTC Taian Wuyue Special Truck Co., Ltd.	10,526	10,982
CNHTC Datong Gear Group Co., Ltd.	10,010	14,009
CNHTC Ji'nan Construction Co., Ltd.	3,480	3,594
CNHTC Special Vehicle Company	153	12,836
Ji'nan Automobile Test Center	88	—
Hangzhou Engine Factory	85	—
CNHTC	3	285
CNHTC Lease Firm	—	11,596
CNHTC Ji'nan Special Truck Co., Ltd.	—	14,615
	535,592	614,752

(All amounts in RMB thousands unless otherwise stated)

37. Related party transactions (Continued)

(a) Significant related party transactions(Continued)

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

	2010 Audited	2009 Restated
Purchases of trucks		
CNHTC Special Vehicle Company	521,019	301,735
CNHTC Taian Wuyue Special Truck Co., Ltd.	244,903	122,650
CNHTC Ji'nan Investment Co., Ltd.	236,928	88,450
CNHTC Ji'nan Special Truck Co., Ltd.	161,767	108,535
Sinotruk Baotou Xinhongchang Special Vehicle Co., Ltd.	39,990	—
Hangzhou Engine Factory	146	—
	1,204,753	621,370

	2010 Audited	2009 Restated
Purchases of spare parts		
CNHTC Datong Gear Group Co., Ltd.	794,092	226,815
CNHTC Ji'nan Bus Co., Ltd.	161,777	96,165
CNHTC Ji'nan Investment Co., Ltd.	77,487	65,311
Hangzhou Engine Factory	10,004	518
CNHTC Ji'nan Construction Co., Ltd.	4,256	9,496
MAN Truck & Bus AG	1,192	—
CNHTC Ji'nan Realty Management Co., Ltd.	444	244
Ji'nan Automobile Test Center	63	1,340
CNHTC Ji'nan Special Truck Co., Ltd.	13	4,256
CNHTC Taian Wuyue Special Truck Co., Ltd.	—	10,892
CNHTC Special Vehicle Company	—	14,230
	1,049,328	429,267

(All amounts in RMB thousands unless otherwise stated)

37. Related party transactions (Continued)

(a) Significant related party transactions(Continued)

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

	2010 Audited	2009 Restated
Sales of services		
CNHTC Jinan Special Truck Co., Ltd.	2,013	98
CNHTC Special Vehicle Company	1,384	1,004
CNHTC Ji'nan Bus Co., Ltd.	1,375	303
CNHTC Ji'nan Realty Management Co., Ltd.	792	507
CNHTC Ji'nan Construction Co., Ltd.	780	17
CNHTC Ji'nan Investment Co., Ltd.	714	17
CNHTC Taian Wuyue Special Truck Co., Ltd.	39	—
CNHTC	—	60
	7,097	2,006

	2010 Audited	2009 Restated
Purchases of services		
CNHTC	56,448	45,601
CNHTC Ji'nan Realty Management Co., Ltd.	19,697	20,537
CNHTC Ji'nan Construction Co., Ltd.	10,081	5,101
CNHTC Ji'nan Bus Co., Ltd.	2,847	—
Ji'nan Automobile Test Center	1,782	278
Shandong Xin Hai Guarantee Co.,Ltd.	289	—
CNHTC Special Vehicle Company	102	—
Hangzhou Engine Factory	2	28
CNHTC Taian Wuyue Special Truck Co., Ltd.	—	294
	91,248	71,839

(All amounts in RMB thousands unless otherwise stated)

37. Related party transactions (Continued)

(a) Significant related party transactions (Continued)

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

	2010 Audited	2009 Restated
Rental income		
CNHTC Special Vehicle Company	7,200	—
CNHTC Ji'nan Special Truck Co., Ltd.	2,740	2,187
Ji'nan Automobile Test Center	631	631
CNHTC Ji'nan Bus Co., Ltd.	551	—
Ji'nan Tianqiao District Xin Hai Small-sum Loan Co., Ltd.	133	141
	11,255	2,959

	2010 Audited	2009 Restated
Rental expenses		
CNHTC	14,659	13,108
Hangzhou Engine Factory	2,330	4,660
Shandong Xin Hai Guarantee Co., Ltd.	1,297	1,297
Sinotruk BVI	184	—
CNHTC Special Vehicle Company	35	35
CNHTC Ji'nan Special Truck Co., Ltd.	—	1,251
	18,505	20,351

	2010 Audited	2009 Restated
Purchases of construction services		
CNHTC Ji'nan Construction Co., Ltd.	62,418	160,640

(All amounts in RMB thousands unless otherwise stated)

37. Related party transactions (Continued)

(a) Significant related party transactions (Continued)

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

	2010 Audited	2009 Restated
Provision for construction supervision and design services		
CNHTC Datong Gear Group Co., Ltd.	6,375	—
CNHTC	2,084	—
CNHTC Special Vehicle Company	900	—
CNHTC Ji'nan Special Truck Co., Ltd.	100	—
CNHTC Ji'nan Investment Co., Ltd.	50	397
CNHTC Taian Wuyue Special Truck Co., Ltd.	—	418
CNHTC Real Estates Company	—	2,960
	9,509	3,775

	2010 Audited	2009 Restated
Aggregate of interest expenses for deposit taking services; interest income from bank bill discounting services and fee income from arrangement of entrustment loans		
CNHTC	269	51
CNHTC Real Estates Company	151	44
CNHTC Special Vehicle Company	115	11
CNHTC Taian Wuyue Special Truck Co., Ltd.	79	10
CNHTC Xingtai Special Truck Co., Ltd.	69	1
CNHTC Ji'nan Investment Co., Ltd.	61	12
CNHTC Ji'nan Bus Co., Ltd.	58	9
CNHTC Ji'nan Special Truck Co., Ltd.	47	7
CNHTC Ji'nan Realty Management Co., Ltd.	33	2
Shandong Xin Hai Guarantee Co., Ltd.	21	3
CNHTC Ji'nan Construction Co., Ltd.	18	3
CNHTC Datong Gear Group Co., Ltd.	18	12
Ji'nan Automobile Test Center	17	2
Ji'nan Tianqiao District Xin Hai Small-sum Loan Co., Ltd.	1	—
	957	167

(All amounts in RMB thousands unless otherwise stated)

37. Related party transactions (Continued)

(a) Significant related party transactions (Continued)

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

	2010 Audited	2009 Restated
Sales of fixed assets		
CNHTC Taian Wuyue Special Truck Co., Ltd.	274	—
CNHTC Ji'nan Special Truck Co., Ltd.	250	—
CNHTC Ji'nan Investment Co., Ltd.	126	—
CNHTC Datong Gear Group Co., Ltd.	—	10,194
	650	10,194

	2010 Audited	2009 Restated
Purchase of fixed assets		
CNHTC Ji'nan Bus Co., Ltd.	75	—

	2010 Audited	2009 Restated
Technology license agreement		
MAN Truck & Bus AG	495,300	317,487

(ii) Significant transactions with Other State-owned Enterprises

	2010 Audited	2009 Restated
Purchases of spare parts	2,236,122	1,969,455
Interest expense on bank borrowings	425,624	236,843
Sale of trucks	229,246	491,059
Interest income from bank deposits	200,687	236,865
Purchase of property, plant and equipment	10,327	13,819
Purchases of services	4,165	4,322
Sale of property, plant and equipment	—	582

(All amounts in RMB thousands unless otherwise stated)

37. Related party transactions (Continued)

(a) Significant related party transactions (Continued)

(iii) Key management compensation

	2010 Audited	2009 Restated
Key management compensation		
Directors		
– Basic salaries, housing allowances, other allowances and benefits-in-kind	6,084	4,129
Senior management		
– Basic salaries, housing allowances, other allowances and benefits-in-kind	1,104	1,111
	7,188	5,240

(b) Balances with related parties

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

	2010 Audited	2009 Restated
Amounts due from related parties except for Other State-owned Enterprises		
Trade receivables	24,658	52,793
Prepayments	6,179	26,919
	30,837	79,712
Amounts due to related parties except for Other State-owned Enterprises		
Trade payables	2,042	7,700
Other payables	4,739	259,637
Customers advances	12,913	3,238
Long-term payables	380,115	—
Deposits taking	289,020	194,366
	688,829	464,941

As at 31 December 2010 and 2009, 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 2010 and 2009, long-term payables to related parties were unsecured, interest free and due within 5 years. As at 31 December 2010 and 2009, 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)

37. Related party transactions (Continued)

(b) Balances with related parties (Continued)

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

	2010 Audited	2009 Restated
Trade receivables due from		
CNHTC Ji'nan Investment Co., Ltd.	23,839	45,894
CNHTC Ji'nan Construction Co., Ltd.	819	375
CNHTC Taian Wuyue Special Truck Co., Ltd.	—	6,491
CNHTC Datong Gear Group Co., Ltd.	—	33
	24,658	52,793

	2010 Audited	2009 Restated
Prepayments		
MAN Truck & Bus AG	5,664	—
CNHTC Datong Gear Group Co., Ltd.	515	—
CNHTC Taian Wuyue Special Truck Co., Ltd.	—	26,919
	6,179	26,919

(All amounts in RMB thousands unless otherwise stated)

37. Related party transactions (Continued)

(b) Balances with related parties (Continued)

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

	2010 Audited	2009 Restated
Other receivables due from		
CNHTC	—	242

As at 31 December 2010, trade and other receivables due from related parties were not past due or impaired.

	2010 Audited	2009 Restated
Trade and other payables		
Trade payables due to		
CNHTC Ji'nan Construction Co., Ltd.	1,367	677
Sinotruk Baotou Xinhongchang Special Vehicle Company	503	—
CNHTC Special Vehicle Company	90	3,166
CNHTC Ji'nan Special Truck Co., Ltd.	82	172
CNHTC Ji'nan Investment Co., Ltd.	—	3,372
CNHTC Ji'nan Realty Management Co., Ltd.	—	313
	2,042	7,700

(All amounts in RMB thousands unless otherwise stated)

37. Related party transactions (Continued)

(b) Balances with related parties (Continued)

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

	2010 Audited	2009 Restated
Other payables due to		
CNHTC	2,627	102,722
CNHTC Ji'nan Special Truck Co., Ltd.	889	889
CNHTC Taian Wuyue Special Truck Co., Ltd.	700	400
CNHTC Special Vehicle Company	523	523
MAN Truck & Bus AG	—	150,630
Hangzhou Engine Factory	—	4,473
	4,739	259,637

	2010 Audited	2009 Restated
Customers advances		
CNHTC Special Vehicle Company	4,308	2,170
CNHTC Ji'nan Special Truck Co., Ltd.	4,474	301
CNHTC Lease Firm	3,309	668
CNHTC Taian Wuyue Special Truck Co., Ltd.	822	—
CNHTC Ji'nan Investment Co.,Ltd.	—	99
	12,913	3,238

	2010 Audited	2009 Restated
Long-term payables due to		
Man Truck & Bus AG	380,115	—

(All amounts in RMB thousands unless otherwise stated)

37. Related party transactions (Continued)

(b) Balances with related parties (Continued)

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

	2010 Audited	2009 Restated
Deposits taking		
CNHTC	79,698	44,833
Shandong Xin Hai Guarantee Co., Ltd.	55,860	55
CNHTC Real Estates Company	54,926	8,703
CNHTC Ji'nan Special Truck Co., Ltd.	38,418	22,225
Ji'nan Automobile Test Center	18,313	3,276
CNHTC Ji'nan Bus Co., Ltd.	16,922	24,852
CNHTC Special Vehicle Company	8,168	19,556
CNHTC Ji'nan Realty Management Co., Ltd.	7,543	7,548
CNHTC Ji'nan Investment Co., Ltd.	4,424	7,874
Ji'nan Tianqiao District Xin Hai Small-sum Loan Co., Ltd.	4,001	—
CNHTC Ji'nan Construction Co., Ltd.	397	22,131
Hangzhou Engine Factory	276	—
CNHTC Xingtai Special Truck Co., Ltd.	69	27,701
CNHTC Datong Gear Group Co., Ltd.	5	5,612
	289,020	194,366

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

As at 31 December 2010, trade and other receivables due from related parties were not past due or impaired.

(All amounts in RMB thousands unless otherwise stated)

37. Related party transactions (Continued)

(b) Balances with related parties (Continued)

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

	2010 Audited	2009 Restated
Balances with Other State-owned Enterprises		
Trade receivables	27,489	181,649
Other receivables	60	60
Trade payables	132,770	94,989
Other payables	10,600	12,751
Prepayments	162,821	116,672
Advances from customers	1,750	7,774
Restricted cash	1,414,176	3,827,468
Cash and cash equivalents	10,590,623	9,929,862
Borrowings	11,023,771	8,525,875

38. Approval of accounts

These consolidated financial statements have been approved for issue by the Board on 25 March 2011.

Results

	For the year ended 31 December				
	2006 RMB'000	2007 RMB'000	2008 RMB'000	2009 RMB'000	**2010 RMB'000**
Turnover	12,767,450	21,297,372	26,000,199	27,900,781	**39,656,160**
Profit before income tax	1,186,658	1,888,764	1,299,105	1,309,022	**2,054,248**
Income tax expense	(406,775)	(500,806)	(185,909)	(292,973)	**(324,733)**
Profit for the year	779,883	1,387,958	1,113,196	1,016,049	**1,729,515**
Attributed to:					
Equity holders of the Company	638,465	1,109,185	880,774	836,759	**1,480,745**
Non-controlling interests	141,418	278,773	232,422	179,290	**248,770**
	779,883	1,387,958	1,113,196	1,016,049	**1,729,515**

ASSETS AND LIABILITIES

	As at 31 December				
	2006 RMB'000	2007 RMB'000	2008 RMB'000	2009 RMB'000	**2010 RMB'000**
Total assets	15,537,988	24,165,530	28,302,312	39,374,871	**53,909,618**
Total liabilities	13,952,955	12,262,223	15,858,580	21,198,022	**34,149,547**
Total equity	1,585,033	11,903,307	12,443,732	18,176,849	**19,760,071**
Attributed to:					
Equity holders of the Company	940,932	10,987,079	11,305,492	16,893,017	**18,127,378**
Non-controlling interests	644,101	916,228	1,138,240	1,283,832	**1,632,693**
	1,585,033	11,903,307	12,443,732	18,176,849	**19,760,071**

In May 2010, the Group acquired 100% of equity interests in Jining Commercial Truck from the Parent Company. The acquisition of Jining Commercial Truck was considered to be a business combination under common control as the Group and Jining Commercial Truck are under common control of the Parent Company both before and after the acquisition of Jining Commercial Truck. Accordingly, the assets and liabilities of Jining Commercial Truck should have been accounted for at historical amounts in the consolidated financial statements of the Group as if Jining 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 years of 2006 to 2008 have not been restated.

CNHTC

中国重汽

SINOTRUK