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)

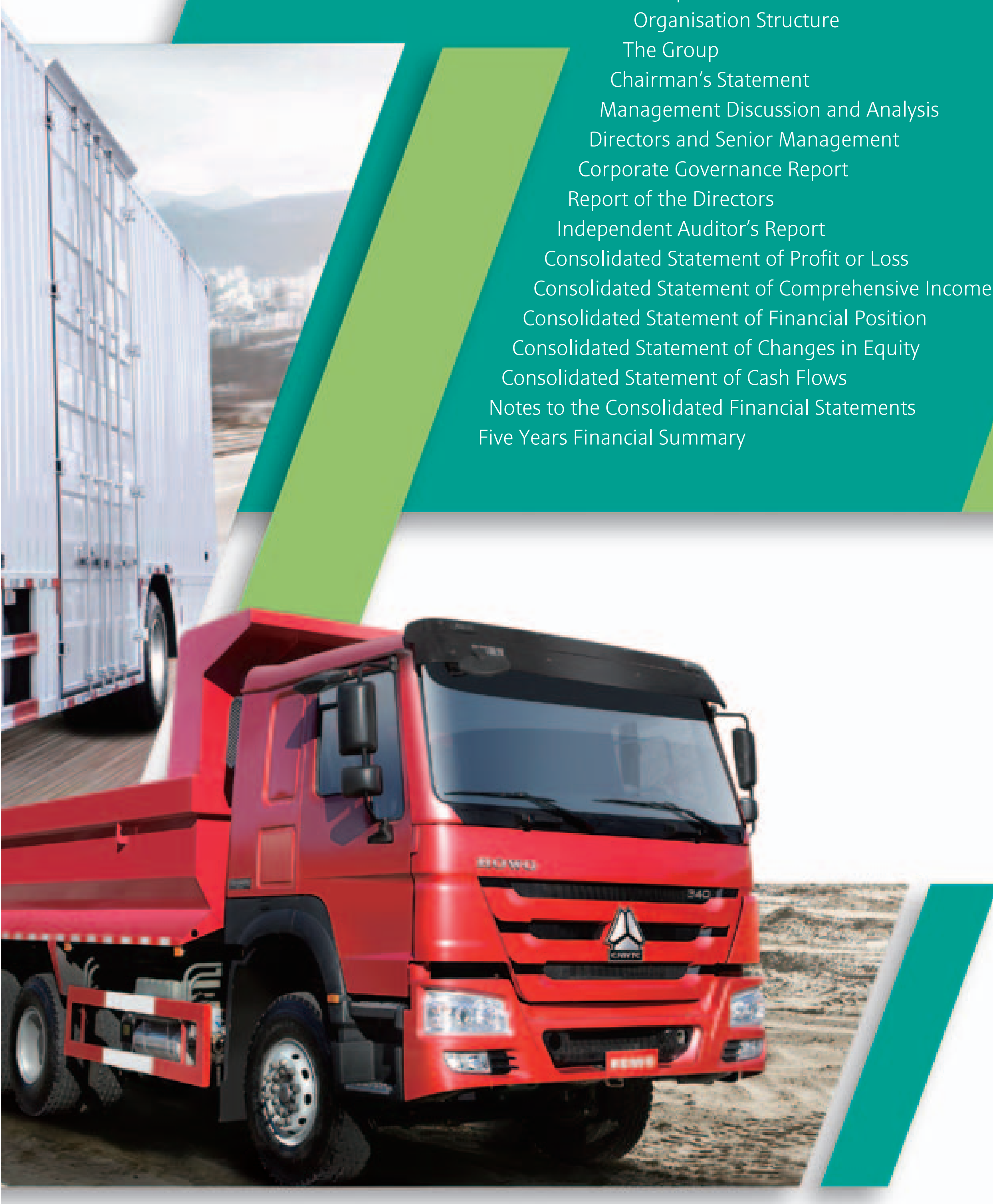
Stock Code : 3808

EVERY STEP COUNTS FOR SUCCESS

ANNUAL REPORT 2017


HOWO
豪沃T5G

CONTENTS



HIGHLIGHTS

	2017	2016	Increase/(Decrease)	
				%
Operating results (RMB million)				
Revenue	**55,458**	32,959	22,499	68.3
Gross profit	**10,028**	5,818	4,210	72.4
Operating profit	**4,272**	1,113	3,159	283.8
Profit attributable to owners of the Company	**3,023**	532	2,491	468.2
Profitability and Liquidity				
Gross profit ratio (%)	**18.1**	17.7	0.4	2.3
Operating profit ratio (%)	**7.7**	3.4	4.3	126.5
Net profit ratio (%)	**6.0**	2.0	4.0	200.0
Current ratio (time)	**1.3**	1.3	—	—
Trade receivable turnover (days)	**59.5**	115.5	(56.0)	(48.5)
Sales volume (units)				
HDTs				
— Domestic	**125,627**	66,507	59,120	88.9
— Export (including affiliated export)	**30,616**	25,004	5,612	22.4
Total	**156,243**	91,511	64,732	70.7
LDTs	**107,660**	77,961	29,699	38.1
Trucks sold under auto financing services	**22,569**	10,073	12,496	124.1
Per share data				
Earnings per share - basic (RMB)	**1.09**	0.19	0.90	473.7
Dividend per share (HKD)	**0.70**	0.08	0.62	775.0
Share information (as at 31 December)				
Number of issued shares (million)	**2,761**	2,761	—	—
Market capitalisation (RMB million)	**20,310**	13,658	6,652	48.7

DEFINITIONS

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

"AGM"	the annual general meeting of the Company or any adjournment thereof
"Articles"	the articles of association of the Company, as amended, supplemented, modified or otherwise adopted from time to time
"Audit Committee"	the audit committee of the Company
"Board"	the board of Directors
"CAAM"	China Association of Automobile Manufacturers
"China" or "PRC"	the People's Republic of China, and for the purpose of this annual report, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"CNHTC" or "Parent Company"	中國重型汽車集團有限公司(China National Heavy Duty Truck Group Company Limited), a state-owned enterprise organized under the laws of the PRC with limited liability, being the ultimate holding company of the Company and the controlling shareholder (as defined in the Listing Rules) of the Company
"CNHTC Group"	CNHTC and its subsidiaries other than the Group
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
"Company"or "Sinotruk"	Sinotruk (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability, and the securities of which are listed on the Main Board of the Stock Exchange
"Director(s)"	the director(s) of the Company
"ED(s)"	the executive Director(s)
"Euro"	the lawful currency of the European Union
"Executive Committee"	the executive committee of the Company
"FPFPS"	Ferdinand Porsche Familien-Privatstiftung, an Austrian private foundation *(Privatstifung)* (trust), being the beneficiary owner of 25% of the entired issued share capital of the Company plus 1 Share
"FPFPS Group"	FPFPS and its subsidiaries including Volkswagen AG and MAN SE
"Group"	the Company and its subsidiaries
"HDT(s)"	heavy duty truck(s) and medium-heavy duty truck(s)
"HKD"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC

DEFINITIONS

"HOWO Auto Finance Company"	山東豪沃汽車金融有限公司 (ShanDong HOWO Auto Finance Co., Ltd.), a company established under the laws of the PRC with limited liability, being a non-wholly owned subsidiary of the Company
"INED(s)"	the independent non-executive Director(s)
"Ji'nan Power Company"	中國重汽集團濟南動力有限公司 (Sinotruk Ji'nan Power Co., Ltd.), a company established under the laws of the PRC with limited liability, being a wholly owned subsidiary of the Company
"Ji'nan Truck Company"	中國重汽集團濟南卡車股份有限公司 (Sinotruk Ji'nan Truck Co., Ltd.), a joint stock company incorporated under the laws of the PRC with limited liability, being a non-wholly owned subsidiary of the Company and the shares of which are listed on the Shenzhen Stock Exchange (stock code: 000951)
"LDT(s)"	light duty truck(s)
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"MAN Group"	MAN SE and its subsidiaries
"MAN SE"	MAN SE, a company incorporated under the laws of Germany, being a non-wholly owned subsidiary of FPFPS and the shares of which are listed on the German Stock Exchange in Germany (stock code: ISIN DE 0005937007, WKN 593700)
"NED(s)"	the non-executive Director(s)
"PBOC"	The Peoples' Bank of China
"Period"	the year ended 31 December 2017
"Remuneration Committee"	the remuneration committee of the Company
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Shandong International Trust"	山東省國際信託股份有限公司 (Shandong International Trust Co., Ltd.), a company established in the PRC with limited liability whose shares are listed on the Main Board of the Stock Exchange (stock code: 01697)
"Shanghai Stock Exchange"	Shanghai Stock Exchange in the PRC
"Share(s)"	the ordinary share(s) in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s) from time to time
"Shenzhen Stock Exchange"	Shenzhen Stock Exchange in the PRC

"Sinotruk Finance Company"	中國重汽財務有限公司(Sinotruk Finance Co., Ltd.), a company incorporated under the laws of the PRC with limited liability, being a non-wholly owned subsidiary of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Strategy and Investment Committee"	the strategy and investment committee of the Company
"Subsidiary"	a subsidiary for the time being of the Company within the meaning of the Companies Ordinance whether incorporated in Hong Kong or elsewhere and "Subsidiaries" shall be construed accordingly
"USD"	United States dollars, the lawful currency of the United States of America
"Volkswagen AG"	Volkswagen AG, a company incorporated under the laws of Germany, being a non-wholly owned subsidiary of FPFPS and an intermediate holding company of MAN SE and the shares of which are listed on German Stock Exchange (stock code: ISIN DE0007664005, WKN 766400)
"Volkswagen Group"	Volkswagen AG and its subsidiaries, including MAN Group
"YOY"	year-over-year
"%"	per cent

CORPORATE INFORMATION

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS:

Mr. Wang Bozhi *(Chairman)*
Mr. Cai Dong *(President)*
Mr. Tong Jingen
Mr. Wang Shanpo
Mr. Kong Xiangquan
Mr. Liu Wei
Mr. Liu Peimin
Mr. Franz Neundlinger

NON-EXECUTIVE DIRECTORS:

Mr. Andreas Hermann Renschler
Mr. Joachim Gerhard Drees
Mr. Matthias Gründler

INDEPENDENT NON-EXECUTIVE DIRECTORS:

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

EXECUTIVE COMMITTEE

Mr. Wang Bozhi *(Chairman)*
Mr. Cai Dong
Mr. Tong Jingen
Mr. Wang Shanpo
Mr. Kong Xiangquan
Mr. Liu Wei
Mr. Liu Peimin
Mr. Franz Neundlinger

STRATEGY AND INVESTMENT COMMITTEE

Mr. Wang Bozhi *(Chairman)*
Mr. Cai Dong
Mr. Wang Shanpo
Mr. Franz Neundlinger
Mr. Zhao Hang

REMUNERATION COMMITTEE

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

AUDIT COMMITTEE

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

HEADQUARTERS

Sinotruk Tower
No. 777 Hua'ao Road
Innovation Zone
Ji'nan City
Shandong Province
PRC
Postal code: 250101

REGISTERED OFFICE IN HONG KONG

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

COMPANY SECRETARIES AND AUTHORIZED REPRESENTATIVES

Mr. Tong Jingen
Mr. Kwok Ka Yiu

PRINCIPAL BANKERS

Industrial and Commercial Bank of China Limited
Bank of China Limited
Agricultural Bank of China Limited
China Construction Bank Limited

LEGAL ADVISERS

HONG KONG

Sidley Austin

PRC

DeHeng Law Offices

AUDITOR

PricewaterhouseCoopers

SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited

COMPANY WEBSITE

www.sinotruk.com

SECURITIES CODE

Equity: 3808.hk

INVESTOR RELATIONS

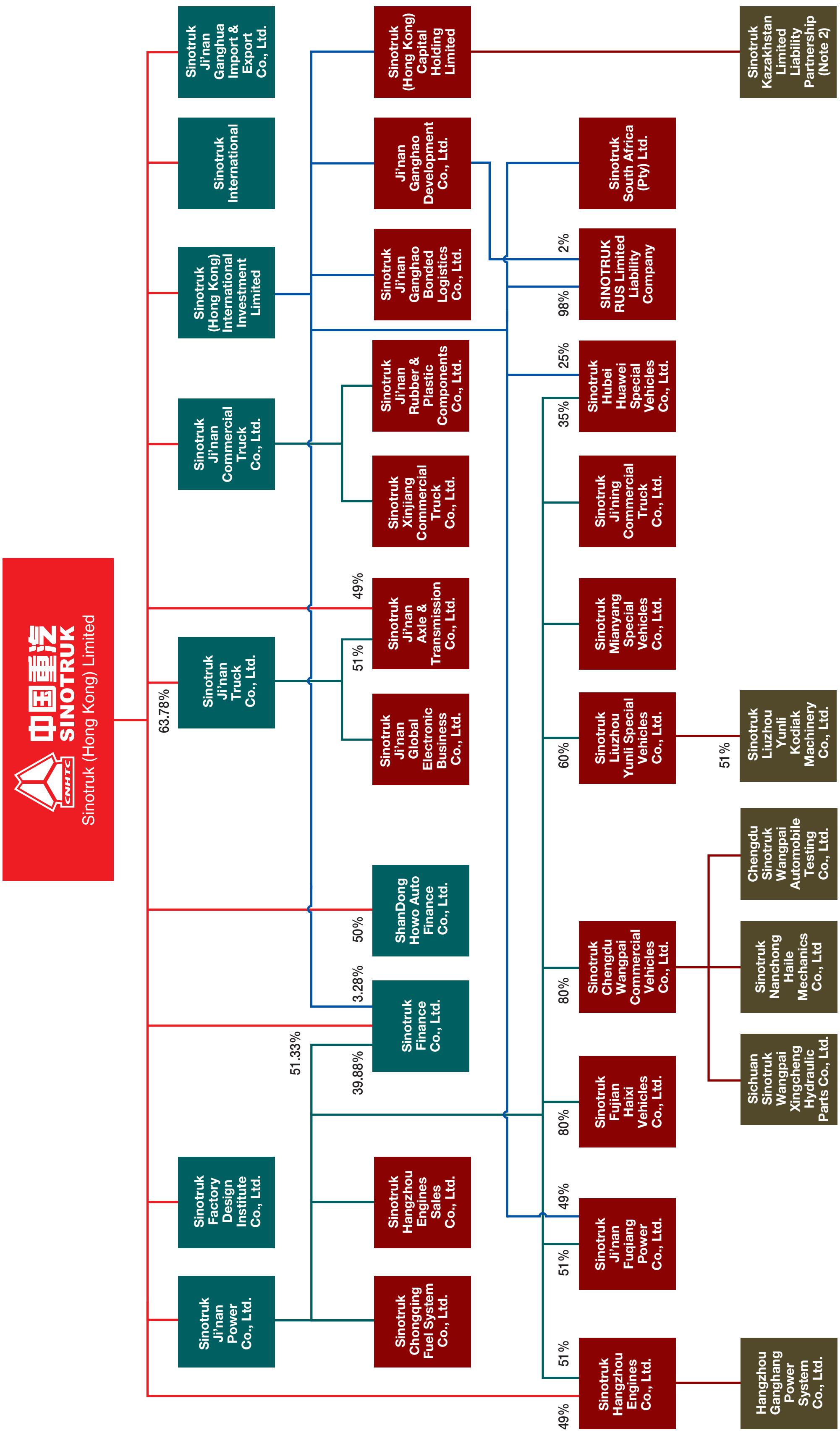
Securities Department
PRC: Tel (86) 531 5806 2545
Fax (86) 531 5806 2545
Hong Kong: Tel (852) 3102 3808
Fax (852) 3102 3812
Email: securities@sinotrukhk.com

PUBLIC RELATIONS CONSULTANT

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

ORGANISATION STRUCTURE

Organisation Structure
As at 31 December 2017



Notes : 1) All of the above subsidiaries are direct wholly-owned subsidiaries of their respective immediate holding companies unless otherwise stated.
2) It is a legal commercial organization in the form of a limited liability partnership.

THE GROUP

BUSINESS

The Group is one of the leading trucks manufacturers in the PRC which specialises in the research, development and manufacture of HDTs, LDTs and related key parts and components. HDTs are the key products of the Group. Through our diversified product portfolio, we serve a wide range of customers from different major industries including infrastructure, construction, container transportation, logistics, mining, steel, chemical, etc.

The Group mainly manufactures trucks and also produces key parts and components such as engines, cabins, axles, steel frames, gearboxes, etc. The Group is a truck manufacturer which has its independent research and development and production capability in trucks as well as the most complete production chain. The Group sells truck engines and engines for use in industrial and construction machineries to independent third parties in addition to our own use. Our products are not only sold domestically but also exported to other countries and regions in the world.

OPERATIONS

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

(i) HEAVY DUTY TRUCKS SEGMENT

Sales of HDTs contribute the largest portion of the Group's revenue. Its major products series include SITRAK, HOWO-T7H, HOWO-A7, HOWO, Haoyun, Steyr and Hohan, each of which is further divided into various sub-series to target different sectors of the Group's product market. The key production bases are located at Ji'nan, PRC. In addition, the Group engages in truck refitting and manufactures specialty vehicles.

(ii) LIGHT DUTY TRUCKS SEGMENT

The Group's LDT products mainly include HOWO, Huanghe, Fuluo, Haoman and Wangpai "7 series" products, which production bases are located at Ji'nan, Chengdu and Fujian, the PRC.

(iii) ENGINES SEGMENT

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

(iv) FINANCE SEGMENT

The finance segment of the Group provides financial services to those parties related to the production and sales of the Group's products and to the CNHTC Group. Financial services include deposits taking, borrowings, commercial notes and bank bills discounting, auto financing services and supply chain financing services. In addition to HOWO Auto Finance Company, it also cooperates with authorized financial institutions to provide auto financing services. It builds up an auto financing services network. At present, it has already set up 19 regional offices and extended its financing services to over 30 provinces, covering most areas in the PRC.

SUBSTANTIAL SHAREHOLDERS

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

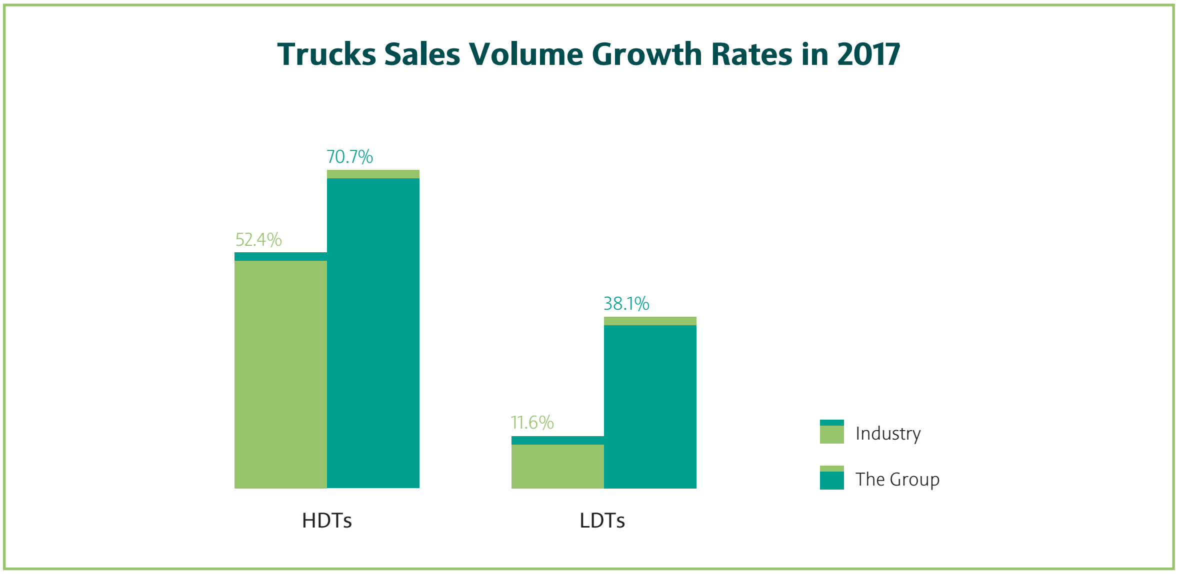
CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board, I am pleased to present a review of the Group's operating results for the year ended 31 December 2017 and prospects.

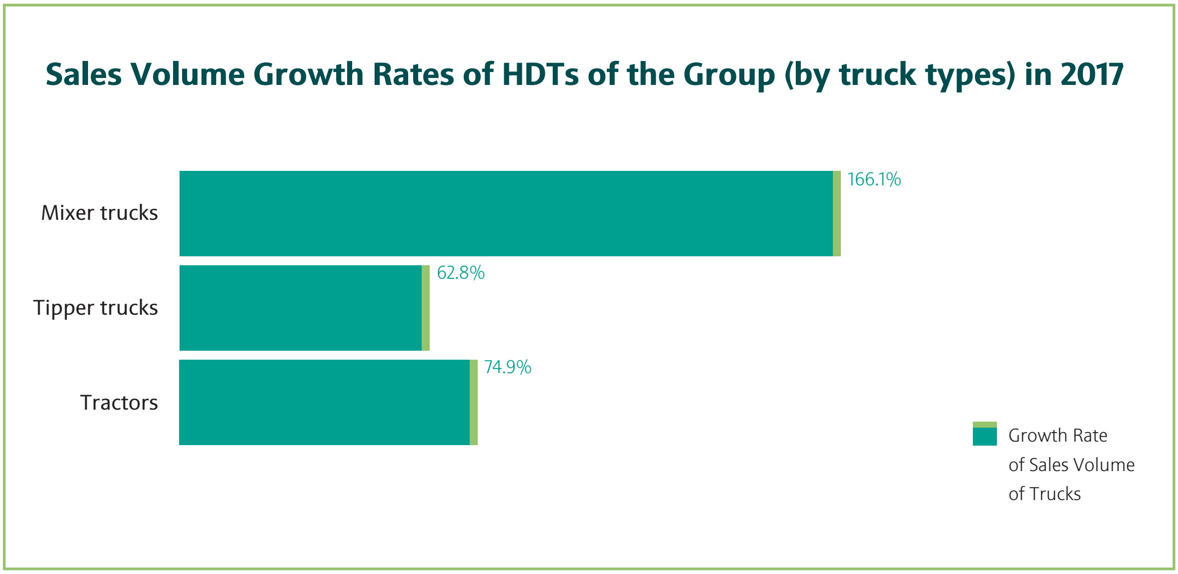
China's economic growth in 2017 remained stable with full-year GDP expanding at 6.9%. China's heavy duty truck industry maintained the growth it has experienced since the fourth quarter of 2016, primarily driven by the implementation of the GB1589-2016 national standard for new vehicles and stricter emission standards. Annual sales volume for HDTs in 2017 increased by approximately 52.4% YOY to approximately 1,116,900 units, a historical high for China's domestic HDT industry. Benefiting from urbanization and increasing demand for suburban logistics freight, sales of light duty trucks registered year-on-year growth in 2017, as the annual total sales volume of LDTs in 2017 increased by approximately 11.6% YOY to approximately 1,718,900 units.

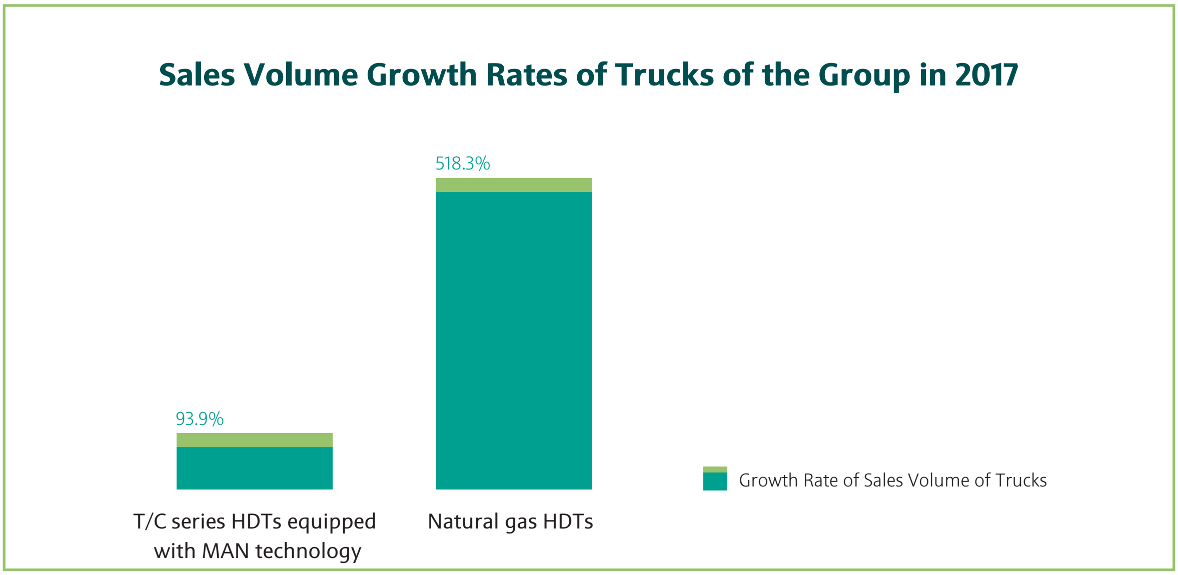
During the Period, the Group continued to implement structural reforms to adapt its business model by employing long-term market-oriented and user-centered development initiatives, and support with new and innovative growth measures. Leveraging the Group's competitive advantages and improved product quality, the Group strengthened its presence in niche markets and new records in various production and operational indicators had been made. The annual total sales volume for trucks in 2017 increased by approximately 55.7% YOY to approximately 263,903 units of which sales of HDTs increased by approximately 70.7% YOY to approximately 156,243 units while sales of LDTs increased by approximately 38.1% YOY to approximately 107,660 units.



Revenue during the Period was RMB55,458 million, an increase of 68.3% YOY. Profit attributable to owners of the Company was RMB3,023 million, an increase of 468.2% YOY, which demonstrates Sinotruk is one of the best quality and efficiency of the domestic truck manufacturers.

During the Period, the Group made noticeable progress in the adjustment and further optimization of its product structures. Compared with that in 2016, the sales volume of different types of HDTs segment recorded significant increases in growth:





The sales volume of LDTs of the Group increased significantly, with the Group's sales volume growth rate well exceeding that of the light duty trucks in 2017. The Group is now one of the top five companies in the PRC in terms of total sales volumes for LDTs.

During the Period, the Group made advances in technology innovations relating to trucks, engines and aftersales services. The Group launched the first generation of intelligent safety trucks, which features the following five functions: an advanced emergency braking system (AEBS), electronic stability control and electronic braking system (ESC+EBS), lane departure warning system (LDWS), hill start assist (HAS) and adaptive cruise control (ACC). The Group further underwent the pilot sales of MC09 series engines and "Platform 6" trucks, and launched the "Non-Stop Services" which upgraded the aftersales services for commercial trucks equipped with MAN technology.

During the Period, the Group proactively faced. The Group further the new development and changes in international business by adapting its strategies to take advantage of opportunities created by China's One Belt One Road Initiative. The Group's exports to international markets hit a record high during the Period. During the Period, the Group's export volume of HDTs was 30,616 units, representing an increase of 22.4% YOY, and the Group ranked as one of the largest truck exporters.

PROSPECTS

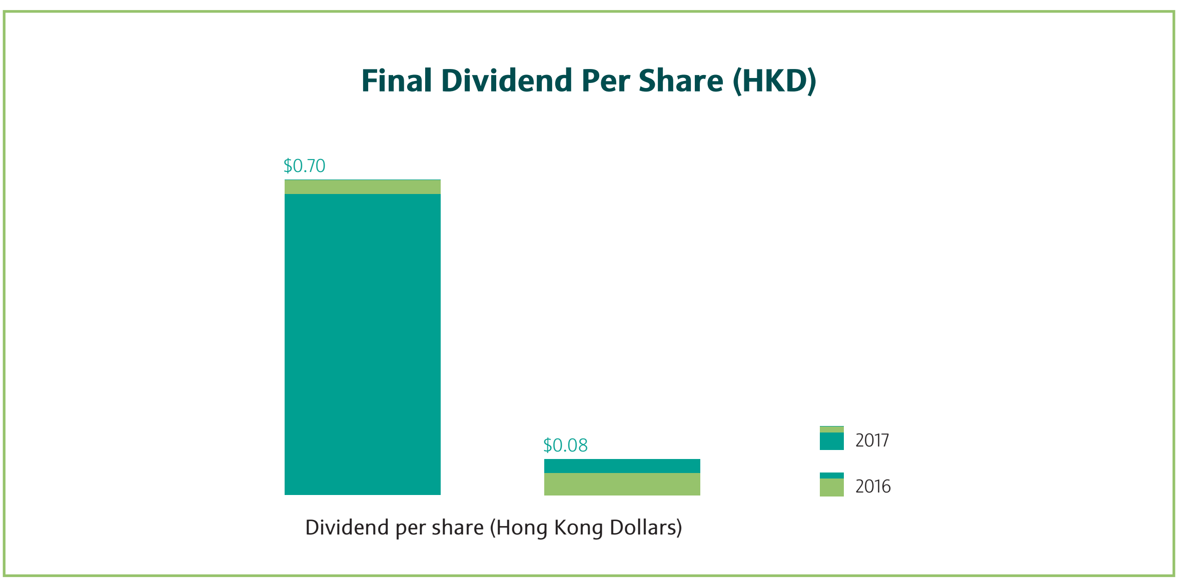
Looking forward to 2018, the global economy will continue its gradual recovery. However, factors such as the rise of international trade protectionism will bring greater uncertainty to economic development across the world. In terms of the domestic economy, as Premier Li Keqiang pointed out in the government work report delivered on 5 March 2018, the government will maintain the economic growth within a reasonable range in 2018 so as to achieve steady economic growth, improve quality and efficiency of development, and ensure that the tasks are mutually reinforcing. Premier Li expects GDP growth of around 6.5% in 2018. China's economy has shifted from a period of rapid growth to a phase of high-quality development, and steady progress has become the fundamental tasks of the government.

For the heavy duty truck industry, multiple factors such as the launch of infrastructure projects, rollout of stricter environmental protection control and the acceleration of the phase-out of vehicles subject to China's III Emission Standards, are anticipated to generate more vehicle renewal demand. On 22 February 2018, the Shandong provincial government held a motivational meeting for major projects for the transition of old and new economic growth driver. The meeting put forward specific requirements on the speeding up the conversion of old and new economic growth drivers.

Under aforesaid situations, the Group will stick to its corporate principle of "keeping quality first and focusing on efficiency", firmly establish a market-oriented and user-centered business philosophy, strive to fit Sinotruk into the new era, and endeavor to develop elements of "International Sinotruk", "Green Sinotruk", "Smart Sinotruk" and "Sharing Sinotruk". All of these will help lay a solid foundation for the Group to position itself as an internationally renowned and irreplaceable large-scale commercial vehicle conglomerate.

DIVIDENDS

The Board recommend a final dividend of HKD0.70 per share for the financial year ended 31 December 2017.



APPRECIATION

Mr. Ma Chunji resigned as the chairman of the Board on 21 December 2017 due to retirement. Mr. Ma is an outstanding entrepreneur who leads the Group to become bigger and stronger and is renowned in the PRC. On behalf of the Board, I would like to express my sincere thanks and best regards to Mr. Ma for his outstanding contribution during his tenure.

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

Chairman
Wang Bozhi

23 March 2018

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET OVERVIEW

TRUCKS MARKET

China's heavy duty truck market has experienced growth since the fourth quarter of 2016. According to statistics from CAAM, the annual total sales volume of heavy duty trucks in 2017 increased by approximately 52.4% YOY to approximately 1,116,900 units, as a record high. Annual sales of light duty trucks in the PRC in 2017 also increased. According to statistics from CAAM, the annual total sales volume of light duty trucks in 2017 increased by approximately 11.6% YOY to approximately 1,718,900 units.

LOANS MARKET

In 2017, the Chinese government continued to implement its prudent and neutral monetary policy. The base interest rates for RMB denominated loan with a term of not more one year and RMB denominated loan with a term of over one year but not more than five years maintained at 4.35% and 4.75%, respectively, during the Period.

REVIEW OF OPERATIONS

During the Period, the Group's trucks sales volume was 263,903 units, representing an increase of 55.7% YOY; revenue was RMB55,458 million, representing an increase of 68.3% YOY; net profit attributable to shareholders was RMB3,023 million, representing an increase of 468.2% YOY. For the HDTs segment, sales of trucks equipped with MAN technology continued to rise, becoming one of the key products of the Group, and trucks equipped with MAN technology, has established a high-end brand image for the Group. Additionally, product mix optimizations and adjustments were noticeable as the market share of tractors further increased. HDTs exports achieved growth on a YOY basis as well as the Group continued to dominate in exports of HDTs. The LDTs segment achieved healthy development and substantial breakthroughs, with further improvements in market share and brand influence, which expands gradually to become a stable profit growth driver for the Group.

HEAVY DUTY TRUCKS SEGMENT

During the Period, HDT sales volume of the Group was 156,243 units, representing an increase of 70.7% YOY. Revenue from the HDTs segment increased to RMB45,565 million, representing an increase of 80.4% YOY. The segment profit margin was 3.3%, representing an increase of 0.9 percentage points compared with 2016 because the average fixed costs per unit was diluted by the significant increase in sales volume.

The Group's product mix was further balanced and optimized during the Period. Tractor sales continued to grow rapidly, and sales volume increased by 74.9% YOY. Products equipped with MAN technology were well received in the market. Sales volume of T/C series HDTs equipped with MAN technology increased by 93.9% YOY and the Group was able to form and grow its high-end brand influence. The Group continued to maintain its leading edge in the construction vehicle industry. Sales volume of tipper trucks and mixer trucks increased by 62.7% and 166.1% YOY, respectively. Natural gas HDTs were well received in the market due to their superior performance and achieved substantial growth in sales, representing an increase of 518.3% YOY.

DOMESTIC BUSINESS

During the Period, the Group sold 125,627 HDTs in the PRC, representing an increase of 88.9% YOY.

During the Period, the Group enhanced its precision marketing capabilities by utilizing the advantages of its 「智慧重汽」("Intelligent Sinotruk E-commerce Platform"). In addition, the Group launched a new service 「不停車」("Non-stop Services"). "Non-stop Services" is provided to the Group's tractors equipped with MAN technology when such kind of tractors have mechanical breakdown during delivery of goods and cannot continue to drive. If emergency repair services of 「親人」("Qinren", after sales service) preliminarily determine such breakdown cannot be repaired within 24 hours, in order to ensure the effectiveness and efficiency of the delivery of goods, the Group will coordinate third parties to deliver such goods to the destination and bear third parties delivery costs. It further improved the quality and enriched the content of its "Qinren" services leading to the upgrade of aftersales service of HDTs in the PRC. The Group also initiated comprehensive lean operation improvements and pushed this forward throughout the complete value chain and the whole business process, and carried out a series of activities including lean marketing, lean research and development, lean production and lean management to further raise its overall enterprise management capabilities.

As at 31 December 2017, the Group had a total of 992 HDT dealerships (including 161 4S centers and 93 SINOTRUK branded dealerships), 1,379 service centers providing high quality after-sales service, and 142 refitting companies to provide truck refitting services to HDTs in the PRC.

INTERNATIONAL BUSINESS

During the Period, the Group's export volume of HDTs (including affiliated exports) was 30,616 units, representing an increase of 22.4% YOY. Export revenue (including affiliated exports) was RMB8,732 million, representing an increase of 20.6% YOY. During the Period, the Group accomplished new achievements in its international business development. The Group kept its export to key export regions, improved its export in less developed markets. The Group recorded a new high export volume in product exports, with vehicle exports to Africa and Southeast Asia, both exceeding 10,000 units. The Group also steadily pushed forward the construction of overseas production plants, and more KD assembly projects were put into operation or are now under construction. The assembly line of the Group's joint venture – Sinotruk (Hong Kong) Hongye Co., Ltd. in Nigeria rolled out its first thousand sets of locally assembled HOWO tractors. According to internal non GAAP measures, the Group has held a market-leading position in the exports of HDTs in China for 13 consecutive years.

As at 31 December 2017, the Group had 184 primary distributor sales centers in over 90 countries and regions. Through cooperation with overseas distributors, the Group established 275 service outlets and 246 spare parts and accessory stores.

LIGHT DUTY TRUCKS SEGMENT

During the Period, the Group's LDTs recorded a break through. The Group's light duty trucks sales volume increased by 38.1% YOY to 107,660 units, far exceeding the industry average of 11.6% YOY. The Group's LDTs business has become one of the Group's stable growth drivers and a major participant in the domestic light duty truck industry. During the Period, revenue from the LDTs segment increased to RMB8,926 million, representing an increase of 20.2% YOY. The segment profit margin was 2.6%, representing an increase of 2.1 percentage points. The increase was due to the significant increase in sales volume which diluted the average production costs and the disposal of low profit margin buses business during the Period which improved its profit margin.

The Ji'nan LDT division continued to implement a marketing strategy of product differentiation based on customer characteristics and demand in different niche markets to improve its "HOWO Classic Series" under which customers themselves can find required truck model and equipped with different accessories. The Ji'nan LDT division promoted complete value chain marketing and services to enhance network operation quality and achieve development in its distribution and service network. The Ji'nan LDT division also strengthened its lean management capabilities and continued to carry out quality improvement work. Adhering to the user-centered and market-oriented strategy, the Ji'nan LDT division closely analyzed development trends and dynamically adjusted its marketing strategy correspondingly. The Ji'nan LDT division accurately set its product introduction pace to match the deployment of National Emission Standards V. The division's sales volume achieved substantial growth and made breakthroughs during the transitional period of the deployment of National Emission Standards V.

Sinotruk Chengdu Wangpai Commercial Vehicles Co., Ltd ("**Chengdu Wangpai Company**") implemented a market-oriented strategy to meet customer needs, strengthened adjustment of marketing organization and market positioning, gradually transformed its marketing model in combination with the market, and carried out key customers and key project marketing. Centered on the "Quality Trucks Project", Chengdu Wangpai Company focused on superior resources to develop key models and promoted the "quality" marketing model. Leveraging opportunities of the One Belt One Road initiative, Chengdu Wangpai Company strove to increase its overseas market share and continuously strengthened development and construction in the Southeast Asian market.

Sinotruk Fujian Haixi Vehicles Co., Ltd ("**Fujian Haixi Company**") focused on classic models and implemented its "Innovation Upgrade Action Plan" to optimize product mix and distribution network. Fujian Haixi Company innovated its enterprise production and operation model, and consistently improved product quality and efficiency.

As at 31 December 2017, the Group had a total of 1,510 LDT dealerships (including 157 4S centers and 262 SINOTRUK-branded dealerships), 1,962 service centers providing high quality after-sales service, and 30 refitting companies to provide truck refitting services to LDTs in the PRC.

The Group had disposed of its wholly-owned subsidiary 中國重汽集團濟南豪沃客車有限公司 (Sinotruk Ji'nan HOWO Bus Co., Ltd.) to CNHTC and, thereafter, the Group ceased to carry on any business in the sales of own-branded bus. Details of the disposal were disclosed in the Company's announcement dated 29 March 2017. Hence, the segment was renamed from "Light Duty Trucks and Buses" to "Light Duty Trucks".

ENGINES SEGMENT

During the Period, the sales volume of the engine segment increased by 73.5% YOY to 184,540 units. Segment revenue increased by 80.9% YOY to RMB14,706 million. External sales accounted for 7.5% of the segment revenue of engines, representing a decrease of 0.6 percentage points YOY. The segment margin accounted for 16.0%, representing an increase of 9.5 percentage points YOY. The increase was due to large demand of engines resulting from significant increase in sales of the Group's HDTs, the increase of MAN engines produced and the effective cost control initiatives used to enhance gross contribution. During the Period, the Group made new achievements in research and development and ran pilot sales of MC09 series engines, which further enhanced the Group's competitive edge.

The Group is committed to research and development of engine technologies. The Group benchmarked its engine development with international standards, implemented strict quality controls, improved its product technology and quality, expanded the application of MAN engines and provided customers with high-tech products that are reliable and fuel-efficient. The Group continued to gain customer recognition on its advanced and high-quality MAN engines. Aside from supplying engines for the Group's own production, the Group also sold engines to other heavy-duty truck, buses and construction machinery manufacturers.

RESEARCH AND DEVELOPMENT

The Group remained committed to its technology-focused strategy. With the launch of a national heavy duty truck engineering technology research center, the Group further enhanced its capacity for product research and development, product examination, and testing. The Group took full advantage of its research platforms and increased investment in the research and development of technology to strengthen its technological development and innovation capacity. By strengthening its cooperation with the MAN Group and other reputable international enterprises, the Group developed high quality engines, parts and components as well as whole truck designs to further grow its industrial competitive edge.

During the Period, the Group's research and development included development and application of「歐Ⅵ重型柴油機」(the Euro-VI Heavy Duty Diesel Engine) supported by the"National Technology Support Plan", and projects related to the national key project,「道路應急搶通關鍵技術研究與應用規範」(Emergency Road Rescue Technology Research and Application Specification). During the Period, the Group's technology center completed a total of 94 research and development projects in respect of trucks, key parts and components.

FINANCE SEGMENT

During the Period, finance segment revenue was RMB1,132 million, representing an increase of 115.2% YOY, and segment external revenue was RMB669 million, representing an increase of 134.7% YOY. The segment profit margin was 48.2%, representing an increase of 8.7 percentage points YOY. The increase was due to vigorous development of automobile financing and supply chain financing as well as more income from management of liquid funds.

The Group continued to develop its innovative business model by boosting sales with financing services, and by taking full advantage of national policies and its experienced auto financing services platform. The Group promoted auto financing services to meet demand for truck financing, which helped to boost the Group's truck sales. During the Period, the Group sold 22,569 trucks through its financing services, representing an increase of 124.1% YOY. The Group also actively expanded its profit growth areas, and provided supply chain financing which helped to further enhance its profitability.

As at 31 December 2017, the Group has established 19 regional offices and extended its auto financing services business coverage to over 30 provinces, covering most parts of China, and further improved its auto financing services network.

SIGNIFICANT INVESTMENTS

INVESTMENTS IN SUBSIDIARIES

In February 2017, the Company had acquired 0.3012% equity interest in Sinotruk Finance Company from third parties at the consideration of RMB7,442,000.

In March 2017, the Group had committed to make a capital contribution in Sinotruk Finance Company for approximately RMB1,389 million. After the capital contribution, the equity interest of the Group in Sinotruk Finance Company increased from approximately 91.60% to approximately 94.49%. Details of the capital contribution were disclosed in the Company's announcement dated 29 March 2017.

In May 2017, the Group had completed the disposal of its wholly-owned subsidiary, Sinotruk Ji'nan HOWO Bus Co., Ltd. Details of such disposal were disclosed in the Company's announcement dated 29 March 2017.

EXTERNAL SECURITIES INVESTMENTS

The Group's securities investments are classified into long-term equity investments for the Group's business operations and short-term securities investment for trading purposes.

As at 31 December 2017, the long-term equity investments and short-term equity investments amounted to RMB516 million and RMB128 million respectively, representing 0.8% and 0.2% of the total assets respectively. Long-term equity investments are investments accounted for using the equity method and equity investment in non-current available-for-sale financial assets. Equity investment in non-current available-for-sale financial assets are mainly unlisted equity investment and the amount involved was not material to the Group's assets. Short-term equity investments are used by the Group to manage liquidity and increase income, and mainly consists of listed securities investment in Hong Kong, Shanghai and New York and their fair values kept changing from time to time depending on but not limit to their operation results, economic situations and stock markets sentiments.

Performance and details of investments accounted for using the equity method are disclosed in the section headed "Share of profits less losses of investments accounted for using the equity method" and in the note 11 to the consolidated financial statements respectively.

PRINCIPAL RISKS AND SOLUTIONS

The Group defines significant principal risks through risk assessment mechanisms and develops corresponding plans to manage principal risks. As the internal and external environment changes, the risks faced by the Group will change. The Group enhances its risk management control ability by monitoring the changes in these principal risks and timely adjusting the relevant risk management plans.

The principal risks the Group faced and the mitigation measures adopted during the Period are:

1. Quality

   Risks:

   During the products and services life cycle, the quality of the products and services designed, produced, sold and provided by the Group shall face uncertainty which may bring negative effects and impact on the competitiveness and reputation of the Group.

   Mitigation Measures:

   - Implement a quality improvement system focusing on quality responsibilities, strictly implement the quality performance assessments, define key leaders of the business units being the first person responsible for the quality issues;
   - Strengthen quality checking in the manufacturing progress of products and provision for services, and improve the level of online testing;
   - Improve the alert system of the quality of the products and services, establish a practical and operable after-sales service quality feedback system and contingency plans for quality issues;
   - Strengthen the quality of procurement of spare parts and components, and regularly communicate with suppliers;
   - For quality issues that had significant impact on the Group, or that caused significant economic losses to the Group or its customers, immediately report to the relevant person in charge, formulate quality issues solutions with the relevant business units or customers and thus minimize the loss of the Group and the customers brought by the quality issues; clarify the facts through a press conference, announcement or other forms in a timely manner to minimize negative impact on the Group's reputation;

- Prepare reports for any quality issues according to the time, place, causes, loss and results, penalize the units causing the quality issues and educate them to avoid the re-occurrence; and

- Implement「質量回頭看」(Follow up of quality issues) policy to review past quality issues, analyze the causes from two different aspects - technical and management level, develop correction and prevention actions plans, and have a third party to carry out supervision and review the follow up of quality issues.

2. Foreign exchange

Risks:

Currently, the Group's international trades are transacted in USD or Euro. If there are any significant exchange rate fluctuations of RMB against these currencies, the Group may face the uncertainty not existed under fixed exchange rates manner. The Group could be exposed to foreign exchange losses leading to a decline in investment income. During the Period, the Group suffered exchange loss of approximately RMB153 million.

Mitigation Measures:

- Select a favorable invoicing currency, such as RMB as the settlement currency if conditions permit amid the internationalization process of RMB;

- For high foreign exchange risk business, provide a foreign exchange fluctuation protection mechanism in the sales contracts to safeguard the interests of the customers and the Group;

- Arrange for advance or delayed foreign exchange settlement through reasonable settlement methods;

- Utilize foreign currency denominated financing to hedge foreign exchange risks associated with currency income receipts; and

- Use financial derivatives to lock in applicable exchange rates and hedge against foreign exchange risks.

3. Overseas Market

Risk:

The Group is at risk of uncontrollable events of overseas markets, such as changes in government, wars and riots, which can cause devaluation of local currencies of these markets, unregulated market chaos and deteriorated social security brought by domestic political instability. These events can cause debtors to refuse or to be unable to pay their debts, thus causing the Group to suffer economic losses from trading with such countries.

Mitigation Measures:

- Keep in touch with embassies and consulates in relevant countries where the Group exports products to, collect relevant information through their official channels and collect information on political situations, social stability and other relevant news for countries where the Group exports through various means, such as newspapers, television, and the Internet;

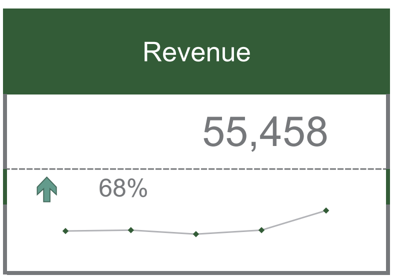
- Make full use of publications such as "The Handbook of Country Risk" and other risk reports issued by authoritative institutions to improve the Group's political and economic sensitivity and evaluate product demand; and

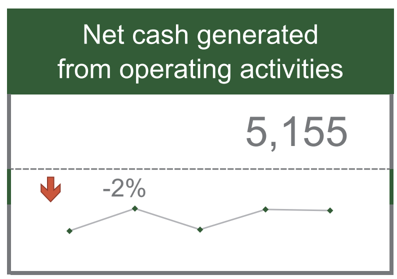
- For importing countries experiencing political turmoil, ask for large international banks with high credibility to endorse letters of credit and export credit insurance will also be required.

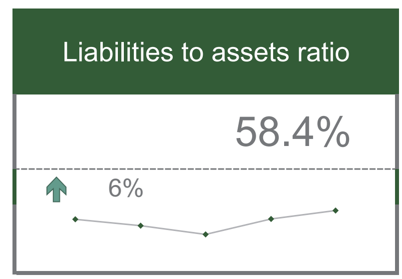
KEY FINANCIAL INDICATORS

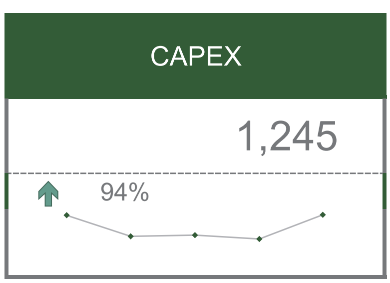
(All amounts of the indicators in RMB millions unless otherwise stated)

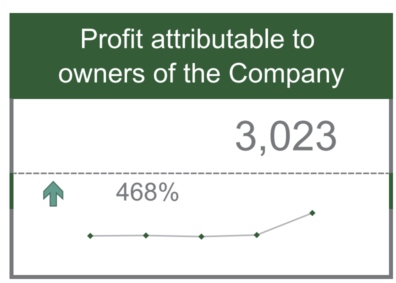
Directors focus on the sustainability and continuing development of the Group and interests of the Shareholders. They consider key financial indicators from various aspects including revenue, ability of cash generating from operating activities, borrowing levels, capital expenditure ("**CAPEX**") and return to the Shareholders. The following charts and table present these key financial indicators for the five years ended 31 December 2017:











Financial Indicators	2017	2016	2015	2014	2013
Revenue	55,458	32,959	28,305	32,809	30,410
Net cash generated from operating activities	5,155	5,238	1,040	5,681	646
Liabilities to assets ratio	58.4%	54.9%	48.7%	52.0%	54.5%
CAPEX	1,245	641	724	707	1,266
Profit attributable to owners of the Company	3,023	532	206	408	271

KEY RELATIONSHIPS WITH CUSTOMERS, SUPPLIERS AND EMPLOYEES AND OTHERS

The Group adheres to「用人品打造精品，用精品奉獻社會」 (Producing Quality Products with Integrity and Selling Quality Products to Market) as the core values of the Group. The Group values relationships, and maintains good relationships with business partners (including suppliers and distributors), customers and employees of the Group. The Group believes that building long-term beneficial relationships is of paramount importance to establish mutual trust, loyalty and business development, of which the Company's success and sustainability depend.

The Group strives to provide its customers with comprehensive services and formulated a service manual「親人服務手冊」to establish a service brand 「親人」. The Group established a three-level service system consisting of customer service centers, regional dealers and special service stations, set up a 24-hour 400 service hotline and launched the Smart Sinotruk app to manage customer complaints and feedback. The Group also established the Customer Satisfaction Survey and Analysis Procedure 「顧客滿意度調查分析程序」 to conduct annual customer satisfaction surveys and get an in-depth understanding of customer feedback, which are ultimately used in the preparation of the satisfaction survey research and analysis evaluation report. From September to October 2017, the Group carried out a customer satisfaction survey in an electronic questionnaire in Smart Sinotruk App in three aspects including product, assembly and parts and service regarding MAN products. It showed that the customers' satisfaction, both on a single dimension and on an overall basis, reached "satisfied" level or above.

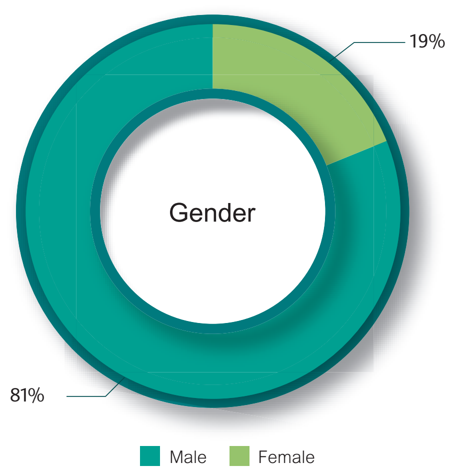
Supply chain is a critical part of our operations. Our suppliers must meet our selection criteria, which include safety, cost and delivery. Our selection criteria of suppliers are also based on their reliability and quality of products, and with whom we can build long-term relationships. Three out of the five largest suppliers are the members of the CNHTC Group which mainly supply gearbox, chassis and refitting services. The other two provides electronically controlled diesel discharge system and light duty trucks engines while one is an international enterprise.

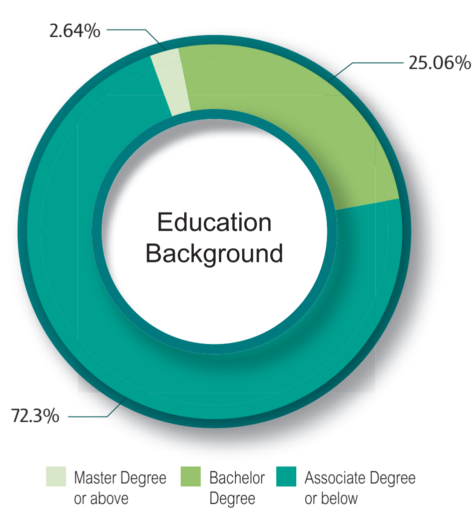
The Group considers its employees as the most valuable asset of the enterprise. The Group provides a complete career path, ensures the safety of employees, and provides trainings to help intertwine employees' personal growth with enterprise development. The Group insists on rewarding based on efforts, and focuses on efficiency and fairness in formulating the「崗位績效工資制度」(Positions, Performances and Wages System), which performs as a comprehensive staff remuneration system, providing competitive wages and remuneration to our staff members. Also, the Group adopted the《主管級人員聘任管理辦法》("Recruitment and management methods of personnel of the supervisor-grades") and nominated supervisor-grade personnel through methods including public recruitment and appointment. The Group also adopted 《非領導職務八崗及以上崗位晉升管理實施辦法》("The implementation of promotion management of non-leadership positions at level 8 and above"), which provided another promotion path for staff who are not in leadership positions. In addition, the Group furthered the building of a team of international talents, and set out guidelines for managing overseas employee recruitment as well as stationing employees at overseas production units, which actively promotes internationalization strategies and ensures international talent building efforts.

The Group attaches great importance to its staff's professional competence. The Group formulated 《員工培訓實施辦法》(The implementation of staff training), relying on the Group's internal education centers and its subsidiaries and departments to provide training to employees and establish staff training files to improve the overall quality of the workforce. The Group established a three-level training system and conducted a series of training programs, including training for senior and middle management personnel, training for senior professional personnel, training for engineering, marketing and management personnel, higher-skilled training for skilled workers, and training for on-site division heads and team leaders. The Group maintains cooperation with major universities and makes full use of their advantages of research resources and teaching staff to train our high-level technical personnel. The Group also accelerated the construction of network training institutes, and made full use of network technology to innovate its long-distance training model.

As at 31 December 2017, the Group had a total of 24,819 employees which are classified by function, gender and education level as follows:

	Number of employees	%
Management team	225	0.9
Technical staff	2,500	10.07
Research and development staff	910	3.67
Production staff	15,343	61.82
Sales staff	1,628	6.56
Marketing staff	210	0.85
Administrative staff	4,003	16.13
Total	24,819	100.00





ENVIRONMENTAL POLICY, PERFORMANCE AND COMPLIANCE

In compliance with various applicable national, provincial and local laws and regulations including the Law of Environmental Protection of the PRC, the Group formulated the Environmental Protection Management Policy and conducts unified governance over pollutants, pollution sources, treatment facilities and environmental equipment of construction projects, etc., which lays a solid foundation for environmental protection and pollution prevention and control and leads to better performance in both economic and environmental terms. In addition, the Group complies with the requirements of ISO14001 and conducts real-time environmental monitoring, performs regular environmental assessments, provides relevant training and carries out internal environmental audit on regular basis, so as to enhance its environmental performance.

During the Period, all production entities of the Group complied with the national, provincial and local laws and regulations in treating and discharging pollutants from industrial activities such as effluent, waste gases, solid waste, etc. Such pollutants will be discharged when they are met discharge standards. The Group pays pollutants fee pursuant to the laws and executes the task of reducing emissions.

Based on the "Energy Performance Parameters, Benchmarks, Targets, Indicators of Control Procedures", the Group determines energy targets, indicators and implementation programs and makes them consistent with the energy policy. The Group assesses and monitors these energy targets and implementation performances through the energy internal audit. If there are problems in achieving these energy goals and indicators in the implementation, the relevant business units are responsible for analyzing the reasons, put forward corrective measures and preventive measures. Once the representatives of the energy manager approve, the relevant business units execute such measures to ensure that the objectives are met.

The Group's global operations require strict compliance with laws, social norms, Code of Professional Ethics and internal regulations. The laws and regulations that have a significant impact on the operations of the Group include but not limited to Company Law of the PRC (《中華人民共和國公司法》), Contract Law of the PRC (《中華人民共和國合同法》), Labor Contract Law of the PRC (《中華人民共和國勞動合同法》), Product Quality Law of the PRC (《中華人民共和國產品質量法》), Administration Measures on the Manufacture Consistency of Motor Vehicles Manufacturing Enterprise and Products (《車輛生產企業及產品生產一致性監督管理辦法》), Regulations on Recall of Defective Automobile Products (《缺陷汽車產品召回管理條例》), Trademark Law of the PRC (《中華人民共和國商標法》), Trademark Law of the PRC (《中華人民共和國商標法》), Environmental Protection Law of the PRC (《中華人民共和國環境保護法》) and Production Safety Law of the PRC (《中華人民共和國安全生產法》).

In the manufacturing process of products, engines and other parts and components of vehicles, the Group strictly complies with the requirements stipulated in Product Quality Law of the PRC (《中華人民共和國產品質量法》), Administration Measures on the Manufacture Consistency of Motor Vehicles Manufacturing Enterprise and Products (《車輛生產企業及產品生產一致性監督管理辦法》), Regulations on Recall of Defective Automobile Products (《缺陷汽車產品召回管理條例》), to ensure that the production and sales of automotive products continue to meet mandatory standards and regulatory requirements. The Group controls product quality in a timely manner and actively take corrective and preventive measures so to safeguard the interests of customers.

In respect of employee management, the Group makes declarations and payments for basic pension insurance, basic medical insurance, unemployment insurance, industrial injury insurance premiums, maternity insurance and other social insurances to effectively protect employees' legal rights and interests to comply with the applicable laws and regulations, including Labor Law of the PRC (《中華人民共和國勞動法》), Contract Law of the PRC (《中華人民共和國合同法》) and Implementation Regulations of the Labor Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》).

In respect of environmental protection, the Group strictly observes Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), Law of the PRC on Prevention and Control of Environmental Noise Pollution (《中華人民共和國環境噪聲污染防治法》), Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Waste (《中華人民共和國固體廢棄物污染環境防治法》) and other relevant environmental protection laws and regulations on the National, Provincial and municipal level.

During the Period, as far as the Company is aware, there was no material breaches or non-compliances with applicable laws and regulations by the Group, which had a significant impact on the business and operations of the Group.

During the Period, the Group has complied, in all material respects, with the requirements under the Companies Ordinance, the Listing Rules, the SFO and the Corporate Governance Code regarding, among others, disclosure of information and corporate governance.

In addition, Ji'nan Truck Company, a non-wholly owned subsidiary of the Company, has to be complied with the listing rules of the Shenzhen Stock Exchange. It was found that Ji'nan Truck Company had certain prior business transactions with Ji'nan Power Company and Sinotruk International, both are wholly-owned subsidiaries of the Company. Certain these transactions constituted related party transactions on the part of Ji'nan Truck Company which were unapproved and not disclosed in accordance with the Administrative Measures for the Disclosure of Information of Listed Companies (《上市公司信息披露管理辦法》). The Group, including Ji'nan Truck Company, has adopted a series of remedial measures to prevent future re-occurrence of such breach. Details of the breach by Ji'nan Truck Company were disclosed in the Company's announcement dated 20 December 2017.

BUSINESS STRATEGIES AND PROSPECTS

Looking forward to 2018, the global economy is expected to continue its gradual recovery. However, uncertainties such as intensified protectionism and increased geopolitical risks still exist. In terms of the domestic economy, the Chinese government will continue to promote infrastructure investments and regional upgrades. With pollution intensification and consumption upgrades, the manufacturing industry is accelerating toward high-end, intelligent and green sectors, which will bring favorable opportunities. The Chinese economy will run well in long term. For the HDT industry, the national three-year rolling investment plan for major projects will continue to generate opportunities. The launch and construction of large-scale infrastructure projects will continue to push up construction vehicles sales. Under more stringent environmental protection, more provinces and cities will upgrade from China III emission standards to conduct traffic control on unqualified vehicles and encourage measures to accelerate their phasing-out. They will also control oversized and overloaded trucks, tighten investigations and punishments on non-standard vehicles, further promoting the replacements of vehicles. The restrictions on traditional energy vehicles will lead to a demand increase for clean energy vehicles and new energy vehicles. Urbanization will also promote demand growth for special purpose vehicles such as cold chain trucks, hazardous chemical trucks, sanitation trucks, and fire trucks. The high record sales volume of the HDT industry in 2017 had already expanded the HDT market. With abundant volume of running HDTs, the market demand of HDTs will be limited. In 2018 both opportunities and challenges will coexist in the HDT industry. In this situation, the Group will focus on the following tasks:

1. **The Group will strengthen marketing measures to ensure new growth of domestic marketing capabilities.** The Group will continue to be market-oriented, focus on key models, and explore the key segment markets and key users. The Group will also strengthen the promotion of gas vehicles, smart safety trucks, and large horsepower dump trucks. In addition, the Group will strengthen marketing and vigorously promote the development and maintenance of key customers, improve its after-sales service level, and enrich and expand its "Non-stop Service". The Group will actively cooperate with solid distribution network enterprises and explore a new model of cooperative marketing. The Group will explore the potential of light and medium duty trucks, and focus on developing market segments to create new competitive advantages.

2. **The Group will seize the opportunities created by One Belt One Road Initiative, and promote its brand images.** The Group will create a regional key model series trucks to expand regional sales, strengthen its international marketing and distribution network, explore various cooperation modes, and build a high loyal and high-quality distribution dealers network. The Group will also improve its international after-sales service model, build an overseas spare parts center so as to guarantee the provision of after-sales service on time. The Group will look to build a global research and development system, attract high level of overseas talent, and promote the internationalization of its talents.

3. **The Group will accelerate technological innovation to maintain industry leadership.** The Group will expedite research and development of China VI Emission Standards products, increase the amount of experiment equipment, and meet all requirements to ensure sustainable development. The Group will develop new energy products by cooperating with scientific research institutes and recruit high-end talents to promote research and development of electric and hybrid vehicles, while also improving and developing new models of natural gas vehicles to satisfy market needs. The Group will focus on lowering truck weight, reducing costs, and conserving energy of key trucks series while improving reliability to create sales advantages. The Group will implement industrialization of smart vehicles, ensure the reliability and stability of the first series of smart trucks after mass production, actively promote research of the second series of smart trucks, and strive to lead industrial technology development.

4. **The Group will aim to improve the quality of its products and upgrade its production and manufacturing capacity by strict implementation of the T18 quality improvement plan and continue to build high-quality vehicles and premium parts.** Based on the special audit and quality improvement plan on product development, manufacturing and after-sales services, the Group will continue to improve customer satisfaction initiatives. The Group will speed up the implementation of its manufacturing execution system (HMES), improve standardization, automation and intelligent management of the production process, and improve delivery capacity and production efficiency, while also laying a solid foundation for the implementation of intelligent manufacturing. The Group will actively maintain its social responsibilities and accelerate the move towards cleaner production, reduce pollution emissions, and explore and utilize social resources to promote new progress in energy savings.

5. **The Group will adhere to efficiency as a key focus, and strive to improve profitability.** The Group will continue to increase sales as a fundamental way to realize efficient operations, enhancing the proportion of T/C series truck products, and improving the profitability of its LDT segment. In the face of the increase in raw material prices and transportation costs, the Group will actively exert its centralized purchasing function and fully control its purchase costs.

FINANCIAL REVIEW

REVENUE, GROSS PROFIT AND GROSS PROFIT MARGIN

The Group's revenue for the Period recorded RMB55,458 million, representing an increase of RMB22,499 million or 68.3% YOY. The increase in the revenue is primarily attributable to the respective increase of sales volume of heavy duty trucks and light duty trucks by 70.7% and 38.1% and the optimization of sales mix.

The Group's gross profit for the Period was RMB10,028 million, representing an increase of RMB4,210 million or 72.4% YOY. Gross profit margin for the Period increased by 0.4 percentage point to 18.1% (gross profit divided by revenue). The increase in gross profit margin for the Period was mainly due to the optimization of sales mix and the increase in sales of volume of trucks lowering the fixed costs absorbed per truck.

DISTRIBUTION COSTS

Distribution costs for the Period was RMB3,229 million, representing an increase of RMB834 million or 34.8% YOY. The increase primarily resulted from the increase in warranty expenses and transportation expenses due to the increase in sales volume. During the Period, distribution costs to sales and service income of trucks and engines ratio was 5.9%, representing a decrease of 1.4 percentage points. The decrease in the ratio is mainly due to the increase of warranty expenses and transportation expenses being 37.8% and 57.0% YOY respectively which is lower than the increase of sales and services income of trucks and engines at 67.7% YOY.

ADMINISTRATIVE EXPENSES

Administrative expenses for the Period was RMB2,952 million, representing an increase of RMB366 million or 14.2% YOY. The increase was mainly due to increase in research and development costs and employee remuneration. During the Period, administrative expenses to revenue ratio was 5.3%, representing a decrease of 2.5 percentage points. The decrease in the ratio is mainly due to the stringent controls over administrative expenses which resulted in the growth of administrative expense slower when compared to the growth of sale revenue.

OTHER GAINS - NET

The other net gains for the Period was RMB424 million, representing an increase of RMB149 million or 54.2% YOY. The increase was mainly due to the increase in various types of income from financial products, gains on disposal of a subsidiary and gains on disposal of property, plant and equipment.

FINANCE COSTS – NET

Net finance cost for the Period was RMB262 million, representing an increase of RMB11 million or 4.4% YOY. The increase was mainly due to the loss of foreign exchange. During the Period, the cut of borrowing scale resulted the deduction of interest expenses at RMB83 million. However, such savings were not sufficient to cover the increase in the loss of foreign exchange at RMB125 million.

SHARE OF PROFITS LESS LOSSES OF INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The net profit of investments accounted for using the equity method for the Period was RMB45 million, representing a decrease of profit of RMB15 million. The decrease was mainly due to the decrease of profits resulted by an associate.

INCOME TAX EXPENSE

Income tax expense for the Period was RMB720 million, representing an increase of RMB461 million or 178.0% YOY. The increase was due to the significant increase in profit before income tax but certain increase was offset by the recognition of tax losses in deferred income tax.

PROFIT FOR THE PERIOD AND BASIC EARNINGS PER SHARE

Profit for the Period was RMB3,336 million, representing an increase of RMB2.673 million or 403.2% YOY. During the Period, operating profit ratio (operating profit divided by revenue) was 7.7 % (2016: 3.4%) while net profit ratio (profit divided by revenue) was 6.0% (2016: 2.0%). Profit attributable to owners of the Company for the Period was RMB3,023 million, representing an increase of RMB2,491 million or 468.2% YOY. The basic earnings per share attributable to owners of the Company for the Period was RMB1.09, representing an increase of RMB0.90 or 473.7% YOY.

TRADE AND NET FINANCIAL SERVICES RECEIVABLES

As at 31 December 2017, the trade receivables including related parties trade receivables were RMB7,811 million, compared to the balance as at 31 December 2016, representing a decrease of RMB2,242 million or 22.3% YOY.

The trade receivables turnover (average trade receivables including related parties trade receivables divided by revenue multiplied by 365 days) for the Period was 59.5 days (2016:115.5 days), representing a decrease of 48.5% YOY and was still within the Group's credit policies which are from three to twelve months to the customers.

As at 31 December 2017, the trade receivables including related parties trade receivables aged not more than twelve months were RMB7,632 million or 97.7% of all trade receivables including related parties trade receivables.

As at 31 December 2017, the auto financing services receivables and suppliers financing receivables was RMB7,085 million, compared to the balance as at 31 December 2016, representing an increase of RMB3,710 million or 109.9% YOY. The finance segment of the Group has granted credit period generally from one year to three years. In addition, the auto financing services receivables are secured by the vehicles together with guarantees provided by the dealers and relevant parties while suppliers financing receivables are mainly secured by the beneficial owners of these applicants of financing services. The Group reviews the repayment progress of key customers or customers with higher risk of default in repayment on a monthly basis and assesses impairment loss by reference to their business, actual repayment information and other assessments.

CASH FLOW

Net cash inflow from operating activities for the Period was RMB5,155 million, compared with net cash inflow in last year same period, representing a decrease of cash inflow by RMB83 million or 1.6% YOY. The net cash inflow from operating activities for the Period decreased because of the increase in payment of income tax.

Net cash outflow used in investing activities for the Period was RMB2,677 million, compared with cash outflow in last year same period, representing an increase of cash outflow of RMB949 million YOY. The increase was mainly due to the increase in the payment of capital expenditure.

Cash inflow from financing activities for the Period was RMB286 million, compared with the cash outflow in last year same period, representing an increase of cash inflow of RMB1,602 million YOY which was mainly due to the increase in net borrowing instead of net repayment of borrowings in 2016, but the increase was partly offset by the dividend payment. Before the disposal, Sinotruk Ji'nan HOWO Bus Co., Ltd. had borrowed from bank at RMB1,870 million in order to repay the loans from and amounts due to the Group.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2017, the Group had cash and cash equivalents of RMB9,840 million and unrestricted bank acceptance notes of RMB2,682 million. Cash and cash equivalents increased by RMB2,669 million and unrestricted bank acceptance notes increased by RMB1,206 million as compared with the beginning of 2017. The Group's total borrowings (including long-term and short-term borrowings and borrowings from the related parties) were about RMB4,026 million as at 31 December 2017. Its gearing ratio (total borrowings divided by total assets) was 6.6% (31 December 2016: 9.2%). As at 31 December 2017, current ratio (total current assets divided by total current liabilities) was 1.3 (31 December 2016: 1.3).

As at 31 December 2017, all borrowings were denominated in RMB (31 December 2016: all in RMB) and not made at fixed interest rates. Most of the borrowings are charged with reference to bank's preferential floating rates and were due within one year. The maturity profile of all borrowings were:

	As at 31 December 2017	As at 31 December 2016
	RMB	RMB
Repayable within one year	**4,026 million**	4,548 million

As at 31 December 2017, owner's consolidated equity of the Company was RMB25,431 million, representing an increase of RMB3,092 million or 13.8% when compared the balance as at 31 December 2016.

As at 31 December 2017, the Company's market capitalisation was RMB20,310 million (calculated based on the issued share capital of the Company: 2,760,993,339 Shares, closing price: HKD8.80 per Share and at the exchange rate of 1: 0.83591 between HKD and RMB).

As at 31 December 2017, total available credit facilities of the Group from the banks amounted to RMB28,773 million, of which RMB5,400 million had been utilised; an aggregate amount of RMB467 million of security deposits and restricted bank deposits (31 December 2016: RMB835 million) was pledged to secure various credit facilities. In addition, Sinotruk Finance Company and HOWO Auto Finance Company have made mandatory deposits of RMB2,101 million to PBOC for their financial operations. The Group meets its daily liquidity needs by matching operating cash flow patterns with funds on hand and enhances its liquidity by way of application for longer credit periods from suppliers, utilization of banking facilities and issuance of bills such as short-term commercial acceptance notes and bank acceptance notes.

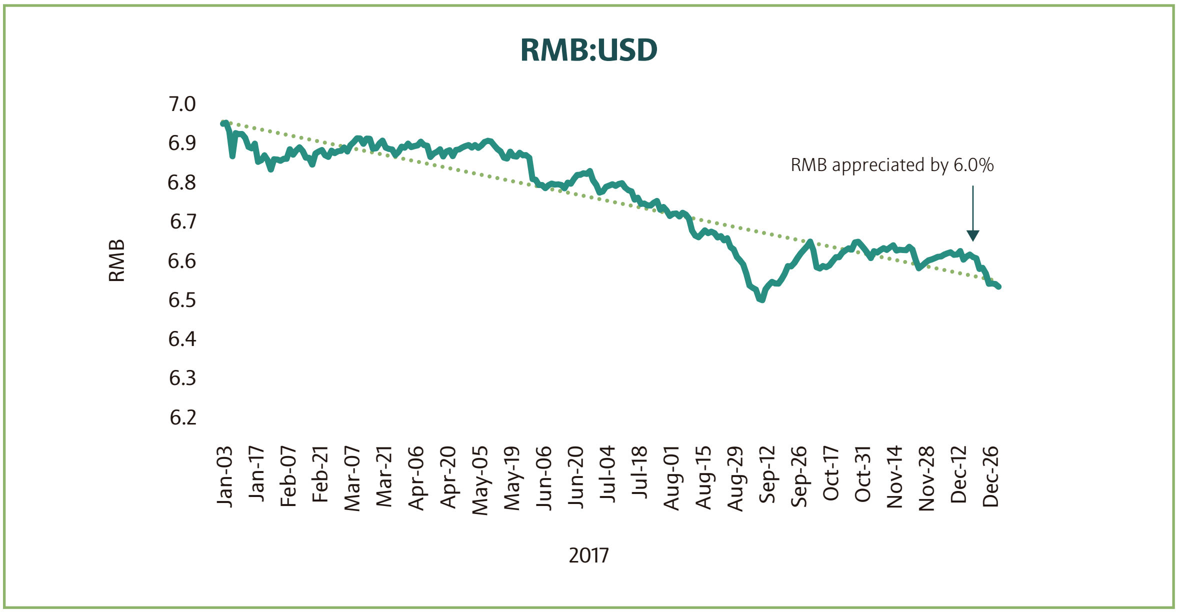
CHARGES ON GROUP ASSETS

Save as disclosed, as at 31 December 2017, there were no assets of the Group being pledged to secure credit facilities (31 December 2016: RMB237 million of bank acceptance notes pledged).

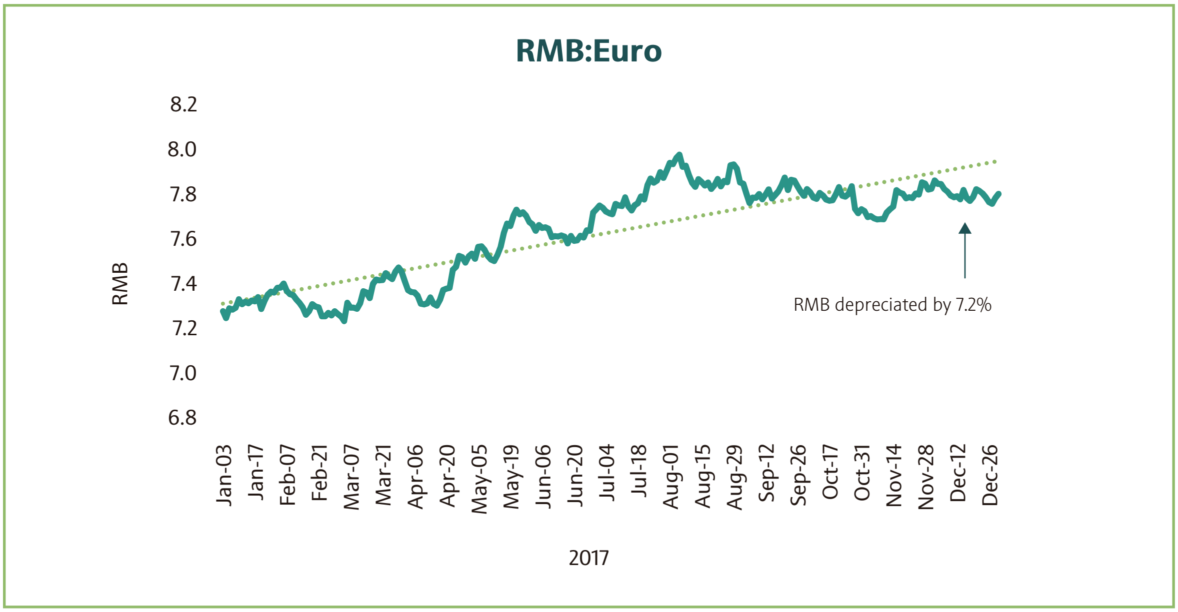
FINANCIAL MANAGEMENT AND POLICY

The finance department is responsible for the financial risk management of the Group. One of the primary objectives of our financial policies is to manage exchange rate risk. The major foreign exchange risk exposure arises from its exporting and importing activities, business operations outside the PRC as well as the financing activities in Hong Kong. The treasury policy of the Group is to prohibit the Group from participating in any speculative activities but the Group uses forward contracts to manage the foreign exchange risk.

RMB was appreciated against USD by 6.0% and depreciated against Euro by 7.2% in the PRC when compared these exchanges rates as at 3 January 2017 and 29 December 2017. During the Period, RMB trended appreciated against USD while trended depreciated against Euro. During the Period, the net exchange losses was RMB153 million because of the appreciation of RMB against USD.



Central parity rates of RMB against USD during the Period△.



Central parity rates of RMB against Euro during the Period△.

△ Source: State Administration of Foregin Exchange, the PRC.

As at 31 December 2017, most of the Group's assets and liabilities were denominated in RMB, except for cash and bank deposits which in total were equivalent to approximately RMB2,849 million, financial assets at fair value through profit or loss of approximately RMB127 million, accounts receivable and other receivable of approximately RMB1,635 million, accounts payable and other payables of approximately RMB169 million, all of which were denominated in currencies other than RMB.

GOING CONCERN

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

CONTINGENT LIABILITIES, LEGAL PROCEEDINGS AND POTENTIAL LITIGATION

During the Period, the Group was not involved in any litigation, arbitration or administrative proceedings that could have a material adverse effect on the Group's financial condition and results of operations. The Group estimates that the total amount of claims of all lawsuits is approximately RMB65 million. There was no provision for legal claims as at 31 December 2017.

SUBSEQUENT EVENTS

On 1 March 2018, the Company's non-wholly owned subsidiary, HOWO Auto Finance Company had entered a capital increase agreement with the Company and Ji'nan Power Company under which the Company and Ji'nan Power Company agreed to inject approximately RMB638.2 million and approximately RMB319.1 million respectively into HOWO Auto Finance Company. Of the aforesaid capital contributions, RMB600 million and RMB300 million, respectively, will be contributed to the increase in the registered capital of HOWO Auto Finance Company, and the remaining amount will be contributed to its capital reserve. Upon completion of the capital increase, the equity interest of the Group in HOWO Auto Finance Company will increase from 50% to approximately 82.15%. Details of the capital contribution were disclosed in the Company's announcement dated 1 March 2018.

DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Wang Bozhi (王伯芝), aged 52, has been our executive Director and the chairman of the Board since 22 December 2017. In addition, Mr. Wang is currently a director of certain subsidiaries of the Company. Mr Wang has extensive experience in corporate management. Mr. Wang received an executive master of business administration degree (EMBA) from the School of Management of Tianjin University (天津大學) in the PRC in May 2009. Prior to joining the Company, Mr. Wang served in various positions including the product designer, the head of sales department, the deputy general manager, the general manager and the chairman of Ji'nan Heavy Industry Co., Limited* (濟南重工股份有限公司), a company formerly known as Ji'nan Heavy Machinery Factory (濟南重型機械廠) which is principally engaged in the manufacturing of general mechanical and electrical products, including professional production processes such as mechanical processing, steel casting, forging, steel structuring, welding and heat treatment, from August 1985 to December 2017. Mr. Wang has been the deputy chairman and the chairman of the Ji'nan Municipal Committee of the Revolutionary Committee of the Chinese Kuomintang (民革濟南市委) from May 2007 until present. Mr. Wang has been the deputy chairman of the Shandong Provincial Committee of the Revolutionary Committee of the Chinese Kuomintang (民革山東省委) from April 2009 until present. Mr. Wang has also been the deputy chairman of the Chinese People's Political Consultative Conference of Ji'nan City since April 2017. Mr. Wang is currently the chairman of China National Heavy Duty Truck Group Company Limited (中國重型汽車集團有限公司). Mr. Wang received 9th and 11th "Outstanding Ji'nan Entrepreneur" award in May 2007 and August 2009, an "30th anniversary of China's reform and opening-up Outstanding Ji'nan Entrepreneur" award in December 2008, the "Influence Ji'nan" Economy Person of the year 2008 award in February 2009 and the title of "Ji'nan Talent Entrepreneur" in December 2010.

Mr. Cai Dong (蔡東), aged 54, has been our executive Director and president of the Company since 12 February 2007. In addition, Mr. Cai is currently a director of certain subsidiaries of the Company. Mr. Cai is a senior engineer with a bachelor's degree in engineering from Jiangsu Polytechnic University (江蘇工學院), the PRC and an executive MBA degree from Nankai University (南開大學), the PRC. He is currently the vice-chairman of CAAM and vice-chairman of China Chamber of International Commerce. He received an "Outstanding National Entrepreneur" award conferred jointly by the China United Enterprises Association (中國企業聯合會), China Entrepreneurs Association (中國企業家協會) and China Enterprise Management Science Foundation (中國企業管理科學基金會) in April 2006 and Ji'nan City Preeminent Science and Technology Award in February 2013. He joined Ji'nan Auto Manufacturing Factory in 1983 and led its research and development, production and marketing. Mr. Cai was previously a director of the technology center of CNHTC. Mr. Cai was a director, chief engineer and the general manager of CNHTC from 2001 to 2007.

Mr. Tong Jingen (童金根), aged 55, has been our executive Director, company secretary and chief economist of the Company since 12 February 2007. In addition, Mr. Tong is currently a director of certain subsidiaries of the Company. Mr. Tong is a senior economist with over 20 years of experience in corporate management and business development in the automotive industry. Mr. Tong graduated with a master's degree in engineering from Tsinghua University (清華大學), the PRC in 1989 and with Ph.D degree in management from Jiangsu University (江蘇大學), the PRC in December 2017. He joined Ji'nan Auto Manufacturing Factory in 1983. Mr. Tong was the deputy director of the corporate management department of Ji'nan Motor Vehicle Company (濟南汽車製造廠) from 1995 to 1996, and was the deputy manager of sales department of CNHTC from 1998 to 2001, and was the chief economist and director of CNHTC from July 2002 to April 2007.

Mr. Wang Shanpo (王善坡), aged 53, has been our executive Director and chief engineer of the Company since 12 February 2007. Mr. Wang is an engineering and technical application researcher with over 30 years of experience in automotive research and development and engineering. Mr. Wang graduated with a bachelor's degree in engineering from Jilin University of Technology (吉林工業大學), the PRC in 1984, with a master's degree in engineering from Shandong Industrial University (山東工業大學), the PRC in 1991 and with a Ph.D. degree in engineering from Jiangsu University (江蘇大學), the PRC in December 2011. He joined CNHTC in 1984 and was the chief engineer of CNHTC. Mr. Wang was the director of Sinotruk Ji'nan Technical Center Co., Ltd. from 1999 to 2000.

Mr. Kong Xiangquan (孔祥泉), aged 51, has been our executive Director and the financial controller of the Group since 28 August 2012. In addition, Mr. Kong is currently a director of certain subsidiaries of the Company. Mr. Kong is a senior accountant and has extensive experiences in financial management, corporate restructuring and cross-border financing. Mr. Kong received a bachelor's degree in management science and engineering from Wuhan Institute of Technology (武漢工學院) (now known as Wuhan University of Technology (武漢理工大學)), the PRC in 1989 and a master's degree in management science from Dalian University of Technology (大連理工大學), the PRC in 2002. He was selected as one of the high-grade accountant personnel in Shandong Province, the PRC in 2011. He joined CNHTC in 2003. From 2003 to 2006, Mr. Kong served as the deputy general manager and the general manager of the finance department of CNHTC. Mr. Kong then served as the general manager of the finance department and the deputy financial controller of the Group since 2006. Mr. Kong was the supervisor of Sinotruk Finance Company from 2004 to 2012 and the chairman of the supervisory board of Sinotruk Import & Export Co., Ltd. from 2011 to 2012. Mr. Kong has been the supervisor of Ji'nan Ganghao Development Co., Ltd. since 2008. Mr. Kong has been the chairman of Sinotruk Finance Company since April 2015. Prior to joining the Group, Mr. Kong worked in China Qingqi Group Co., Ltd. and was responsible for general administration and financial management affairs.

Mr. Liu Wei (劉偉), aged 48, has been our executive Director since 9 December 2014. In addition, Mr. Liu is currently a director of certain subsidiaries of the Company. He has extensive experience in the commercial vehicle industry. Mr. Liu graduated from the Wuhan Institute of Technology (武漢工學院) (now known as the Wuhan University of Technology (武漢理工大學)), the PRC and received a bachelor's degree in engineering majoring in automotive internal combustion engineering in July 1991. In June 2009, he received a master 's degree in business administration from the School of Management of the Shandong University (山東大學管理學院), the PRC. Since January 2010, Mr. Liu serves as the head of the international sales division of the Company. Prior to joining the Company, Mr. Liu served in various technical and management positions of CNHTC including the chief of the products testing division, head of the vehicles inspection center, deputy head and head of the technology center from July 1991 to January 2010. He was a director of Ji'nan Truck Company from August 2003 to June 2006 and a director of CNHTC from December 2012 to October 2014.

Mr. Liu Peimin (劉培民), aged 49, has been our executive Director since 9 December 2014. In addition, Mr. Liu is currently a director of certain subsidiaries of the Company. He has extensive experience in the vehicle industry. Mr. Liu received a bachelor's degree in casting technology and equipment from the Taiyuan Institute of Machinery (太原機械學院) (now known as North University of China (中北大學)), the PRC in June 1990. Mr. Liu serves as the operation controller of the Company since August 2012. Prior to joining the Company, Mr. Liu served in various management positions in China National Heavy Duty Truck Group Company (中國重型汽車集團公司), the predecessor of CNHTC ("**CNHTC Predecessor**") and CNHTC. He was the office manager of CNHTC Predecessor and the deputy factory manager of the Sichuan Automobile Factory (a subsidiary of CNHTC Predecessor) from July 1990 to July 1997 and the general manager of China National Heavy Duty Truck Group Sales Company (中國重型汽車集團銷售公司), a wholly-owned subsidiary of CNHTC from July 1997 to April 2001, the chairman of CNHTC Special Vehicle Limited (中國重汽集團專用汽車公司), a wholly-owned subsidiary of CNHTC and the chairman of Sinotruk International Co., Ltd. from April 2001 to December 2009, the assistant to the general manager of CNHTC and the chairman of Sinotruk International from December 2009 to August 2012. Mr. Liu was a director of CNHTC Predecessor from July 1997 to April 2001 and a director of CNHTC from April 2001 to October 2014.

Mr. Franz Neundlinger, aged 62, has been our executive Director since 5 December 2013. He has extensive experience in the commercial vehicles industry. Mr. Neundlinger studied at Professional School Steyr in Austria from 1970 to 1974 and attended evening school at WIFI Institute Austria majored in industrial and machine engineering between 1977 and 1979. He joined the MAN Group in 1997 and is currently employed by MAN Truck & Bus Österreich AG. During 1976 to 1982, Mr. Neundlinger was a mechanic of Steyr Daimler Puch AG, one of the leading producers for commercial vehicles in Austria, responsible for the assembly and modification of special vehicles. From 1983 to 1987, he was a senior manager of Steyr Daimler Puch AG responsible for managing foreign after sales projects. During 1988 to 1993, Mr. Neundlinger was the head overseeing after sales strategy for Europe of Steyr Trucks Austria, being a manufacturer of commercial vehicles. He became responsible for the project of the transfer of a truck manufacturing technology of Steyr Trucks Austria in the PRC in 1994. He was also the chief representative of the PRC representative office of MAN Truck & Bus AG from 1997 to 2003, responsible for its business activities in the PRC. From 2003 to 2007, Mr. Neundlinger was the director of sales and marketing of MAN Truck and Bus (China) Ltd. From 2008 to 2010, he was the vice president of MAN Force Trucks Pvt. Ltd., a jointly controlled entity of MAN Truck & Bus AG as well as a manufacturer and distributor of commercial vehicles in India, and was responsible for key customer business and application engineering. From May 2010 to April 2012, he joined Sinotruk Import & Export Co., Ltd. as a vice general manager responsible for after sales and product management of the cooperation project between the Group and the MAN Group. From May 2012 to October 2013, Mr. Neundlinger had been the director of engine sales and product management of MAN Truck and Bus (China) Ltd. in Beijing. Since 1 November 2013, Mr. Neundlinger has been appointed by the Company as an officer to coordinate the cooperation project. All MAN Truck & Bus Österreich AG, MAN Truck and Bus (China) Ltd. and MAN Truck & Bus AG are the indirectly non-wholly owned subsidiaries of FPFPS.

Non-executive Directors

Mr. Andreas Hermann Renschler, aged 60, has been our non-executive Director since 1 October 2015. He has extensive experience in the vehicle industry. Mr. Renschler received his diploma in business engineering at the Technical College in Esslingen, Germany in 1983 and his diploma in business administration at the University of Tübingen, Germany in 1987. Mr Renschler began his career at Daimler-Benz AG in 1998. From April 1993 to December 1998, he took charge of the Mercedes-Benz M-Class unit and was responsible for planning and implementation of the company's first US plant in Tuscaloosa, Alabama, where he later served as the chief executive officer of Mercedes-Benz U.S.I., which is principally engaged in M-Class production. From January 1999 to September 1999, he served as the senior vice president of DaimlerChrysler AG, which is principally engaged in the passenger vehicle and commercial vehicle business, where he was responsible for personnel development. From October 1999 to October 2004, Mr. Renschler served as the chairman of the board of management of smart GmbH, which is principally engaged in small passenger car business. From October 2004 to March 2013, Mr. Renschler served as a member of the board of management of Daimler AG, which is principally engaged in the passenger vehicle and commercial vehicle business, where he was responsible for managing Daimler Trucks and Daimler Buses. From April 2013 to January 2014, he was in charge of the production and procurement for Mercedes-Benz Cars and Mercedes-Benz Vans. In February 2015, he joined Volkswagen AG. He is a member of the board of management of Volkswagen AG, responsible for the commercial vehicle group, and is chief executive officer of Volkswagen Truck & Bus GmbH. Volkswagen AG and Volkswagen Truck & Bus GmbH are the indirectly non-wholly owned subsidiaries of FPFPS. Furthermore, on 28 February 2017, Mr. Renschler was appointed as a member of the board of directors of Navistar International Corporation. The FPFPS Group held approximately 16.9% of the issued share capital of Navistar International Corporation.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Joachim Gerhard Drees, aged 53, has been our non-executive Director since 1 October 2015. He has extensive experience in the vehicle industry. Mr. Drees received his master's degree in business administration at the University of Stuttgart, Germany in March 1991. He received his master's degree in business administration from the Portland State University, the United States in June 1989. Mr. Drees served in various management positions at DaimlerChrysler AG, which is principally engaged in the passenger vehicle and commercial vehicle businesses, among others, as the commercial head of the transmission business unit in Gaggenau as well as head of commercial vehicles controlling of Daimler Truck Group in Stuttgart from May 1996 to July 2006. He served as a partner at HgCapital LLP, a British investment company, where he was responsible for investment portfolio management from July 2006 to August 2012. He served as the chief financial officer and head of the divisions of finance and controlling, merger and acquisitions, human resources, administration and globalisation support at Drees & Sommer AG, which is principally engaged in project management and real estate consulting from September 2012 to August 2014. Mr. Drees has been the chief executive officer of MAN Truck & Bus AG since April 2015 as well as a member of the executive board of Volkswagen Truck & Bus GmbH since June 2015 and chief executive officer of MAN SE since October 2015.

Mr. Matthias Gründler, aged 52, has been our non-executive Director since 1 July 2016. Mr. Gründler received a diploma in economics from the IfW (Institute for Knowledge Transfer) in cooperation with the Daimler Academy in October 1999. Mr. Gründler has over 20 years of experience in the vehicle industry. He began his career with Daimler Benz AG in Stuttgart, Germany, in August 1986 and subsequently became a project team leader within the Supply Chain Management for Eastern Europe at DaimlerChrysler and the team manager of Sales Planning and Controlling at Mercedes-Benz Passenger Cars. In August 1999, Mr. Gründler was appointed the divisional manager of Sales and Marketing/Group Controlling at DaimlerChrysler South Africa in Pretoria, South Africa. In March 2003, Mr. Gründler was appointed the chief financial officer of Finance Controlling and Human Resources at DaimlerChrysler Thailand in Bangkok, Thailand, and then became the chief financial officer and director of Corporate Strategy/Human Resources at DaimlerChrysler South East Asia in Singapore in January 2004. In February 2005, Mr. Gründler returned to Pretoria, South Africa to become a member of the management board, director and chief financial officer at Mercedes-Benz South Africa, until he moved to Tokyo, Japan in February 2008 where he became a member of the management board, vice president, chief financial officer and representative director of Daimler Trucks Asia at Mitsubishi Fuso Trucks & Bus Corp. In January 2011, Mr. Gründler was appointed the Head of procurement of Trucks and Buses and Business Development Powertrain at Daimler AG in Stuttgart, Germany, and took the position of Head of Product Platforms, Sales & Quality Powertrain in October 2011. In March 2012, Mr. Gründler became the chief financial officer of Finance and Controlling, Business and Product Planning of Daimler Trucks & Buses at Daimler AG in Stuttgart, Germany, and in October 2013, he was appointed the chief financial officer and a member of the divisional board of Daimler Trucks & Buses. Since September 2015, Mr. Gründler is a member of the board and the chief financial officer at Volkswagen Truck & Bus GmbH in Braunschweig, Germany, where he is responsible for finance and business development. Furthermore, on 28 February 2017, he was appointed as a member of the board of directors of Navistar International Corporation. The FPFPS Group held approximately 16.9% of the issued share capital of Navistar International Corporation.

Independent Non-executive Directors

Dr. Lin Zhijun (林志軍), aged 63, has been our independent non-executive Director since 26 July 2007. Dr. Lin is an experienced accounting educator and researcher. Dr. Lin graduated from Xiamen University (廈門大學), the PRC in 1982 with a master's degree in economics and later received a Ph.D. degree in Economics (Accounting) from Xiamen University in 1985. Dr. Lin also received a master's degree (MSc in Accounting) from University of Saskatchewan, Canada in 1991. He is a member of the American Institute of Certified Public Accountants (AICPA), the Chinese Institute of Certified Public Accountants (CICPA) and the Certified Management Accountants of Australia (CMA). He is a member of various educational accounting associations, including the American Accounting Association and the International Association for Accounting Education and Research. He is currently the Associate Vice President of Macau University of Science and Technology and the dean of School of Business of Macau University of Science and Technology. Dr. Lin was previously an auditing staff at an international accounting firm (Touche Ross International, now known as "Deloitte Touche Tohmatsu") in Toronto, Canada. He has been teaching at Xiamen University in China, The University Lethbridge in Canada, The University of Hong Kong and Hong Kong Baptist University since 1983. Dr. Lin is also an author of a series of professional articles and books. Dr. Lin currently is also an independent non-executive director of five companies which securities are listed on the Main Board of the Stock Exchange, including China Everbright Limited (stock code: 0165.hk), CITIC Dameng Holdings Ltd. (stock code: 1091.hk), Springland International Limited (stock code: 1700.hk) BOCOM International Holdings Company Limited (stock code: 3329.hk) and Dali Foods Group Company Limited (stock code: 3799.hk).

Mr. Chen Zheng (陳正), aged 72, has been our independent non-executive Director since 26 July 2007. Mr. Chen has over 30 years of experience in the mechanical design and automotive engineering field. Mr. Chen graduated from the Beijing University of Technology (北京工業大學) in the PRC in 1970 with a bachelor's degree in mechanical engineering. He has been the deputy head of the technology division of China Auto Parts and Accessories Corporation (中國汽車零部件工業公司), the department head of the international cooperation department of China National Automotive Industrial Corporation(中國汽車工業總公司), the vice general manager of China National Automotive Industry Import and Export Corporation (中國汽車工業進出口公司) and the vice chairman of the board of directors of China Automotive Finance Company Limited (中汽財務有限責任公司).

Mr. Yang Weicheng (楊偉程), aged 71, has been our independent non-executive director since 6 November 2013. Mr. Yang is an experienced lawyer in the PRC. Mr. Yang graduated from Shandong University, the PRC in 1982, majored in history. He is a qualified lawyer in the PRC and is currently the management partner of Shandong Qindao Law Firm (山東琴島律師事務所) in Shandong, the PRC, and the counselor of Shandong Provincial People's Government. He has also been a deputy director of the general office of Qingdao Municipal Justice Bureau (青島市司法局) from August 1991 to February 1994. From April 1999 to June 2008, he was the vice president of All China Lawyers Association (中華全國律師協會). During January 2005 to April 2011, he was the president of the Shandong Lawyers Association (山東省律師協會). He was awarded "Ten Best Lawyers of China" (全國十佳律師) by the Ministry of Justice of the PRC in 1999. He was a member of the 10th, 11th and 12th National People's Congress of China. Mr. Yang is currently an independent director of Songz Automobile Air Conditioning Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 002454), an independent director of Shandong Huatai Paper Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 600308) and a supervisor of Tsingtao Brewery Company Limited (a company listed on the Shanghai Stock Exchange, stock code: 600600 and listed on the Main Board of the Stock Exchange, stock code: 0168. hk). He was also an independent director of Shandong Denghai Seeds Co., Ltd. (stock code: 002041) from May 2007 to May 2013, Qingdao Kingking Applied Chemistry Co., Ltd. (stock code: 002094) from May 2007 to May 2013 and Lianhe Chemical Technology Co., Ltd. (stock code: 002250) from July 2007 to June 2013, all listed on the Shenzhen Stock Exchange.

Dr. Wang Dengfeng (王登峰), aged 55, has been our independent non-executive Director since 9 March 2016. Dr. Wang is currently a professor and doctoral tutor of the Department of Automobiles at the School of Automotive Engineering of Jilin University (吉林大學), the PRC. Dr. Wang is also the chairman of the panelist committee of the China Automotive Lightweight Technology Innovation Strategic Alliance (中國汽車輕量化技術創新戰略聯盟), a member of the Society of Automotive Engineers of China, a council member of the executive committee of the Society of Automotive Engineers of China (中國汽車工程學會), the deputy chairman of the Safety Technology Committee of the Society of Automotive Engineers of China (中國汽車工程學會汽車安全技術分會) and the deputy chairman of the Vehicle Noise and Vibration Committee of the Society of Automotive Engineers of China (中國汽車工程學會汽車振動噪聲分會). Dr. Wang completed his bachelor, master and doctorate degrees in engineering at Jilin University of Technology (吉林工業大學), the PRC. After his graduation from Jilin University of Technology in 1990, he remained at Jilin University of Technology as a lecturer, where he was subsequently promoted to the positions of associate professor, professor, deputy head and then head of the Automotive and Tractor Faculty. Between August 1997 and July 1998, Dr. Wang attended at the University of Birmingham, the United Kingdom as a visiting professor, after which he returned to Jilin University of Technology and continued to serve as a professor, doctoral tutor and head of the Faculty of Automotive and Tractor until May 2000. In June 2000, Jilin University of Technology merged with Jilin University and from December 2000 to December 2008, Dr. Wang served as a professor, doctoral tutor and associate dean of the School of Automotive Engineering of Jilin University. Since January 2009, he has been serving as a professor and doctoral tutor of the Department of Automobiles at the School of Automotive Engineering of Jilin University. Dr. Wang leads several National Research Programs, National Key Technology R&D Program, National High-tech R&D Program (863 Program) and projects supported by the National Natural Science Foundation of China. Dr. Wang was conferred with the title of "Excellent National Teacher" by the Ministry of Education of PRC in 2007. Among other awards he has received in the past, Dr. Wang was awarded the "Outstanding Contribution Award" of the 50th Anniversary of the Establishment of the Society of Automotive Engineers of China (中國汽車工程學會建會50周年"突出貢獻獎") in 2012, second class reward of Jilin Province S&T Progress Awards in 2015, first Class reward of China Automotive S&T Award in 2016, second class of Ministry of Education of China Science and Technology Award in 2017 and special class of Science and Technology Progress Award of China General Chamber of Commerce in 2017.

Mr. Zhao Hang (趙航), aged 62, has been our independent non-executive Director since 11 April 2016. Mr. Zhao is a director of Zhejiang Wanfeng Auto Wheel Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 002085.SZ) since 29 November 2013. Mr. Zhao is also a doctoral tutor at Wuhan University of Technology, the PRC (中國武漢理工大學), and an instructor and adjunct professor at Tongji University, the PRC (中國同濟大學), Jilin University, the PRC (中國吉林大學), Jiangsu University, the PRC (中國江蘇大學) and Chongqing Jiaotong University, PRC (中國重慶交通大學) (which is previously known as Chongqing Vocational College of Transportation (重慶交通學院)). In addition, Mr. Zhao was the deputy chairman and chief secretary of the National Technical Committee of Auto Standardization (全國汽車標準化技術委員會), the president of the China Automobile Human Resources Association (中國汽車人力資源協會), the deputy chairman of the executive committee of the Society of Automotive Engineers of China (中國汽車工程學會), the vice-president of the China Association of Automobile Manufacturers (中國汽車工業協會), the deputy chairman of the China Intelligent Transportation Systems Association (中國智能交通協會), the council member of the China Machinery Industry Federation (中國機械工業聯合會), a member of the steering committee of the National 863 Electric Vehicle Key Project (國家863電動汽車重大專項領導小組), a member of the steering committee of the National Clean Energy Automotive Action (國家清潔汽車行動領導小組) and a member of the steering committee of the Tianjin Clean Energy Automotive Action (天津市清潔汽車行動

領導小組). Mr. Zhao is a research-grade senior engineer and obtained his bachelor degree in engineering from Jilin University of Technology, the PRC (中國吉林工業大學) in July 1982. In October 2003, he obtained a degree in executive master of business administration from China Europe International Business School (中歐國際工商學院). After his graduation from Jilin University of Technology in 1982, Mr. Zhao joined the Transportation Engineering Institute of the Chinese People's Liberation Army (中國人民解放軍運輸工程學院) as an instructor until October 1987. After that, he was employed by the China Automotive Technology & Research Center (中國汽車技術研究中心), and had since then until November 2015 held various positions therewith including the center deputy chairman, center deputy secretary of the party committee and center secretary of the party committee and center chairman. Among the awards and recognitions he has received in the past, Mr. Zhao was conferred with the title of Young Technology Specialist in the Machinery Industry (中國機械工業青年科技專家) in the PRC in 1995 and received the 2004 China Automobile Manufacturing Outstanding Technology Talent Award (2004年中國汽車工業優秀科技人才獎). Mr. Zhao is also an independent non-executive director and a member of remuneration committee of Sun.King Power Electronics Group Limited, a company listed on the Main Board of the Stock Exchange (stock code : 0580.hk).

Mr. Liang Qing (梁青), aged 64, has been our independent non-executive Director since 1 September 2016. Mr. Liang graduated from Beijing Open University (formerly known as Beijing Radio and Television University) (北京廣播電視大學) in 1985, where he studied Chinese language and literature. Mr. Liang was a director and the general manager of China Minmetals H.K. (Holdings) Limited. Mr. Liang has abundant experience in international trading and investment. Mr. Liang is currently an independent non-executive director and a member of the audit committee and remuneration committee of Silver Grant International Industries Limited (stock code: 0171.hk) and an executive director of Jiangxi Copper Company Limited (stock code: 0358.hk), securities of both companies are listed on the Main Board of the Stock Exchange.

Company Secretaries

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

Mr. Kwok Ka Yiu (郭家耀), aged 53, has been our company secretary and financial controller since 12 November 2007. Mr. Kwok holds an MBA degree from the University of Hong Kong and is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Mr. Kwok has nearly seven years of audit experience in one of the prestigious international audit firms, KPMG and nearly twenty years of financial and accounting experiences with companies listed on the Stock Exchange.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

CORPORATE GOVERNANCE PRACTICE

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

During the Period, the Company has been in compliance with the CG Code, save for the Company did not establish a nomination committee as the Board takes up all functions of a nomination committee as required under the Listing Rules.

BOARD OF DIRECTORS

OVERALL ACCOUNTABILITY

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

BOARD RESPONSIBILITIES AND DELEGATION

The Board is responsible for formulating group policies and business directions, and monitoring risk management, internal controls and performances. The EDs and the Executive Committee are delegated with the responsibilities of the day-to-day management of the Group and making operational and business decisions within the control of and delegation framework of the Group. The NEDs and INEDs contribute valuable views and proposals for the Board's deliberation and decisions.

The Board has delegated some of its functions to the board committees, details of which are set out below. Matters specifically reserved to the Board include assessment on the nomination of new Directors, determination of remuneration of Directors and senior management, establishment of an effective risk management and internal control system, assessment on the effectiveness of the processes for financial reporting and of compliance of the Listing Rules, approval of financial statements, and review and approval of dividend policy, significant accounting policies, material contracts, significant appointments such as company secretary and external auditors, terms of reference of board committees, as well as major corporate policies such as code of conduct.

COMPOSITION OF THE BOARD

As at 31 December 2017, the Board had a total number of seventeen Directors including eight EDs, three NEDs and six INEDs. Biographies of each Director are set out in the section headed "Directors and Senior Management".

Mr. Wang Bozhi is the chairman of the Board (the "**Chairman**") and Mr. Cai Dong is the president of the Company (the "**President**"). They have separate defined responsibilities whereby the Chairman is primarily responsible for leadership and effective functioning of the Board, ensuring key issues are promptly addressed by the Board, providing strategic direction of the Group, and taking primary responsibility to ensure that good corporate governance practices and procedures are established. The President together with other EDs are responsible for the Company's daily operation and the effective implementation of corporate strategy and policies.

EXECUTIVE DIRECTORS

As at 31 December 2017, there were eight EDs including Mr. Wang Bozhi, Mr. Cai Dong, Mr. Tong Jingen, Mr. Wang Shanpo, Mr. Kong Xiangquan, Mr. Liu Wei, Mr. Liu Peimin and Mr. Franz Neundlinger.

NON-EXECUTIVE DIRECTORS

As at 31 December 2017, there were three NEDs including Mr. Andreas Hermann Renschler, Mr. Joachim Gerhard Drees and Mr. Matthias Gründler.

Each of Mr. Andreas Hermann Renschler, Mr. Joachim Gerhard Drees and Mr. Matthias Gründler has entered into a service contract with the Company for a term of three years commenced from 1 October 2015, 1 August 2015 and 1 July 2016, respectively. Each of the service contracts of the NEDs can be terminated by either party giving not less than three months' prior written notice.

INDEPENDENT NON-EXECUTIVE DIRECTORS AND THEIR INDEPENDENCE

As at 31 December 2017, there were six INEDs including Dr. Lin Zhijun, Mr. Chen Zheng, Mr. Yang Weicheng, Dr. Wang Dengfeng, Mr. Zhao Hang and Mr. Liang Qing.

Each of Dr. Lin Zhijun, Mr. Chen Zheng, Mr. Yang Weicheng, Dr. Wang Dengfeng, Mr. Zhao Hang and Mr. Liang Qing has entered into a service contract with the Company for a term of three years commenced from 26 July 2016, 26 July 2016, 6 November 2016, 9 March 2016, 11 April 2016 and 1 September 2016, respectively. Each of the service contracts of the INEDs can be terminated by either party by giving not less than three months' prior written notice.

With Dr. Lin Zhijun's past working experience as an auditor and his academic background in finance and accounting, the Company considers that Dr. Lin is a qualified person with appropriate professional knowledge in accounting and finance as required by Rule 3.10(2) of the Listing Rules.

The Company has already received annual confirmation letters of independence from all the INEDs for the Period and each of them have declared fulfillment of all the guidelines for assessing independence in accordance with Rule 3.13 of the Listing Rules. Accordingly, the Board considers that all INEDs are independent as defined in the Listing Rules.

ATTENDANCE OF BOARD MEETINGS AND BOARD COMMITTEE MEETINGS

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

	Numbers of meetings attended/entitled to attend					
Directors	**Regular full Board meetings**	**Executive Committee meetings**	**Strategy and Investment Committee meetings**	**Remuneration Committee meetings**	**Audit Committee meetings**	**2017 annual general meeting**
Executive Directors						
Mr. Wang Bozhi (chairman) (Note 1)	0/0	0/0	0/0			0/0
Mr. Cai Dong	5/5	3/3	1/1			0/1
Mr. Tong Jingen	5/5	3/3		1/1		1/1
Mr. Wang Shanpo	5/5	3/3	1/1			0/1
Mr. Kong Xiangquan	5/5	3/3				1/1
Mr. Liu Wei	5/5	3/3		1/1		0/1
Mr. Liu Peimin	5/5	3/3				0/1
Mr. Franz Neundlinger	5/5	3/3	1/1			0/1
Non-executive Directors						
Mr. Andreas Hermann Renschler (Note 2)	3/5					0/1
Mr. Joachim Gerhard Drees	4/5					0/1
Mr. Matthias Gründler	4/5					0/1
Independent Non-executive Directors						
Dr. Lin Zhijun	5/5			1/1	3/3	0/1
Mr. Chen Zheng	5/5			1/1	3/3	1/1
Mr. Yang Weicheng	5/5			1/1		0/1
Dr. Wang Dengfeng (Note 3)	4/5				3/3	0/1
Mr. Zhao Hang	5/5		1/1			0/1
Mr. Liang Qing	5/5			1/1		0/1
Former Executive Director						
Mr. Ma Chunji	4/5	3/3	1/1			1/1

Note 1: Mr. Wang was appointed as ED with effect from 22 December 2017. Since his appointment date to 31 December 2017, no regular full Board meeting, Executive Committee meeting, Strategy and Investment Committee meeting or Shareholders' meeting was held.

Note 2: Mr. Renschler's alternate, Mr. Matthias Gründler, attended the Board meeting held on 30 August 2017 and voted all resolutions during the meeting on behalf of Mr. Renschler.

Note 3: Dr. Wang' s alternate, Mr. Chen Zheng, attended the Board meeting held on 23 October 2017 and voted all resolutions during the meeting on behalf of Dr. Wang.

BOARD MEETINGS

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

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

(1) the 2016 annual report of the Company and related results announcements, circulars and documents, the call for the 2017 AGM of the Company and the closures of register of members;

(2) the annual review of the effectiveness and adequacy of the Group's risk management and internal control systems;

(3) the review on non-competition undertaking of CNHTC;

(4) the 2017 interim report of the Company and related results announcements and documents;

(5) the review of the connected transactions for the year 2016 and approval of certain new, renewed and amended connected transactions for the years 2017-2020;

(6) the recommendation of the re-appointment of PricewaterhouseCoopers as the Company's auditor in the 2017 AGM;

(7) the recommendation of the payment of the final dividend for the year 2016;

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

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

(10) matters raised by the Audit Committee including the assessment of internal control report, the risk management report and ESG Report.

BOARD COMMITTEES

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

EXECUTIVE COMMITTEE

The Executive Committee has been formed by all the EDs as appointed from time to time and is responsible for implementing the decisions made by the Board including but not limit to financing operations, operating strategies, business development, etc. and managing daily operations.

As at 31 December 2017, the Executive Committee comprised eight members, namely, Mr. Wang Bozhi, Mr. Cai Dong, Mr. Tong Jingen, Mr. Wang Shanpo, Mr. Kong Xiangquan, Mr. Liu Wei, Mr. Liu Peimin and Mr. Franz Neundlinger. Mr. Wang Bozhi is the chairman of the Executive Committee.

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

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

(2) the product quality improvement measures and their implementation.

STRATEGY AND INVESTMENT COMMITTEE

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

As at 31 December 2017, the Strategy and Investment Committee comprised five members, namely, Mr. Wang Bozhi, Mr. Cai Dong, Mr. Wang Shanpo, Mr. Franz Neundlinger and Mr. Zhao Hang. Mr. Wang Bozhi, Mr. Cai Dong, Mr. Wang Shanpo and Mr. Franz Neundlinger are EDs. Mr. Zhao Hang is an INED. Mr. Wang Bozhi is the chairman of the Strategy and Investment Committee.

During the Period, the Strategy and Investment Committee had convened one meeting and had discussed, reviewed and approved the following major agenda items:

(1) the principles of technology upgrade and improvements in 2018 and their investment plans; and

(2) the 2018 capital expenditure plan.

REMUNERATION COMMITTEE

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

As at 31 December 2017, the Remuneration Committee comprised six members, namely, Mr. Chen Zheng, Dr. Lin Zhijun, Mr. Yang Weicheng, Mr. Liang Qing, Mr. Tong Jingen and Mr. Liu Wei. Mr. Chen Zheng, Dr. Lin Zhijun, Mr. Yang Weicheng and Mr. Liang Qing are INEDs while Mr. Tong Jingen and Mr. Liu Wei are EDs. Mr. Chen Zheng is the chairman of the Remuneration Committee. The most up-to-date version of the terms of reference of the Remuneration Committee is available on the websites of the Company and the Stock Exchange.

During the Period, the Remuneration Committee had convened one meeting to review, consider and approve the renumeration of ED.

AUDIT COMMITTEE

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

As at 31 December 2017, the Audit Committee comprised three members, namely, Dr. Lin Zhijun, Mr. Chen Zheng and Dr. Wang Dengfeng who are all INEDs. Dr. Lin Zhijun is the chairman of the Audit Committee.

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

(1) the 2017 annual audit plan of the Group;

(2) the auditor's reports to the Audit Committee in respect of the 2016 annual audit and the 2017 interim review of the Group;

(3) the 2016 annual report and the 2017 interim report and their related preliminary results announcements;

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

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

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

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

CORPORATE GOVERNANCE FUNCTIONS

The Audit Committee is also responsible for performing the corporate governance functions including the following corporate governance duties:

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

NOMINATION, APPOINTMENT, RETIREMENT AND RE-ELECTION OF DIRECTORS

The Board is responsible for reviewing its structure, size, composition (including the skills, knowledge and experience) and diversity regularly and making any changes to complement the Company's corporate strategy, including the selection of individuals nominated for directorships, the appointment or re-appointment of Directors, succession planning for Directors and accessing the independence of independent non-executive Director. During the Period, the Board has reviewed and concluded that its existing structure, size, composition and diversity are appropriate.

According to article 82 of the Articles, any Director appointed by the Board to fill a casual vacancy or by way of addition to their number shall hold office only until the next following annual general meeting of the Company, and shall then be eligible for re-appointment. According to article 83(1) of the Articles, at each annual general meeting of the Company, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at least once every three years.

DIVERSITY POLICY AND NOMINATION PROCEDURES

The Company recognises and embraces the importance and benefit to achieve diversity on the Board to corporate governance and the board effectiveness. The diversity policy is to ensure that the Board has the appropriate balance of skills, experience and diversity of perspectives necessary to enhance the effectiveness of the Board and to maintain high standards of corporate governance.

Without the establishment of nomination committee, the Board has primary responsibility for identifying suitably qualified candidates to become members of the Board and shall give adequate consideration to the diversity policy in selection of board candidates. Selection of board candidates shall be based on a range of diversity perspectives with reference to the Company's business model and specific needs, including but not limited to gender, age, race, language, cultural background, educational background, industry experience and professional experience. All Board appointments will be based on meritocracy, and candidates will be considered against appropriate criteria, having due regard for the benefits of diversity on the Board.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Appendix 10 – Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules as the code of conduct for securities transactions by the Directors (the "**Model Code**"). The Company has made specific enquiries with all Directors and all Directors confirm that they have complied with the standards required by the Model Code during the Period.

DIRECTORS' TRAINING AND PROFESSIONAL DEVELOPMENT

All Directors have kept abreast of their responsibilities as Directors and of the conduct, business activities and development of the Company. Directors are continuously updated with regulatory and governance developments.

Directors are encouraged to participate in professional development courses and seminars to develop and refresh their knowledge and skills. The Company has devised a training record to assist the Directors to record the training they have undertaken. In addition, the Company will reimburse Directors any reasonable costs incurred for the attendance of these professional development courses and seminars.

In December 2017, some Directors had attended a training seminar "Training on Corporate Governance Code" conducted by Sidley Austin, legal advisers on Hong Kong laws and all other Directors had received such training materials. All the Directors have confirmed in writing they had participated in continuous professional developments to develop and refresh their knowledge and skills as directors during the Period. In addition, Mr. Wang Bozhi had attended a training on director's responsibilities provided by Sidley Austin in relation to his appointment as Director in January 2018.

REMUNERATION AND BENEFITS FOR DIRECTORS AND SENIOR MANAGEMENT

For NEDs and INEDs, their remuneration paid to each of them is a director fee only. Apart from basic salaries, EDs are also entitled to year-end bonus, which are depended on the market conditions, and performance of the Group and individual persons during the Period.

ACCOUNTABILITY AND AUDITING

The Directors are responsible for preparing the financial statements for the financial year ended 31 December 2017 to reflect a true and fair view of the Company's and the Group's financial conditions and results and cash flows during the year.

In preparing the financial statements for the year ended 31 December 2017, the generally accepted accounting principles in Hong Kong, Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards are adopted, with consistent use of appropriate accounting policies, for making reasonable and prudent judgments and estimates. The financial statements for the year ended 31 December 2017 were prepared on a going concern basis.

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

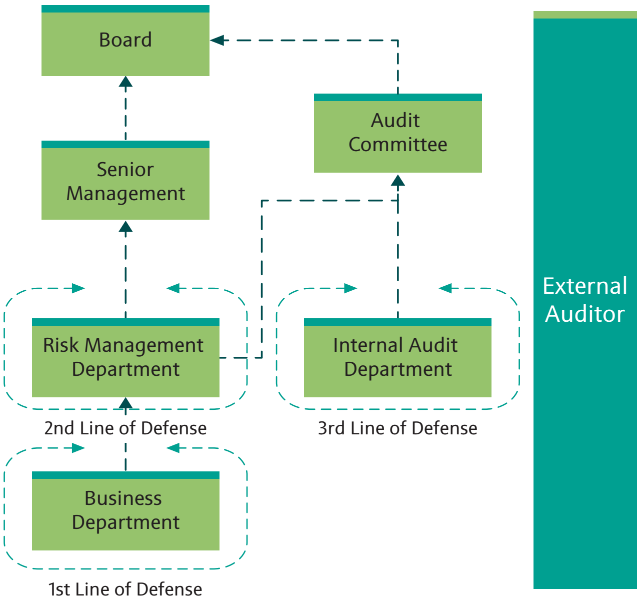
RISK MANAGEMENT AND INTERNAL CONTROLS

The Board is responsible for the maintenance of a stable and effective risk management and internal control systems for the Group and also responsible for reviewing their effectiveness. The Board, with the assistance from the Audit Committee, conducted annual review on the effectiveness of the Group's risk management and internal control systems as required by the Code Provisions, covering financial, operational and compliance controls and risk management functions, and including reviews on the adequacy of resources, staff qualifications and experience, training programs and budget of the Group's accounting, internal audit and financial report function for the Period and considered they were effective and adequate.

The Company has established an organizational structure with defined levels of responsibility and reporting procedures. The risk management department and the group internal audit department assist the Board and/or the Audit Committee in the review of the effectiveness of the Group's risk management and internal control systems on an ongoing basis. The Directors through these departments are kept regularly apprised of significant risks that may impact on the Group's performance.

The Company has established《全面風險管理制度》(Overall Risk Management Procedures) to ensure that assets are safeguarded against improper use or disposal, relevant rules and regulations are adhered to and complied with, reliable financial and accounting records are maintained in accordance with relevant accounting standards and regulatory reporting requirements, and key risks that may impact on the Group's performance are appropriately identified and managed. The systems and internal controls can only provide reasonable and not absolute assurance against material misstatement or loss, as they are designed to manage, rather than eliminate the risk of failure to achieve business objectives.

The Group's risk management framework is guided by the following model as shown below:



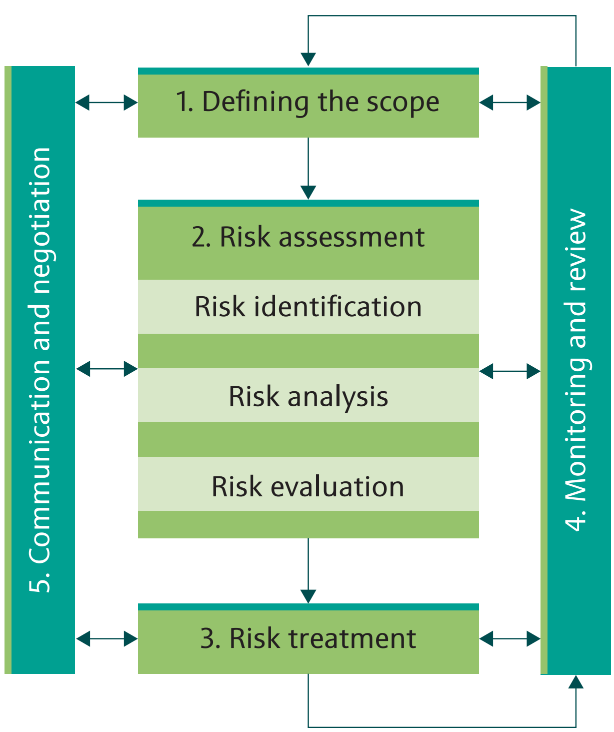
Senior management is responsible for reviewing the establishment of the overall risk management organization and the definition of the responsibilities, approving the annual risk management work plan and supervising its implementation, reviewing the development, implementation and adjustment of significant risk reaction programs, determining the key risk monitoring indicators, decompositing these indicators and reviewing risk management related systems and significant risk management policies.

The internal audit department is responsible for assessing, reviewing the effectiveness of risk management processes and systems, assessing whether risk is properly assessed, assessing significant risk reporting, and reviewing significant risk management.

The risk management department is responsible for establishing the risk management organization and defining responsibilities, procedures and system of risk management, formulating the annual risk management work plan, carrying out risk assessment, proposing the risk management strategy, assisting the relevant departments and the enterprises in significant risk management. It also prepares risk management performance appraisal program and conducts annual performance appraisal and arranges risk management training.

Business units identify, analyze and evaluate their business risks and identify significant risks, develop risk management strategies, solutions and crisis management plans for significant risks, dynamically monitor significant risk associated indicators and execute the procedures and policies of the risk management and internal controls of the Group.

The Group adopts the principles of "ISO 31000:2009 Risk Management – Principles and Guidelines" as its approach to manage its business and operational risks. The following diagram illustrates the key processes used to identify, evaluate and manage the Group's significant risks:



1 Group risk management department establishes common risk terminology, risk definition, risk assessment criteria and risk classification.

2 Business units carry out internal and external information collection and, based on the standard of risk assessment, develop response action plans. Through the comprehensive evaluation of significant risks, pre-event, during the event and after-event plans and crisis management plans are formulated.

3 Business units, based on established procedures, carry out risk assessment and execute significant risk management programs and regularly report to the risk management department of the Group about the progress.

4 and 5 Group risk management department monitors the risk management status of the business units and reports the relevant information to the Audit Committee on a regular basis.
Group risk management department is responsible for negotiation and coordination of risk management tasks over different departments and business units, and reporting risk information.
Group internal audit department review's the effectiveness of risk management, and the assessment and management of significant risks.

The Company has incorporated its risk management systems into the core operating practices of the business. On an ongoing basis, the respective business units review and assess the status of potential risks which may impact on their ability to achieve their business objectives and/or those of the Company. The business units report to their risk management department on the changes in the significant risk management and the related indicators on a quarterly basis. The group risk management department conducts a risk assessment on a regular basis and reports to the Audit Committee on the significant risk management of the Group and the implementation of the risk response measures at each regular meeting.

The Executive Committee had provided the Board the written confirmation that the risk management and internal controls were effective during the Period. The Executive Committee also confirmed that the Group had properly complied with the internal control procedures over the connected transactions including but not limit to the pricing of the transactions and not exceeding their caps and the internal audit department had regularly reviewed the internal controls systems including connected transactions and did not identify any significant issues.

The Board confirmed that the risk management system was effective and that there were no significant risk events occurred during the Period.

The internal audit department of the Group and each subsidiary are responsible for carrying out internal audit. They review the material controls of the Group on a continuous basis and aim to cover all major operations of the Group on a cyclical basis. Overall, internal audits are designed to provide the Board with reasonable assurance that the internal control systems of the Group are sound and effective.

In addition to the review of risk management and internal controls undertaken within the Group, the external auditor also assessed the adequacy and effectiveness of certain key risk management and internal controls as part of their statutory audits. Where appropriate, the external auditor's recommendations are adopted and enhancements to the risk management and internal controls will be made.

In addition, Ji'nan Truck Company appointed PricewaterhouseCoopers Zhong Tian LLP ("**PWC Zhong Tian**") to express audit opinion on the effectiveness of internal controls in its financial reports. PWC Zhong Tian opined that Ji'nan Truck Company had maintained the effective internal controls in its financial reports in all material aspects under "Basic Standard for Enterprise Internal Control" and the relevant regulations as at 31 December 2017.

The securities department of the Group is responsible for handling and dissemination of inside information. The Company has established 《內幕信息披露制度》 (Disclosure of Inside Information Policy) and various subsidiary procedures to ensure inside information remains confidential until the disclosure of such information is appropriately approved and made, while the dissemination of such information is efficiently and consistently made. The Company regularly communicates with relevant employees about the status of the implementation of the inside information disclosure policies and provides them the relevant trainings.

NON-COMPETITION UNDERTAKING

In order to protect the Group's interests, CNHTC entered into a non-competition undertaking (the "**Non-competition Undertaking**") with the Group in November 2007. The Board has received an annual confirmation from CNHTC for its compliance with the Non-competition Undertaking for the year ended 31 December 2017. After conducting the review, the Directors, including all INEDs, are of the view that the Non-competition Undertaking have been complied with by all parties.

REMUNERATION OF AUDITORS

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

	RMB'000
For financial audit services:	13,562
For other services:	
internal control audit of services for a subsidiary	755
taxation professional services	388
environment, social and governance reporting services	300
financial information reporting services	10
Total fee for other services	1,453
Auditors' remuneration	15,015

COMPANY SECRETARIES

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

CHANGES IN DIRECTORS' INFORMATION

Dr. Lin Zhijun, an INED, has been appointed on 31 October 2016 as the independent non-executive director of BOCOM International Holdings Company Limited (stock code: 3329.hk), a company listed on the Main Board of the Stock Exchange on 19 May 2017.

Mr. Zhao Hang, an INED, has been appointed on 4 December 2017 as the independent non-executive director and the member of remuneration committee of Sun.King Power Electronics Group Limited (stock code: 0580.hk), a company listed on the Main Board of the Stock Exchange.

SHAREHOLDERS AND INVESTOR RELATIONS

COMMUNICATION POLICY

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

The notice of the AGM together with relevant documents will be sent out to the Shareholders at least 20 business days prior to the date on which the AGM will be held and at least 10 business days prior to the date on which all other general meetings will be held. The notice contains details on the procedures for voting by poll as well as other relevant information related to the proposed resolutions.

INVESTOR RELATIONS

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

ANNUAL GENERAL MEETING

The Board and senior management are well aware of their important tasks of acting on behalf of the interests of all the Shareholders and raising the Shareholders' returns. The Board considers that AGM is an important opportunity for direct communication with the Shareholders. The 2017 AGM at which the external auditors attended was convened on 7 June 2017. Code A.6.7 of the Code Provisions require that independent non-executive directors and non-executive directors should attend general meetings and develop a balanced understanding of the views of the Shareholders. Mr. Andreas Hermann Renschler, Mr. Joachim Gerhard Drees, Mr. Matthias Gründler, Dr. Lin Zhijun, Mr. Yang Weicheng, Dr. Wang Dengfeng, Mr. Zhao Hang and Mr. Liang Qing were absent from 2017 AGM due to business commitments.

The Board encourages all the Shareholders to participate in the forthcoming 2018 AGM where the members of the Board and external auditors will be present and communicate with the Shareholders.

SHAREHOLDERS' RIGHTS

(1) Procedures for Shareholders to convene a general meeting

Any one or more Shareholders holding at the date of deposit of the Requisition (as defined below) at least 5% of the total voting rights of all Shareholders having rights to vote at general meetings of the Company (the "**Requisitionist(s)**") shall at all times have the right, by requisition (the "**Requisition**") to the Board or the Company Secretary to convene a general meeting.

The Requisition must state the business to be dealt with at the general meeting. It must also be authenticated by such Requisitionist(s) and either deposited at the registered office of the Company (the "**Registered Office**") at Units 2102-2103, China Merchants Tower, Shun Tak Centre, 168- 200, Connaught Road Central, Hong Kong or by email to generalmeeting@sinotrukhk.com for attention of the "Company Secretary".

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

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

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

(i) any number of Shareholders representing at least 2.5% of the total voting rights of all Shareholders having at the date of the Request a right to vote at the general meeting to which the Request relates; or (ii) at least 50 Shareholders who have a right to vote at the general meeting to which the Request relates.

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

The Request and the Statement must be authenticated by the Eligible Shareholder(s) making the Request and either deposited at the Registered Office or by email to resolutionrequest@sinotrukhk. com for the attention of the "Company Secretary"at least six (6) weeks before the AGM to which the Request relates; or if later, the time at which notice is given of that AGM, and in all other cases, at least seven (7) days before the general meeting to which the Request relates.

The Eligible Shareholder(s) need not pay the circulation of the Statement if the Request and the Statement have been duly received by the Company and been sent together with notice of the AGM. In all other cases, the Eligible Shareholder(s) concerned shall deposit a sum of money reasonably sufficient to meet the Company's expenses in serving the notice of the resolution, a circular or a supplemental circular (as the case may be) concerned together with the Statement at least seven (7) days before the general meeting to which the Request relates in accordance with the Companies Ordinance and the requirements under the Listing Rules to all the Shareholders.

(3) Shareholders' enquiries to the Board

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

CONSTITUTIONAL DOCUMENTS

There has been no changes to the Articles during the Period.

DISCLAIMER

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

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 2017.

PRINCIPAL BUSINESS

The Company is principally engaged in investment holding and trading of trucks. The Group primarily specialises in the research, development and manufacturing of HDTs, LDTs and related key parts and components, including engines, cabins, axles, steel frames and gearboxes as well as provision of financing services to those parties related to the production and sales of the Group's products and to the CNHTC Group. Details of principal activities of the Company's subsidiaries are set out in note 10 to the consolidated financial statements. Except for the disposal of the buses business, there has been no significant change in the principal business of the Group during the Period.

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

OPERATING RESULTS

The results of the Group for the year ended 31 December 2017 are set out in the consolidated statement of profit or loss and consolidated statement of comprehensive income.

PROPOSED DIVIDENDS

The Board recommends the payment of a final dividend of HKD0.7 per Share for the year ended 31 December 2017 (the "**2017 Final Dividend**") with a sum of approximately HKD1,932,695,000, which is subject to shareholders' approval at the forthcoming 2018 AGM.

The Company has been determined as a Chinese- resident enterprise. Pursuant to the "Enterprise Income Tax Law of the PRC"《中華人民共和國企業所得稅法》and the "Detailed Rules for the Implementation of the Enterprise Income Tax Law of the PRC"《中華人民共和國企業所得稅法實施條例》, a Chinese-controlled offshore incorporated enterprise shall withhold and pay enterprise income tax for its non-PRC resident enterprise shareholders. As the withholding and payment obligation lies with the Company, the Company will withhold and pay enterprise income tax for its non-PRC resident enterprise shareholders to whom the Company pays the 2017 Final Dividend.

In respect of all the Shareholders whose names are not registered as natural persons (including HKSCC Nominees Limited, corporate nominees or trustees such as securities companies and banks, and other entities or organisations, which are all considered as non-PRC resident enterprise shareholders), the Company will distribute the 2017 Final Dividend after deducting an enterprise income tax of 10% or other appropriate rates.

The Company will not withhold and pay the income tax in respect of the 2017 Final Dividend payable to PRC resident enterprise shareholders, exempted entities or any natural person shareholders.

PRINCIPAL PROPERTIES

Details of the principal properties held for development and/or sale and for investing purposes are set out in note 16 to the consolidated financial statements.

SHARE ISSUED DURING THE PERIOD

There were no issue of shares during the Period. Details of the movements in the equity of the Company during the Period are set out in the consolidated statement of changes in equity on pages 90 to 91 and note 39 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's distributable reserves as at 31 December 2017, calculated under Part 6 of the Companies Ordinance, were approximately RMB1,847,918,000 (2016: RMB994,186,000).

CHARITABLE DONATIONS

The Group's total charitable and other donations for the Period amounted to approximately RMB4,401,000 (2016: RMB3,485,000).

BORROWINGS

Details of the Group's borrowings as at 31 December 2017 are set out in note 27 to the consolidated financial statements.

FIVE YEARS FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 200.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

SHARE OPTIONS

The Company did not have share option scheme as at 31 December 2017.

DIRECTORS

During the Period and up to the last practicable date of publishing this report, the Directors were as follows:

EXECUTIVE DIRECTORS:

Mr. Wang Bozhi *(Chairman)*
Mr. Cai Dong *(President)*
Mr. Tong Jingen
Mr. Wang Shanpo
Mr. Kong Xiangquan
Mr. Liu Wei
Mr. Liu Peimin
Mr. Franz Neundlinger

NON-EXECUTIVE DIRECTORS:

Mr. Andreas Hermann Renschler
Mr. Joachim Gerhard Drees
Mr. Matthias Gründler

INDEPENDENT NON-EXECUTIVE DIRECTORS:

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

Mr. Ma Chunji retired as an ED on 21 December 2017. Mr. Ma Chunji has confirmed that he has no disagreement with the Board and nothing relating to the affairs of the Company needed to be brought to the attention of the Shareholders.

Pursuant to article 82 of the Articles, Mr. Wang Bozhi will be retired at the forthcoming annual general meeting and, being eligible, will be available for re-election as Directors. Pursuant to article 83(1) of the Articles, Mr. Kong Xiangquan, Mr. Liu Wei, Mr. Liu Peimin, Mr. Chen Zheng and Dr. Wang Dengfeng will be retired at the forthcoming annual general meeting and, being eligible, will be available for re-election as Directors.

DIRECTORS OF THE COMPANY'S SUBSIDIARIES

During the Period and up to the date of this report, Mr. Wang Bozhi, Mr. Cai Dong, Mr. Tong Jingen, Mr. Kong Xiangquan, Mr. Liu Wei, Mr. Liu Peimin and, former ED, Mr. Ma Chunji are also directors in certain subsidiaries of the Company. Former ED, Mr. Ma Chunji, did not hold any position in the Company and any subsidiary of the Company as at the date of this report.

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

PERMITTED INDEMNITY

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

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' INTERESTS IN CONTRACTS AND COMPETING BUSINESS

During the Period, Mr. Ma Chunji was the ex-chairman of CNHTC; Mr. Wang Bozhi is the chairman of CNHTC; Mr. Andreas Hermann Renschler is a member of the board of management of Volkswagen AG, responsible for the commercial vehicle group, chief executive officer of Volkswagen Truck & Bus GmbH and a member of the board of directors of the Navistar International Corporation; Mr. Joachim Gerhard Drees has been the chief executive officer and a member of the executive board of MAN Truck & Bus AG and the chief executive officer of MAN SE; Mr. Matthias Gründler is a member of the board and the chief financial officer at Volkswagen Truck & Bus GmbH and is responsible for finance and business development and a member of the board of directors of the Navistar International Corporation; Mr. Franz Neundlinger is employed by MAN Truck & Bus Österreich AG. Volkswagen AG, Volkswagen Truck & Bus GmbH, MAN SE, MAN Truck & Bus AG and MAN Truck & Bus Österreich AG are non-wholly owned subsidiaries of FPFPS. The FPFPS Group held approximately 16.9% of the issued share capital of Navistar International Corporation.

Save for contracts amongst group companies, between the Group and the CNHTC Group and between the Group and the FPFPS Group as disclosed in section headed "connected transactions" below in the report of the Directors and in the related party transactions in note 37 to the consolidated financial statements, no other significance transactions, arrangements and contracts to which the Company' subsidiaries, fellow subsidiaries or its parent company was a party and in which a Director and the Director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

The manufacture and sales of trucks and bus activities of the CNHTC Group, Volkswagen AG, Volkswagen Truck & Bus GmbH, MAN SE, MAN Truck & Bus AG, MAN Truck & Bus Österreich AG and Navistar International Corporation constitute competing businesses to the Group.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Company are set out on pages 35 to 41.

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

As at 31 December 2017, the directors and chief executives of the Company and their associates (as defined in the Listing Rules) had the following interests in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of Part XV of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers:

ASSOCIATED CORPORATION

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

LONG POSITIONS

Name of Director	Nature of interest	Number of ordinary shares held	Percentage of shareholding
Mr. Cai Dong	Family interest	10,000	0.0015%
Mr. Kong Xiangquan	Beneficial interest	30,000	0.0045%

Save as disclosed above, as at 31 December 2017, none of the Directors and chief executives of the Company or their associates (as defined in the Listing Rules) had interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

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

As at 31 December 2017, other than the interests of the Directors and chief executives of the Company as disclosed above, the Company has been notified of the following interests in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of Part XV of the SFO:

A) THE COMPANY

LONG POSITION

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

Notes:

(a) CNHTC holds the entire issued share capital of Sinotruk (BVI) Limited. CNHTC is deemed to have interest in all the Shares held (or deemed to be held) by Sinotruk (BVI) Limited under the SFO.

(b) FPFPS holds 90% interest in Ferdinand Porsche Familien-Holding GmbH. FPFPS is deemed to have interest in all the Shares held (or deemed to be held) by Ferdinand Porsche Familien-Holding GmbH under the SFO.

(c) Ferdinand Porsche Familien-Holding GmbH holds 73.85% interest in Ferdinand Alexander Porsche GmbH. Ferdinand Porsche Familien-Holding GmbH is deemed to have interest in all the Shares held (or deemed to be held) by Ferdinand Alexander Porsche GmbH under the SFO.

(d) Ferdinand Alexander Porsche GmbH holds 100% interest in Familie Porsche Beteiligung GmbH. Ferdinand Alexander Porsche GmbH is deemed to have interest in all the Shares held (or deemed to be held) by Familie Porsche Beteiligung GmbH under the SFO.

(e) Familie Porsche Beteiligung GmbH holds 51.69% interests in Porsche Automobil Holding SE. Familie Porsche Beteiligung GmbH is deemed to have interest in all the Shares held (or deemed to be held) by Porsche Automobil Holding SE under the SFO.

(f) Porsche Automobil Holding SE holds 50.73% interest in Volkswagen AG. Porsche Automobil Holding SE is deemed to have interest in all the Shares held (or deemed to be held) by Volkswagen AG under the SFO.

(g) Volkswagen AG holds 100% interest in Volkswagen Truck & Bus GmbH. Volkswagen AG is deemed to have interest in all the Shares held (or deemed to be held) by Volkswagen Truck & Bus GmbH under the SFO.

(h) Volkswagen Truck & Bus GmbH holds 75.28% interest in MAN SE. Volkswagen Truck & Bus GmbH is deemed to have interest in all the Shares held (or deemed to be held) by MAN SE under the SFO.

(i) MAN SE holds 100% interest in MAN Finance and Holding S.A., which is formerly known as "MAN Finance and Holding S.A.R.L.". MAN SE is deemed to have interest in all the Shares held (or deemed to be held) by MAN Finance and Holding S.A. under the SFO.

(j) Notwithstanding the information recorded in the register required to be kept by the Company under section 336 of Part XV of the SFO, the Company has been informed that, as at 31 December 2017, Famille Porsche Beteiligung GmbH held a 27.73% interest in the capital of Porsche Automobil Holding SE and had a voting interest of 55.46% in this entity.

(k) Notwithstanding the information recorded in the register required to be kept by the Company under section 336 of Part XV of the SFO, the Company has been informed that, as at 31 December 2017, Porsche Automobil Holding SE held a 30.80% interest in the capital of Volkswagen AG and had a voting interest of 52.20% in this entity.

(l) Notwithstanding the information recorded in the register required to be kept by the Company under section 336 of Part XV of the SFO, the Company has been informed that, as at 31 December 2017, Volkswagen Truck & Bus GmbH held a 74.55% interest in the capital of MAN SE and had a voting interest of 75.73% in this entity.

B) MEMBERS OF THE GROUP

LONG POSITION

Name of equity holder	Nature of interests	Name of the member of the Group	Percentage of equity interest held
Liuzhou Yunli Assets Investment and Guarantee Co., Ltd.	Beneficial owner	Sinotruk Liuzhou Yunli Special Vehicles Co., Ltd.	40%
Yongan Fudi Investment Co., Ltd.	Beneficial owner	Sinotruk Fujian Haixi Vehicles Co., Ltd.	20%
Chengdu Dachenggong Mechanics Co., Ltd.	Beneficial owner	Sinotruk Chengdu Wangpai Commercial Vehicles Co., Ltd.	20%
Suizhou Huawei Investment Holdings Co., Ltd.	Beneficial owner	Sinotruk Hubei Huawei Special Vehicle Co., Ltd.	40%
Shandong International Trust	Beneficial owner	ShanDong HOWO Auto Finance Co., Ltd.	30%
CNHTC	Beneficial owner	ShanDong HOWO Auto Finance Co., Ltd.	20%
Kodiak America LLC.	Beneficial owner	Sinotruk Liuzhou Yunli Kodiak Machinery Co., Ltd.	49%

Save as disclosed above, as at 31 December 2017, no other persons had any interests or short positions in the shares or underlying shares of the Company recorded in the register required to be kept by the Company under section 336 of Part XV of the SFO or who were directly or indirectly interested in 5% or more of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

SPECIFIC PERFORMANCE BY THE CONTROLLING SHAREHOLDER

On 21 February 2014, the Company had entered into a facility agreement (the "**Facility Agreement**") with Bank of China (Hong Kong) Limited and other financial institutions for the borrowing of RMB1,000,000,000 for 36 months (the "**Facility**").

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

The Loan had been fully repaid on maturity in February 2017.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the businesses of the Company were entered into or existed during the Period.

MAJOR CUSTOMERS AND SUPPLIERS

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

SALES	
– the largest customer	2.0%
– the five largest customers	8.6%
PURCHASES	
– the largest supplier	3.5%
– the five largest suppliers	12.6%

The controlling shareholder and ultimate holding company, CNHTC, owns all equity interests in CNHTC Ji'nan HOWO Bus Co., Ltd., being one of the five largest customers of the Group. The joint venture company of the Company — Sinotruk (Hong Kong) Hongye Co., Ltd. was also one of the five largest customers of the Group.

CNHTC also owns all equity interests in CNHTC Datong Gear Co., Ltd., CNHTC Ji'nan Specialty Vehicles Co., Ltd. and CNHTC Qingdao Heavy Industry Co., Ltd. being three of the five largest suppliers of the Group.

Save as disclosed above, none of the Directors, or any of their associates or any shareholders who, to the knowledge of the Directors, hold over 5% of the issued share capital of the Company, had any beneficial interest in the major customers or suppliers of the Group noted above.

CONNECTED TRANSACTIONS

Set out below are the details of the continuing connected transactions of the Company as required to be reported under the Listing Rules.

A. CONTINUING CONNECTED TRANSACTIONS SUBJECT TO THE REPORTING, ANNUAL REVIEW AND ANNOUNCEMENT REQUIREMENTS BUT EXEMPTED FROM THE INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENT

1) 2018 GENERAL SERVICES AGREEMENT

Date of agreement	:	26 March 2015
Parties	:	CNHTC (for itself and on behalf of its associates but excluding the Group) the Company (for itself and on behalf of its subsidiaries)
Term	:	three years from 1 January 2016 to 31 December 2018
Objective	:	CNHTC Group has agreed to provide services such as property management, transportation, staff training, medical services and products testing and improvement services, etc. to members of the Group
Consideration	:	The consideration was determined on the basis of: (a) market price; or (b) if there is no market price, the cost with a reasonable margin
Annual cap for the year ended 31 December 2017	:	RMB145,000,000
Actual consideration for the year ended 31 December 2017	:	RMB109,246,033

Details of the transactions contemplated under the 2018 General Services Agreement were disclosed in the Company's announcement dated 27 March 2015.

2) 2018 PROPERTY LEASING IN AGREEMENT

Date of agreement	:	26 March 2015
Parties	:	CNHTC (for itself and on behalf of its associates but excluding the Group) the Company (for itself and on behalf of its subsidiaries)
Term	:	three years from 1 January 2016 to 31 December 2018
Objective	:	CNHTC Group has agreed to provide leasing services to the Group including lease of land, office buildings and factory premises
Consideration	:	The consideration was determined on the basis of the market price approach
Annual cap for the year ended 31 December 2017	:	RMB33,000,000
Actual consideration for the year ended 31 December 2017	:	RMB17,134,782

Details of the transactions contemplated under the 2018 Property Leasing In Agreement were disclosed in the Company's announcement dated 27 March 2015.

3) 2018 PROPERTY RENT OUT AGREEMENT

Date of agreement	:	26 March 2015
Parties	:	CNHTC (for itself and on behalf of its associates but excluding the Group) the Company (for itself and on behalf of its subsidiaries)
Term	:	three years from 1 January 2016 to 31 December 2018
Objective	:	The Group has agreed to provide leasing services to CNHTC Group including lease of land, office buildings and factory premises
Consideration	:	The consideration was determined on the basis of the market price approach
Annual cap for the year ended 31 December 2017	:	RMB33,000,000
Actual consideration for the year ended 31 December 2017	:	RMB15,638,273 (Note)

Note: Actual consideration included approximately RMB1,096,355 rental income from a connected subsidiary - HOWO Auto Finance Company.

Details of the transactions contemplated under the 2018 Property Rent Out Agreement were disclosed in the Company's announcement dated 27 March 2015.

4) 2018 CONSTRUCTION AND PROJECT MANAGEMENT SERVICES AGREEMENT

Date of agreement	:	26 March 2015
Parties	:	CNHTC Ji'nan Construction Co., Ltd. ("**Ji'nan Construction Company**"), a wholly-owned subsidiary of CNHTC the Company (for itself and on behalf of its subsidiaries)
Term	:	three years from 1 January 2016 to 31 December 2018
Objective	:	Ji'nan Construction Company has agreed to provide construction and project management services to the members of the Group
Consideration	:	The consideration was determined on the basis of: (a) market price; or (b) if there is no market price, the cost with a reasonable margin
Annual cap for the year ended 31 December 2017	:	RMB63,000,000
Actual consideration for the year ended 31 December 2017	:	RMB28,662,188

Details of the transactions contemplated under the 2018 Construction and Project Management Services Agreement were disclosed in the Company's announcement dated 27 March 2015. The 2018 Construction and Project Management Services Agreement was earlier terminated on 1 January 2018, details of which were disclosed in the Company's announcement dated 7 December 2017.

5) 2018 TECHNOLOGY DEVELOPMENT SERVICE AGREEMENT

Date of agreement	:	31 March 2016
Parties	:	CNHTC Datong Gear Co., Ltd. ("**Datong Gear Company**"), a wholly-owned subsidiary of CNHTC Ji'nan Power Company
Term	:	three years from 1 January 2016 to 31 December 2018
Objective	:	Datong Gear Company agreed to provide technology development services for the production and operation of gearbox including but not limited to providing new technology, production procedures and supply new products and materials in relation to gearbox technologies to Ji'nan Power Company
Consideration	:	The consideration was determined on the basis of a cost plus profit margin approach with margin between 5% and 25%
Annual cap for the year ended 31 December 2017	:	RMB22,000,000
Actual consideration for the year ended 31 December 2017	:	RMB20,754,717

Details of the transactions contemplated under the 2018 Technology Development Service Agreement were disclosed in the Company's announcement dated 31 March 2016.

6) 2017 MTB PARTS SALES AGREEMENT

Date of agreement	:	8 September 2015
Parties	:	MAN Truck & Bus AG (for itself and on behalf of MAN Trucks India Pvt. Ltd. and JV MAN Auto-Uzbekistan LLC, collectively the "**MTB Group**"), a non-wholly owned subsidiary of FPFPS Sinotruk International, a wholly-owned subsidiary of the Company
Term	:	three years from 1 January 2015 to 31 December 2017
Objective	:	Sinotruk International has agreed to supply raw materials, auxiliary materials, parts and spare parts, semi-finished products and moulds for the production of these spare parts, etc. to MTB Group
Consideration	:	The consideration was determined on the bases of: (a) off-the-shelf products: market price approach (b) unique and proprietary products: a cost plus profit margin approach with margin between 5% to 25%
Annual cap for the year ended 31 December 2017	:	RMB61,300,000
Actual consideration for the year ended 31 December 2017	:	RMB44,214,475

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

7) 2018 TECHNOLOGY SUPPORT AND SERVICES AGREEMENT

Date of agreement	:	31 March 2016
Parties	:	CNHTC (for itself and on behalf of its associates but excluding the Group) the Company (for itself and on behalf of its subsidiaries)
Term	:	three years from 1 January 2016 to 31 December 2018
Objective	:	the Group has agreed to provide the CNHTC Group the technology support and services such as technology research and development, technology consultancy and support services
Consideration	:	The consideration was determined on the basis of a cost plus profit margin approach with margin between 5% and 25%
Annual cap for the year ended 31 December 2017	:	RMB10,000,000
Actual consideration for the year ended 31 December 2017	:	RMB6,965,611

Details of the transactions contemplated under the 2018 Technology Support and Services Agreement were disclosed in the Company's announcement dated 31 March 2016.

8) 2018 CNHTC GUARANTEE AGREEMENT

Date of agreement	:	31 March 2016
Parties	:	CNHTC (for itself and on behalf of its associates but excluding the Group (as grantor of the credit guarantee) HOWO Auto Finance Company (as beneficiary of the credit guarantee)
Terms	:	Period from 1 April 2016 to 31 December 2018
Objective	:	Members of the CNHTC Group agreed to provide credit guarantee to HOWO Auto Finance Company in respect of the payment obligations of loans to customers of the CNHTC Group
Consideration	:	Nil
Annual cap for the year ended 31 December 2017	:	maximum day-end guarantee balance: RMB150,000,000
Actual consideration for the year ended 31 December 2017	:	maximum day-end guarantee balance: RMB6,471,709

Details of the transactions contemplated under the 2018 CNHTC Guarantee Agreement were disclosed in the Company's announcement dated 31 March 2016.

9) 2018 SINOTRUK GUARANTEE AGREEMENT

Date of agreement	:	31 March 2016
Parties	:	The Company (for itself and on behalf of its subsidiaries but excluding HOWO Auto Finance Company) (as grantor of the credit guarantee) HOWO Auto Finance Company (as beneficiary of the credit guarantee)
Terms	:	Period from 1 April 2016 to 31 December 2018
Objective	:	The Group agreed to provide credit guarantee to HOWO Auto Finance Company in respect of the payment obligations of loans to customers of the Group
Consideration	:	Nil
Annual cap for the year ended 31 December 2017	:	maximum day-end guarantee balance: RMB150,000,000
Actual consideration for the year ended 31 December 2017	:	maximum day-end guarantee balance: RMB8,748,000

Details of the transactions contemplated under the 2018 Sinotruk Guarantee Agreement were disclosed in the Company's announcement dated 31 March 2016.

B. CONTINUING CONNECTED TRANSACTIONS SUBJECT TO THE REPORTING, ANNUAL REVIEW, ANNOUNCEMENT AND INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENTS

1) 2018 PRODUCTS SALES AGREEMENT

Date of agreement	:	26 March 2015
Parties	:	CNHTC (for itself and on behalf of its associates but excluding the Group) the Company (for itself and on behalf of its subsidiaries)
Term	:	three years from 1 January 2016 to 31 December 2018
Objective	:	The Group has agreed to supply products including trucks, chassis and semi-tractor trucks to CNHTC Group
Consideration	:	The consideration was determined on the basis of the market price approach
Annual cap for the year ended 31 December 2017	:	RMB1,330,000,000 (revised)
Actual consideration for the year ended 31 December 2017	:	RMB1,294,316,659

Details of the transactions contemplated under the 2018 Products Sales Agreement and the revised cap for the year ended 31 December 2017 were disclosed in the Company's announcements dated 27 March 2015, 31 March 2016 and 23 October 2017 and the Company's circulars dated 29 May 2015 and 26 May 2016.

2) 2018 PRODUCTS PURCHASE AGREEMENT

Date of agreement	:	26 March 2015
Parties	:	CNHTC (for itself and on behalf of its associates but excluding the Group) the Company (for itself and on behalf of its subsidiaries)
Term	:	three years from 1 January 2016 to 31 December 2018
Objective	:	CNHTC Group has agreed to sell products including refitted trucks to the Group
Consideration	:	The consideration was determined on the basis of: (a) refitted products: market price approach or, at the case may be, prices mutually agreed between the Group's customers and CNHTC Group (b) products only available from CNHTC Group: prices as quoted in the price lists of CNHTC Group for all its customers
Annual cap for the year ended 31 December 2017	:	RMB1,987,000,000
Actual consideration for the year ended 31 December 2017	:	RMB1,870,720,973

Details of the transactions contemplated under the 2018 Products Purchase Agreement were disclosed in the Company's announcement dated 27 March 2015 and the Company's circular dated 29 May 2015.

3) 2018 PARTS SALES AGREEMENT

Date of agreement	:	26 March 2015
Parties	:	CNHTC (for itself and on behalf of its associates but excluding the Group) the Company (for itself and on behalf of its subsidiaries)
Term	:	three years from 1 January 2016 to 31 December 2018
Objective	:	The Group has agreed to supply raw materials, parts and components and semi-finished products to CNHTC Group
Consideration	:	The consideration was determined on the basis of: (a) off-the-shelf products: the market price approach (b) unique and proprietary products: a cost plus profit margin approach with margin between 5% and 25%
Annual cap for the year ended 31 December 2017	:	RMB685,000,000
Actual consideration for the year ended 31 December 2017	:	RMB457,659,742

Details of the transactions contemplated under the 2018 Parts Sales Agreement were disclosed in the Company's announcement dated 27 March 2015 and the Company's circular dated 29 May 2015.

4) 2018 PARTS PURCHASE AGREEMENT

Date of agreement	:	26 March 2015
Parties	:	CNHTC (for itself and on behalf of its associates but excluding the Group) the Company (for itself and on behalf of its subsidiaries)
Term	:	three years from 1 January 2016 to 31 December 2018
Objective	:	CNHTC Group has agreed to supply raw materials, parts and components and semi-finished products to the Group
Consideration	:	The consideration was determined on the basis of: (a) off-the-shelf products: the market price approach (b) unique and proprietary products: a cost plus profit margin approach with margin between 5% and 25%
Annual cap for the year ended 31 December 2017	:	RMB1,350,000,000 (revised)
Actual consideration for the year ended 31 December 2017	:	RMB1,256,393,040

Details of the transactions contemplated under the 2018 Parts Purchase Agreement were disclosed in the Company's announcement dated 27 March 2015 and 23 October 2017 and the Company's circular dated 29 May 2015.

5) 2017 FINANCIAL SERVICES AGREEMENT

Date of agreement	:	26 March 2015
Parties	:	CNHTC (for itself and on behalf of its associates but excluding the Group) Sinotruk Finance Company
Term	:	Period from 1 July 2015 to 31 December 2017
Objective	:	Sinotruk Finance Company will provide a wide range of financial services to CNHTC
Consideration	:	(a) bills discounting services, unsecured loan services, lease financing services and other financial services: market price approach (b) deposits taking services: a rate not higher than the upper limit of benchmark interest rates promulgated by the PBOC
Annual cap for the year ended 31 December 2017	:	(a) bills discounting services: (i) maximum day end balance: RMB490,000,000 and (ii) interest income: RMB37,350,000 (b) unsecured loan services : (i) maximum day end balance: RMB500,000,000 and (ii) interest income: RMB40,000,000 (c) lease financing services: (i) maximum day end balance: RMB10,000,000 and (ii) interest income: RMB950,000 (d) other financial services: fee income: RMB350,000 (e) deposits taking services: (i) maximum day end balance: RMB1,000,000,000 and (ii) interest expenses: RMB40,000,000
Actual consideration for the year ended 31 December 2017	:	(a) bills discounting services: (i) maximum day end balance: Nil and (ii) interest income: Nil (b) unsecured loan services : (i) maximum day end balance: RMB500,000,000 and (ii) interest income: RMB16,976,456[Note 1] (c) lease financing services: (i) maximum day end balance: Nil and (ii) interest income: Nil (d) other financial services: fee income: RMB344,151 (e) deposits taking services: (i) maximum day end balance: RMB990,885,773 and (ii) interest expenses: RMB5,117,081[Note 2]

(1) Actual consolidation of interest income from unsecured loan services included approximately RMB6,624,688 received from connected subsidiary - HOWO Auto Finance Company before the implementation of 2018 HOWO Loan Agreement.

(2) Actual consideration of interest expense included approximately RMB24,903 paid to connected subsidiary - HOWO Auto Finance Company.

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

6) 2018 HOWO LOAN AGREEMENT

Date of agreement	:	31 March 2016
Parties	:	Sinotruk Finance Company (as lender) HOWO Auto Finance Company (as borrower)
Duration	:	Period from 1 July 2016 to 31 December 2018
Objective	:	Sinotruk Finance Company will provide loan services to HOWO Auto Finance Company
Consideration	:	The consideration was determined on the market price basis
Annual cap for the year ended 31 December 2017	:	(a) maximum day-end loan balance: RMB2,350,000,000 (b) interest income: RMB102,000,000
Actual consideration for the year ended 31 December 2017		(a) maximum day-end loan balance: RMB2,350,000,000 (b) interest income: RMB55,190,625

Details of the transactions contemplated under the 2018 HOWO Loan Agreement were disclosed in the Company's announcement dated 31 March 2016 and the Company's circular dated 26 May 2016.

7) 2018 SINOTRUK DEPOSIT AGREEMENT

Date of agreement	:	31 March 2016
Parties	:	The Company (for itself and on behalf of its subsidiaries but excluding HOWO Auto Finance Company) (as user of the deposit services) HOWO Auto Finance Company (as provider of the deposit services)
Duration	:	Period from 1 July 2016 to 31 December 2018
Objective	:	HOWO Auto Finance Company will provide deposit services to the Company (for itself and on behalf of its subsidiaries but excluding HOWO Auto Finance Company)
Consideration	:	The consideration was determined on the market price basis
Annual cap for the year ended 31 December 2017	:	(a) maximum day-end deposit balance: RMB400,000,000 (b) interest income: RMB12,000,000
Actual consideration for the year ended 31 December 2017		(a) maximum day-end deposit balance: RMB400,000,000 (b) interest income: RMB9,157,528

Details of the transactions contemplated under the 2018 Sinotruk Deposit Agreement were disclosed in the Company's announcement dated 31 March 2016 and the Company's circular dated 26 May 2016.

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

The Directors (including the INEDs) have reviewed the continuing connected transactions of the Company and confirmed that they were:

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

ii. on normal commercial terms or better; and

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

The auditors of the Company was engaged to report the Group's continuing connected transactions in accordance with the Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by Hong Kong Institute of Certified Public Accountants.

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

i. have not been approved by the Board;

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

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

iv. have exceeded the relevant annual caps.

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

RELATED PARTY TRANSACTIONS

The related party transactions are set out in note 37 to the consolidated financial statements. Apart from the connected transactions disclosed above, the other related party transactions as disclosed in notes 37(a)(i), (ii) and (v) fall under the scope of connected transactions under Chapter 14A of the Listing Rules but are exempted from reporting, annual review, announcement or independent shareholders' approval requirements.

SUFFICIENCY OF PUBLIC FLOAT

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The 2017 Environmental, Social and Governance Report of the Company will be disclosed separately at the websites of the Company and the Stock Exchange.

AUDITORS

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

By Order of the Board
Wang Bozhi
Chairman

Beijing, PRC, 23 March 2018

INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

To the Members of Sinotruk (Hong Kong) Limited
(Incorporated in Hong Kong with limited liability)

OPINION

WHAT WE HAVE AUDITED

The consolidated financial statements of Sinotruk (Hong Kong) Limited (the "Company") and its subsidiaries (the "Group") set out on pages 86 to 199, which comprise:

- the consolidated statement of financial position as at 31 December 2017;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

OUR OPINION

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

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

INDEPENDENCE

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

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KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Recoverability of Accounts Receivable
- The Recognition of Warranty Provisions

Key Audit Matter	How our audit addressed the Key Audit Matter
Recoverability of Accounts Receivable	
Refer to note 2(o) (Summary of significant accounting policies), note 4.1(d) (Critical accounting estimates and assumptions) and note 19 (Trade receivables, other receivables and other current assets) of the consolidated financial statements. At 31 December 2017, the Group held accounts receivable from third party customers amounted to RMB5,588 million, against which a provision of RMB803 million was set aside. The Group made the estimation of the provision percentage based on a number of variable factors and assumptions including: the operating and financial performance of the customers, the amounts and time the Group expected to collect the receivables, discounted rate of future cash flows, groupings based on credit risk characteristics and taking into consideration of the historical loss experience. We focused on this area due to the magnitude of accounts receivable balances and the significance of management judgements applied in determining the provision for impairment of such balances.	We understood and validated management's controls to assess, review and determine the impairment of receivables, including controls over identification of objective evidence of impairment and calculations of the impairment provisions. For receivable balances with objective evidence of impairment that the Group may not recover the receivable balance entirely, we performed the following procedures: We discussed with the management and understood the method and basis on evaluating the customers' operating and financial performance. We validated the related supporting evidence used by the management for evaluating the customers' operating and financial performance on sample basis, including: • We searched the background and operating and financial performance of customers through public enterprise credit information, and compared with the information the management recorded;

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KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter	How our audit addressed the Key Audit Matter
Recoverability of Accounts Receivable (Continued)	• We tested management's letters and communication records with customers; and • For customers the Group started legal proceedings with, we send confirmation to the Group's external lawyer to evaluate the background and the status of the legal proceedings. We understood and tested the basis, assumptions and evidence used for evaluating the expected future cash flow on sample basis, including: testing the consistency of key assumptions with the sales contract terms and financial records, comparing with the information obtained from the above procedures, and testing the accuracy of the calculation of expected future cash flow. We understood the discounted rate of future cash flow and evaluated the reasonableness after considering customers' specific credit risk. For receivable balances without objective evidence of impairment and grouped based on their credit risk characteristics, we performed following procedures: We understood the standards for determining different groupings based on their credit risk characteristics, and tested the accuracy and completeness of the groupings on sample basis, including searching the background and operating and financial performance of customers through public enterprise credit information, checking the consistency of credit terms in sales contract with management's records.

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KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter	How our audit addressed the Key Audit Matter
Recoverability of Accounts Receivable (Continued)	
	We checked the accuracy of aging analysis of accounts receivable on sample basis. We assessed the appropriateness of the Group's grouping and provision percentage, and the accuracy of the calculation of estimating collective provisions by considering and testing the historical bad debts amounts and pattern, taking into consideration of factors such as customers' credit and market condition and disclosed public information of companies of same type. Based on the procedures performed, we considered management's judgments in assessing the recoverability of accounts receivable were supported by the evidence we obtained.

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KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter	How our audit addressed the Key Audit Matter
The Recognition of Warranty Provisions	
Refer to note 4.1(b) (Critical accounting estimates and assumptions), note 7 (Expenses by nature) and note 31 (Provisions for other liabilities) of the consolidated financial statements. As at 31 December 2017, the Group had warranty provisions amounted to RMB978 million. The provisions for product warranties granted by the Group to customers are recognised based on estimated costs of warranty claims on products sold. The estimation of the warranty provisions includes a number of variable factors and assumptions including: the time of the expected repair occurred, future labour costs and parts costs. We focused on this area because of inherent level of management judgement required in calculating the amount of provisions needed as a result of the complex and subjective elements around these variable factors and assumptions.	We understood, evaluated and tested the design and operating effectiveness of the Group's controls over the estimation of the provisions for the warranty costs. We compared the current year actual claims results with the year 2017 figures included in the prior year forecast to consider whether there is a bias in the management's estimation. Through testing the after sales service system on sample basis, we tested the completeness and accuracy of the historical claims input data. We tested management's warranty provision model, including: • We checked the sales contracts on sample basis to evaluate whether the key assumptions in the warranty provision model is in accordance with the contract terms. • We checked the Group's sales quantity and amounts of this year, and compared with related financial information and other supporting evidence; • In particular, we challenged the management's assumptions for the time of the future warranty claims by comparing historical information of products sold and actual claims results with recent market trends to assess whether past information might differ from future actual claims;

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KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter	How our audit addressed the Key Audit Matter
The Recognition of Warranty Provisions (Continued)	
	• We evaluated the management's assumptions on future labour and parts costs by comparing the trend of historical labour and parts costs, and taking into consideration of the latest market conditions; • We evaluated the impact of the expected time the repair occured on time value of money of the warranty balance; and • We tested the accuracy of calculation based on management's warranty provision model. We confirmed with the management whether major product defects, which may have significant impact on the warranty provisions recognised, occurred during the year or the subsequent period. Based on the work performed, we considered that the warranty provisions were supported by the evidence we obtained.

OTHER INFORMATION

The directors of the Company are responsible for the other information set out in the Company's 2017 Annual Report. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

羅兵咸永道

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Lam Siu Wing, Benny.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 23 March 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2017
(All amounts in RMB thousands unless otherwise stated)

	Note	2017	2016
Revenue	5	**55,457,928**	32,958,901
Cost of sales	7	**(45,429,858)**	(27,140,913)
Gross profit		**10,028,070**	5,817,988
Distribution costs	7	**(3,228,577)**	(2,394,761)
Administrative expenses	7	**(2,951,790)**	(2,585,871)
Other gains – net	6	**423,879**	275,493
Operating profit		**4,271,582**	1,112,849
Finance income	9	**81,335**	65,412
Finance costs	9	**(342,928)**	(316,287)
Finance costs – net	9	**(261,593)**	(250,875)
Share of profits less losses of investments accounted for using the equity method	11	**45,444**	59,608
Profit before income tax		**4,055,433**	921,582
Income tax expense	12	**(719,538)**	(258,750)
Profit for the year		**3,335,895**	662,832
Profit attributable to:			
– Owners of the Company		**3,023,023**	532,105
– Non-controlling interests		**312,872**	130,727
		3,335,895	662,832
Earnings per share for profit attributable to owners of the Company for the year			
(expressed in RMB per share)			
– basic and diluted	13	**1.09**	0.19

The above consolidated statement of profit or loss should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017
(All amounts in RMB thousands unless otherwise stated)

	Note	2017	2016
Profit for the year		**3,335,895**	662,832
Other comprehensive income:			
Item that will not be reclassified subsequently to profit or loss			
Remeasurements of post-employment benefit obligations		**(1,654)**	(180)
Revaluation gains arising from transfer of property, plant and equipment and land use rights to investment properties		**11,666**	29,487
Items that may be reclassified to profit or loss			
Change in value of available-for-sale financial assets		**5,120**	19,770
Share of other comprehensive income/(loss) of investments accounted for using the equity method		**16**	(7,948)
Currency translation differences		**200**	62,951
Other comprehensive income for the year, net of tax		**15,348**	104,080
Total comprehensive income for the year		**3,351,243**	766,912
Attributable to:			
– Owners of the Company		**3,038,002**	634,891
– Non-controlling interests		**313,241**	132,021
Total comprehensive income for the year		**3,351,243**	766,912

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017
(All amounts in RMB thousands unless otherwise stated)

	Note	31 December 2017	31 December 2016
ASSETS			
Non-current assets			
Land use rights	14	**1,650,123**	1,651,677
Property, plant and equipment	15	**9,937,766**	10,165,398
Investment properties	16	**709,576**	642,561
Intangible assets	17	**356,827**	350,216
Goodwill		**3,868**	3,868
Deferred income tax assets	28	**1,484,254**	1,249,218
Investments accounted for using the equity method	11	**477,827**	466,427
Available-for-sale financial assets	18	**205,533**	353,135
Trade receivables and other receivables	19	**1,946,712**	795,105
		16,772,486	15,677,605
Current assets			
Inventories	20	**13,246,027**	8,371,852
Trade receivables, other receivables and other current assets	19	**15,150,697**	14,030,393
Financial assets at fair value through profit or loss	21	**781,981**	125,692
Available-for-sale financial assets	18	**2,340,073**	1,676,090
Amounts due from related parties	37(b)	**352,768**	415,301
Cash and bank balances	22	**12,417,389**	9,188,410
		44,288,935	33,807,738
Assets classified as held for sale	23	**121,595**	—
		44,410,530	33,807,738
Total assets		**61,183,016**	49,485,343
EQUITY			
Equity attributable to owners of the Company			
Share capital	24	**16,717,024**	16,717,024
Other reserves		**(576,483)**	(888,242)
Retained earnings		**6,616,922**	4,083,027
		22,757,463	19,911,809
Non-controlling interests		**2,673,248**	2,427,288
Total equity		**25,430,711**	22,339,097

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017
(All amounts in RMB thousands unless otherwise stated)

	Note	31 December 2017	31 December 2016
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	28	**51,398**	40,912
Termination and post-employment benefit obligations	29	**14,233**	10,530
Deferred income	30	**361,200**	323,549
		426,831	374,991
Current liabilities			
Trade payables, other payables and other current liabilities	25	**28,545,935**	20,810,567
Current income tax liabilities		**395,068**	132,998
Borrowings	27	**3,990,000**	4,511,787
Amounts due to related parties	37(b)	**1,416,385**	727,346
Provisions for other liabilities	31	**978,086**	588,557
		35,325,474	26,771,255
Total liabilities		**35,752,305**	27,146,246
Total equity and liabilities		**61,183,016**	49,485,343

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

The financial statements on pages 86 to 199 were approved by the Board of Directors on 23 March 2018 and were signed on its behalf.

Wang Bozhi
Director

Kong Xiangquan
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017
(All amounts in RMB thousands unless otherwise stated)

		Attributable to owners of the Company										
	Note	Share capital	Capital reserve	Revaluation reserve	Statutory reserves	Discretionary reserve	Merger reserve	Translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2016		16,717,024	(3,632,871)	4,484	1,209,854	104,294	1,144,582	(33,519)	3,824,272	19,338,120	2,377,550	21,715,670
Profit for the year		–	–	–	–	–	–	–	532,105	532,105	130,727	662,832
Other comprehensive income												
Remeasurements of termination and post-employment benefit obligations		–	–	–	–	–	–	–	(147)	(147)	(33)	(180)
Revaluation gains arising from transfer of property, plant and equipment and land use rights to investment property		–	–	29,487	–	–	–	–	–	29,487	–	29,487
Change in value of available-for-sale financial assets		–	–	18,443	–	–	–	–	–	18,443	1,327	19,770
Share of other comprehensive loss of investments accounted for using the equity method		–	–	–	–	–	–	(7,948)	–	(7,948)	–	(7,948)
Currency translation differences		–	–	–	–	–	–	62,951	–	62,951	–	62,951
Total other comprehensive income for the year		–	–	47,930	–	–	–	55,003	(147)	102,786	1,294	104,080
Transactions with owners in their capacity as owners												
Dividends of the Company relating to 2015		–	–	–	–	–	–	–	(70,231)	(70,231)	–	(70,231)
Dividends of subsidiaries distributed to non-controlling interests	32(c)	–	–	–	–	–	–	–	–	–	(41,460)	(41,460)
Capital injection from non-controlling interests		–	–	–	–	–	–	–	–	–	7,926	7,926
Changes in ownership interests in a subsidiary without change of control		–	9,029	–	–	–	–	–	–	9,029	(48,749)	(39,720)
Total transactions with owners in their capacity as owners		–	9,029	–	–	–	–	–	(70,231)	(61,202)	(82,283)	(143,485)
Appropriation to reserves		–	–	–	202,972	–	–	–	(202,972)	–	–	–
Balance at 31 December 2016		16,717,024	(3,623,842)	52,414	1,412,826	104,294	1,144,582	21,484	4,083,027	19,911,809	2,427,288	22,339,097

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017
(All amounts in RMB thousands unless otherwise stated)

		Attributable to owners of the Company										
	Note	Share capital	Capital reserve	Revaluation reserve	Statutory reserves	Discretionary reserve	Merger reserve	Translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2017		16,717,024	(3,623,842)	52,414	1,412,826	104,294	1,144,582	21,484	4,083,027	19,911,809	2,427,288	22,339,097
Profit for the year		–	–	–	–	–	–	–	3,023,023	3,023,023	312,872	3,335,895
Other comprehensive income												
Remeasurements of post-employment benefit obligations		–	–	–	–	–	–	–	(1,565)	(1,565)	(89)	(1,654)
Revaluation gains arising from transfer of property, plant and equipment and land use rights to investment property		–	–	11,216	–	–	–	–	–	11,216	450	11,666
Change in value of available-for-sale financial assets		–	–	5,112	–	–	–	–	–	5,112	8	5,120
Share of other comprehensive income of investments accounted for using the equity method		–	–	–	–	–	–	16	–	16	–	16
Currency translation differences		–	–	–	–	–	–	200	–	200	–	200
Total other comprehensive income for the year		–	–	16,328	–	–	–	216	(1,565)	14,979	369	15,348
Transactions with owners in their capacity as owners												
Dividends of the Company relating to 2016		–	–	–	–	–	–	–	(193,029)	(193,029)	–	(193,029)
Dividends of subsidiaries distributed to non-controlling interests	32(c)	–	–	–	–	–	–	–	–	–	(62,562)	(62,562)
Capital injection from non-controlling interests		–	–	–	–	–	–	–	–	–	3,404	3,404
Changes in ownership interests in a subsidiary without `change of control	36(b)	–	681	–	–	–	–	–	–	681	(8,123)	(7,442)
Total transactions with owners in their capacity as owners		–	681	–	–	–	–	–	(193,029)	(192,348)	(67,281)	(259,629)
Appropriation to reserves		–	–	–	294,534	–	–	–	(294,534)	–	–	–
Balance at 31 December 2017		16,717,024	(3,623,161)	68,742	1,707,360	104,294	1,144,582	21,700	6,616,922	22,757,463	2,673,248	25,430,711

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017
(All amounts in RMB thousands unless otherwise stated)

	Note	2017	2016
Cash flows from operating activities			
Cash generated from operations	33(a)	**6,140,099**	5,774,741
Interest paid		**(261,137)**	(348,555)
Income tax paid		**(723,601)**	(188,122)
Net cash generated from operating activities		**5,155,361**	5,238,064
Cash flows from investing activities			
Net cash outflows for disposal of a subsidary	26	**(30,199)**	—
Net proceeds from disposal of an associate	11(a)	**1,016**	—
Purchase of land use rights		**(31,432)**	(1,254)
Purchase of property, plant and equipment		**(871,091)**	(362,339)
Proceeds from disposals of property, plant and equipment	33(b)	**20,533**	43,728
Deposit receipt of sale of land use rights		**—**	1,750
Purchase of intangible assets		**(8,858)**	(14,231)
Purchase of wealth management products with principal and interests guaranteed		**(4,600,000)**	(3,350,000)
Proceeds from disposal of wealth management products with principal and interests guaranteed		**3,721,670**	3,617,298
Purchase of financial assets at fair value through profit or loss		**(1,762,923)**	(23,084)
Proceeds from disposal of financial assets at fair value through profit or loss		**1,156,318**	52,089
Dividends received from financial assets at fair value through profit or loss		**2,313**	257
Purchase of available-for-sale financial assets		**(8,467,785)**	(3,347,625)
Proceeds from disposal of available-for-sale financial assets		**8,066,587**	1,519,535
Interests from available-for-sale financial assets		**8,721**	—
Dividends received from available-for-sale financial assets		**2,047**	—
Interest received		**82,102**	48,762
Dividends received from an associate		**24,764**	4,243
Dividends received from a jointly controlled entity		**9,296**	5,334
Receipt of relocation compensation		**—**	77,573
Net cash used in investing activities		**(2,676,921)**	(1,727,964)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017
(All amounts in RMB thousands unless otherwise stated)

	Note	2017	2016
Cash flows from financing activities			
Proceeds from borrowings		**6,295,000**	5,043,987
Repayments of borrowings		**(5,746,787)**	(6,210,747)
Acquisition of non-controlling interests		**(7,442)**	(39,720)
Dividends paid to the owners of the Company		**(193,029)**	(70,231)
Dividends paid to non-controlling interests		**(61,754)**	(39,027)
Net cash generated from/(used in) financing activities		**285,988**	(1,315,738)
Net increase in cash and cash equivalents		**2,764,428**	2,194,362
Cash and cash equivalents at beginning of the year	22(b)	**7,171,365**	4,946,080
Exchange (losses)/gains on cash and cash equivalents		**(95,644)**	30,923
Cash and cash equivalents at end of the year	22(b)	**9,840,149**	7,171,365

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017
(All amounts in RMB thousands unless otherwise stated)

1. GENERAL INFORMATION

Sinotruk (Hong Kong) Limited (the "Company") was incorporated in Hong Kong on 31 January 2007 as a limited liability company as a result of a group reorganisation (the "Reorganisation") of China National Heavy Duty Truck Group Company Limited ("CNHTC"). The address of the Company's registered office is Units 2102-2103, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong. The Company's shares are listed on the Main Board of 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 research, development and manufacturing of heavy duty trucks, medium-heavy duty trucks, light duty trucks and related key parts and components including engines, cabins, axles, steel frames and gearbox and the provision of financial services.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") and requirements of the Hong Kong Companies ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets (including derivative instruments) at fair value through profit or loss, assets classified as held for sale and investment properties which are carried at fair value.

These consolidated financial statements comply with the applicable requirements of Hong Kong Companies Ordinance (Cap. 622), with the exception of Section 381 which requires a company to include all its subsidiary undertakings (within the meaning of Schedule 1 to Cap. 622) in the Company's annual consolidated financial statements. Section 381 is inconsistent with the requirements of HKFRS 10 Consolidated Financial Statements so far as Section 381 applies to subsidiary undertakings which are not controlled by the Group in accordance with HKFRS 10. For this reason, under the provisions of Section 380(6), the Company has departed from Section 381 and has not treated such company as subsidiary but it is accounted for as joint venture in accordance with the accounting policies in Note 2(d). The details of the excluded subsidiary undertaking of the Group is disclosed in Note 11(b).

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 amendments to standards have been adopted by the Group for the first time for the financial year beginning on 1 January 2017:

Amendments to HKAS 12 "Income taxes" clarify how to account for deferred tax assets related to debt instruments measured at fair value.

Amendments to HKAS 7 "Statement of cash flows" introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

Amendment to HKFRS 12 "Disclosure of interest in other entities" clarify that the disclosure requirement of HKFRS 12 is applicable to interest in entities classified as held for sale except for summarised financial information.

The adoption of the above new and amended standards did not give rise to any significant impact on the Group's results of operations and financial position for the year ended 31 December 2017.

(All amounts in RMB thousands unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (Continued)

Changes in accounting policy and disclosures (Continued)

(2) New and amended standards that have been issued and are effective for annual periods commencing on or after 1 January 2018 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
HKFRS 15	"Revenue from contracts with customers"	1 January 2018
HKFRS 9	"Financial instruments"	1 January 2018
Amendments to HKFRS 2	"Classification and measurement of share-based payment transactions"	1 January 2018
Amendments to HKFRS 4	Insurance Contracts "Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts"	1 January 2018
Amendment to HKFRS 1	"First time adoption of HKFRS"	1 January 2018
Amendment to HKAS 28	"Investments in associates and joint ventures"	1 January 2018
Amendment to HKAS 40	"Transfers of investment property"	1 January 2018
HK (IFRIC) 22	"Foreign Currency Transactions and Advance Consideration"	1 January 2018
HKFRS 16	"Leases"	1 January 2019
HK (IFRIC) 23	"Uncertainty over income tax treatments"	1 January 2019
Amendments to HKFRS 10 and HKAS 28	"Sale or contribution of assets between an investor and its associate or joint venture"	To be determined
HKFRS 17	"Insurance contracts"	1 January 2021 or when apply HKFRS 15 and HKFRS 9

The Group will apply the new standards and amendments described above when they become effective.

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2017 reporting period and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (Continued)

Changes in accounting policy and disclosures (Continued)

(2) New and amended standards that have been issued and are effective for annual periods commencing on or after 1 January 2018 and have not been early adopted by the Group: (Continued)

(i) HKFRS 15, Revenue from Contracts with Customers

Nature of change

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers revenue arising from the sale of goods and the rendering of services and HKAS 11 which covers construction contracts and the related literature.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Impact

Management has assessed the effects of applying the new standard on the Group's financial statements and has identified the following areas that will be affected:

Identifying performance obligations – HKFRS 15 requires assessment of the goods or services promised in a contract with a customer and shall identify as a performance obligation each promise to the customer. The performance obligations include those explicitly stated in the contract and also include those promises that are implied by an entity's customary business practices, published policies or specific statements if, at the time of entering into the contract, those promises create a valid expectation of the customer that the entity will transfer a good or service.

Mandatory application date/Date of adoption by the Group

Mandatory for financial years commencing on or after 1 January 2018. The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as at 1 January 2018 and that comparatives will not be restated.

(ii) HKFRS 9, Financial Instruments

Nature of change

HKFRS 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (Continued)

Changes in accounting policy and disclosures (Continued)

(2) New and amended standards that have been issued and are effective for annual periods commencing on or after 1 January 2018 and have not been early adopted by the Group: (Continued)

(ii) HKFRS 9, Financial Instruments (Continued)

Impact

The Group expects that, under the new guidance, wealth management products with non-guaranteed return that are currently classified as available-for-sale financial assets through other comprehensive income appear to satisfy the conditions for classification as financial assets at fair value through profit or loss. In this case, approximately RMB2,507,681,000 will have to be reclassified as financial asset at fair value through profit or loss upon the implement of HKFRS 9 and continues to be measured at fair value. Cumulative gain of approximately RMB35,681,000 will have to be transferred from revaluation reserve to retained earnings on 1 January 2018.

The other financial assets held by the Group include:

- equity instruments currently classified as available for sale for which a fair value through other comprehensive income election is available, and
- equity investments currently measured at fair value through profit or loss which will continue to be measured on the same basis under HKFRS 9.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The changes in the fair value due to changes in the liability's own credit risk are recognised in other comprehensive income, unless such changes in fair value would create an accounting mismatch in profit or loss. There is no subsequent recycling of the amounts in other comprehensive income to profit or loss. The derecognition rules have been transferred from HKAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

The new hedge accounting rules will align the accounting for hedging instruments more closely with the Group's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. The Group does not have any hedge instruments. Therefore, the Group does not expect any impact on the new hedge accounting rules.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (Continued)

Changes in accounting policy and disclosures (Continued)

(2) New and amended standards that have been issued and are effective for annual periods commencing on or after 1 January 2018 and have not been early adopted by the Group: (Continued)

(ii) HKFRS 9, Financial Instruments (Continued)

Impact (Continued)

The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through other comprehensive income, contract assets under HKFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. Based on the assessments undertaken to date, the Group does not expect material change to the loss allowance for trade debtors.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

Mandatory application date/Date of adoption by the Group

Mandatory for financial years commencing on or after 1 January 2018. The Group will apply the new rules retrospectively from 1 January 2018, with the practical expedients permitted under the standard. Comparatives for 2017 will not be restated.

(iii) HKFRS 16, Leases

Nature of Change

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

Impact

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of RMB20,902,000. The Group estimates that approximately 89% of these relate to payments for short-term and low-value leases which will be recognised on a straight-line basis as an expense in profit or loss.

However, the Group has not yet assessed what other adjustments, if any, are necessary, for example, because of the change in the definition of the lease term and the different treatment of variable lease payments and of extension and termination options. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognised on adoption of the new standard and how this may affect the Group's profit or loss and classification of cash flows going forward.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (Continued)

Changes in accounting policy and disclosures (Continued)

(2) New and amended standards that have been issued and are effective for annual periods commencing on or after 1 January 2018 and have not been early adopted by the Group: (Continued)

(iii) HKFRS 16, Leases (Continued)

Mandatory application date/ Date of adoption by the Group

Mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

(b) Subsidiaries

(i) Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Business combinations

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

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

Acquisition-related costs are expensed as incurred.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Subsidiaries (Continued)

(i) Consolidation (Continued)

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

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

Changes in ownership interests in subsidiaries without change of control

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

Disposal of subsidiaries

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

(ii) Separate financial statements

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investments in associates include goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

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

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

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profits less losses of investments accounted for using equity method' in the statement of profit or loss.

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

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

(d) Joint arrangements

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Joint arrangements (Continued)

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

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

(e) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors, while it delegates the executive committee of the Company ("Executive Committee") comprising all executive directors to execute its decisions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

Foreign exchange gains and losses that relate to borrowings and cash and bank balances are presented in the statement of profit or loss within 'finance income or costs'. All other foreign exchange gains and losses are presented in the statement of profit or loss within 'other gains – net'.

Changes in the fair value of debt securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Foreign currency translation (Continued)

(iii) Group companies

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

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

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

(c) all resulting currency translation differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

(iv) Disposal of foreign operation and partial disposal

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Land use rights

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

(h) Property, plant and equipment

Property, plant and equipment include buildings, machinery, vehicles, furniture, fittings and equipment. All property, plant and equipment is stated at historical cost less accumulated depreciation and impairment, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Depreciation on assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

–	Buildings	8-35 years
–	Machinery	8-15 years
–	Furniture, fittings and equipment	4-18 years
–	Vehicles	5-8 years

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2(k)).

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Investment property

Investment property, principally comprising leasehold land and office buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties. Land held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in the statement of profit or loss as part of a valuation gain or loss in 'other gains – net'.

When an owner-occupied property becomes an investment property carried at fair value, the Group applies HKAS 16 up to the date of change in use. The Group treats any difference at that date between the carrying amount of the property in accordance with HKAS 16 and its fair value in the same way as a revaluation in accordance with HKAS 16. In other words, any resulting increase in the carrying amount is treated as follows:

(i) to the extent that the increase reverses a previous impairment loss for that property, the increase is recognised in profit or loss.

(ii) any remaining part of the increase is recognised in other comprehensive income and increases the revaluation surplus within equity.

(j) Intangible assets

(i) Proprietary technology

Separately acquired proprietary technology is initially recorded at purchase cost. Proprietary technology recognised from development expenditures is recorded at costs incurred on development projects. Proprietary technology has a finite useful life and is carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of proprietary technology over their estimated useful lives of 6 to 10 years.

(ii) Computer software

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

(l) Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset is recognised at the date of derecognition.

Non-current assets are not depreciated or amortised while they are classified as held for sale.

Non-current assets classified as held for sale is presented separately from the other assets in the statement of financial position.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Financial assets

(i) Classification

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

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

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

(2) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "trade and other receivables" and "cash and bank balances" in the consolidated statement of financial position (Notes 19 and 22).

(3) Available-for-sale financial assets

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Financial assets (Continued)

(ii) Recognition and measurement

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

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

(iii) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

(iv) Impairment of financial assets

(1) Assets carried at amortised cost

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Financial assets (Continued)

(iv) Impairment of financial assets (Continued)

(1) Assets carried at amortised cost (Continued)

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

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

(2) Assets classified as available for sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For debt securities, if any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is reclassified from equity and recognised in profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated statement of profit or loss.

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is reclassified from equity and recognised in profit or loss. Impairment losses recognised in profit or loss on equity instruments are not reversed through the consolidated statement of profit or loss.

(n) Inventories

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Trade and other receivables

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

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

(p) Cash and cash equivalents

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

(q) Share capital

Ordinary shares are classified as equity.

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

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

(r) Trade and other payables

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Borrowings

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

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

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

(t) Borrowing costs

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

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

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

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

(u) Current and deferred income tax

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

(i) Current income tax

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Current and deferred income tax (Continued)

(ii) Deferred income tax

Inside basis differences

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

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

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profit is not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(iii) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax 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)

(v) Employee benefits

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

(i) Pension obligations

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

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

The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

The current service cost of the defined benefit plan, recognised in the statement of profit or loss in employee benefit expense, except where included in the cost of an asset, reflects the increase in the defined benefit obligation results from employee service in the current year, benefit changes, curtailments and settlements.

Past-service costs are recognised immediately in the statement of profit or loss.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the statement of profit or loss.

Remeasurement arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Employee benefits (Continued)

(i) Pension obligations (Continued)

For employees in Mainland China:

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

For employees in Hong Kong:

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

(ii) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of HKAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Employee benefits (Continued)

(iii) Other post-employment obligations

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

The Group's entities operating in Ji'nan City have provided post-retirement healthcare benefits to their employees joining the entities before 1 March 2006. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. The discounting rates of the calculation of the present value of the past-employment benefits obligation are the interest-rates of Chinese government bonds. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. These obligations are valued annually by independent qualified actuaries.

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

(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.

(w) 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)

(x) Government assistance and grants

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

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

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

(y) Revenue recognition

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

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

(i) Sales of goods

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

(ii) Rendering of services

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

(iii) Rental income

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(z) 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.

(aa) Dividend income

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

(ab) Operating leases

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

(i) As a lessee

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

(ii) As a lessor

When assets are leased out under an operating lease, the assets are included in the consolidated statement of financial position based on the nature of the assets.

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

(ac) Dividend distribution

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ad) Research and development

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

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

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

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

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

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

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

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

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

(ae) Contingent liabilities and contingent assets

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(af) Financial guarantee contracts

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

Financial guarantees are initially recognised in the consolidated financial statements at fair value on the date the guarantee was given. The fair value of a financial guarantee at the time of signature is zero because all guarantees are agreed on arm's length terms, and the value of the premium agreed corresponds to the value of the guarantee obligation. No receivable for the future premiums is recognised. Subsequent to initial recognition, the Group's liabilities under such guarantees are measured at the higher of the initial amount, less amortisation of fees recognised in accordance with HKAS 18, and the best estimate of the amount required to settle the guarantee. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by the judgement of management. The fee income earned is recognised on a straight-line basis over the life of the guarantee. Any increase in the liability relating to guarantees is reported in profit or loss within other operating expenses.

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

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

Financial risk management is carried out by the financial department. The financial department identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units.

(a) Foreign exchange risk

The Group mainly operates in the PRC with most of the transactions denominated and settled in RMB. The major foreign exchange risk exposure arises from its exporting and importing activities as well as the financing activities in Hong Kong. Accordingly, the Group has certain trade and other receivables, financial assets at fair value through profit or loss, amounts due from related parties, cash and bank balances, trade and other payables and amounts due to related parties denominated in foreign currencies, mainly US Dollar ('USD'), Hong Kong Dollar ('HKD') and EURO, which are exposed to foreign currency translation risk. Details of the Group's financial assets and liabilities dominated in foreign currencies are disclosed in Notes 19, 21, 22, 25 and 37(b) respectively.

To manage the foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, entities in the Group use forward contracts to reduce the foreign exchange risk. During the year, the Group has not used any forward contracts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017
(All amounts in RMB thousands unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(a) Foreign exchange risk (continued)

During the year, the following foreign-exchange related amounts were recognised in profit or loss and other comprehensive income.

	2017
Amounts recognised in profit or loss	
Net foreign exchange losses included in other gains - net	(57,593)
Exchange losses on foreign currency cash and bank balances included in finance costs	(95,644)
Total net foreign exchange losses recognised in profit before income tax for the year	(153,237)

As at 31 December 2017, 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 RMB209,925,000 (2016: RMB73,886,000) lower/higher, mainly as a result of foreign exchange losses/gains on translation of USD-denominated trade and other receivables, amounts due from related parties, cash and bank balances, trade and other payables, and amounts due to related parties.

As at 31 December 2017, 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 RMB6,486,000 (2016: RMB9,452,000) lower/higher, mainly as a result of foreign exchange losses/gains on translation of EURO-denominated trade and other receivables, cash and bank balances.

As at 31 December 2017, if RMB had strengthened/weakened by 5% against the HKD with all other variables held constant, profit before income tax for the year would have been approximately RMB5,554,000 (2016: RMB6,246,000) lower/higher, mainly as a result of foreign exchange losses/gains on translation of HKD-denominated trade and other receivables, financial assets at fair value through profit or loss, amounts due from related parties, cash and bank balances, trade and other payables, and amounts due to related parties.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Cash flow and fair value interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates as the Group has no significant interest-bearing assets and liabilities other than loans and receivables from financing services, bank deposits and borrowings. Certain borrowings bearing floating rates, expose the Group to cash flow interest-rate risk. Loans and receivables from financing services, bank deposits and borrowings at fixed rates expose the Group to fair value interest-rate risk. Details of the Group's loans and receivables from financing services, deposits, deposits taking and borrowings been disclosed in Notes 19, 22, 27 and 37(b) respectively.

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

As at 31 December 2017, if the interest rates on bank borrowings had been 150 basis points higher/lower than the average coupon interest rate of 4.23% (2016: 3.79%) per annum with all other variables held constant, profit before income tax for the year would have been RMB3,531,000 (2016: RMB15,517,000) lower/higher, mainly as a result of higher/lower interest expense on bank borrowings with floating rate.

(c) Credit risk

The carrying amounts of available-for-sale financial assets (Note 18), trade and other receivables (Note 19), financial assets at fair value through profit and loss (Note 21), cash and bank balances (Note 22), 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 enters into the wealth management products contracts with relatively higher estimated yield rates with certain financial institutions. These are reflected as available-for-sale financial assets (Note 18) on the consolidated statement of financial position. As at 31 December 2017, most of the wealth management products are bought from the major financial institutions in Mainland China and management has exercised due care when makes investment decision with focus only on relatively low risk products.

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

For bank and financial institutions, the Group has policies that deposits are normally put in reputable banks.

(All amounts in RMB thousands unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(d) Liquidity risk

The liquidity risk of the Group is controlled by maintaining sufficient cash and bank balances, together with adequate banking facilities. Details of the undrawn borrowing facilities available to the Group are disclosed in Note 27.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the date of statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Repayment period			
	Less than 1 year	**Between 1 and 2 years**	**Between 2 and 3 years**	**Total**
As at 31 December 2017				
Borrowings	**3,990,000**	**—**	**—**	**3,990,000**
Interest payments on borrowings (a)	**66,947**	**—**	**—**	**66,947**
Trade and other payables	**25,095,195**	**—**		**25,095,195**
Amounts due to related parties	**1,402,371**	**—**	**—**	**1,402,371**
Interests payments on borrowings from related parties	**1,506**	**—**	**—**	**1,506**
	30,556,019	**—**	**—**	**30,556,019**
As at 31 December 2016				
Borrowings	4,511,787	—	—	4,511,787
Interest payments on borrowings (a)	61,739	—	—	61,739
Trade and other payables	18,859,761	—	—	18,859,761
Amounts due to related parties	711,926	—	—	711,926
Interests payments on borrowings from related parties	1,259	—	—	1,259
	24,146,472	—	—	24,146,472

(All amounts in RMB thousands unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(e) The interests on borrowings are calculated based on borrowings held as at the dates of statement of financial position (excluding the accrued interest payable balance in trade and other payable) without taking into account of future issues. Floating-rate interest is estimated using current interest rate as at the dates of statement of financial position.

3.2 Capital management

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

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

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt includes total borrowings (including current and non-current borrowings) and borrowings from related parties less fixed deposits, security for impawned bank loans and cash and cash equivalent. Total capital is calculated as total equity as shown in the consolidated statement of financial position plus net debt.

	As at 31 December 2017	As at 31 December 2016
Total borrowings (Note 27)	**3,990,000**	4,511,787
Borrowings due to related parties (Note 37(b))	**36,000**	36,000
Less: cash and cash equivalents (Note 22(b))	**(9,840,149)**	(7,171,365)
Net debt	**(5,814,149)**	(2,623,578)
Total equity	**25,430,711**	22,339,097
Total capital	**19,616,562**	19,715,519
Gearing ratio	**Not applicable**	Not applicable

(All amounts in RMB thousands unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at 31 December 2017 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorized into three levels within a fair value hierarchy as follows:

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

The following table presents the Group's financial assets that are measured at fair value at 31 December 2017 and 2016.

	Level 1	Level 2	Level 3	Total
As at 31 December 2017				
Assets				
Financial assets at fair value through profit or loss	**128,306**	**653,675**	**—**	**781,981**
Available-for-sale financial assets				
– Wealth management product	**—**	**—**	**2,507,681**	**2,507,681**
Total assets	**128,306**	**653,675**	**2,507,681**	**3,289,662**
As at 31 December 2016				
Assets				
Financial assets at fair value through profit or loss	125,692	—	—	125,692
Available-for-sale financial assets				
– Wealth management product	—	—	1,991,300	1,991,300
Total assets	125,692	—	1,991,300	2,116,992

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (Continued)

There were no transfers between levels 1, 2 and 3 during the year.

During the year ended 31 December 2017, there were no significant changes in the business or economic circumstances that affect the fair value of the Group's financial assets.

During the year ended 31 December 2017, there were no reclassifications of financial assets, no transfers among different levels and no other changes in valuation techniques.

Level 1 financial assets at fair value through profit or loss comprises equity investment traded in The Stock Exchange of Hong Kong Limited and Shanghai Stock Exchange. Their fair values are based on closing prices.

Level 2 financial assets at fair value through profit or loss comprise wealth management products acquired from banks with principal preservation and floating return. The investment principals are RMB650 million and interest rates are determined based on the range of foreign exchange rate of AUD/USD or interest rate of USD 3M-LIBOR that are quoted in active market.

Level 3 available-for-sale financial assets include wealth management products acquired from a trust company at a principal of RMB302 million and from banks at principals of RMB2,170 million respectively with non-guaranteed return. Their fair values are estimated by using a discounted cash flow approach and main inputs used by the Group are estimated yield rates written in contracts by the counterparties.

(All amounts in RMB thousands unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.4 Financial instruments by category

	As at 31 December 2017			
	Loans and receivables	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Total
Assets				
Available-for-sale financial assets	–	–	2,545,606	2,545,606
Receivables and other current assets excluding prepayments and prepaid tax	15,642,052	–	–	15,642,052
Financial assets at fair value through profit or loss	–	781,981	–	781,981
Amounts due from related parties excluding prepayments	352,428	–	–	352,428
Cash and bank balances	12,417,389	–	–	12,417,389
Total	28,411,869	781,981	2,545,606	31,739,456

	As at 31 December 2017	
	Financial liabilities at amortised cost	Total
Liabilities		
Borrowings	3,990,000	3,990,000
Trade and other payables excluding non-financial liabilities	25,095,195	25,095,195
Amounts due to related parties excluding advances from customers	1,402,371	1,402,371
Total	30,487,566	30,487,566

(All amounts in RMB thousands unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.4 Financial instruments by category (Continued)

	As at 31 December 2016			
	Loans and receivables	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Total
Assets				
Available-for-sale financial assets	—	—	2,029,225	2,029,225
Receivables and other current assets excluding prepayments and prepaid tax	13,638,290	—	—	13,638,290
Financial assets at fair value through profit or loss	—	125,692	—	125,692
Amounts due from related parties excluding prepayments	415,107	—	—	415,107
Cash and bank balances	9,188,410	—	—	9,188,410
Total	23,241,807	125,692	2,029,225	25,396,724

	As at 31 December 2016	
	Financial liabilities at amortised cost	Total
Liabilities		
Borrowings	4,511,787	4,511,787
Trade and other payables excluding non-financial liabilities	18,859,761	18,859,761
Amounts due to related parties excluding advances from customers	711,926	711,926
Total	24,083,474	24,083,474

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

4.1 Critical accounting estimates and assumptions

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

(a) Income taxes

The Group is subject to income taxes in various jurisdictions and certain companies within the Group are subject to preferential tax rates (Note 12). Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

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

(b) Warranty claims provision

The Group generally offers warranties with period from 6 months to 24 months for its trucks and engines. Management estimates the related provision for future warranty claims based on historical warranty claim information, as well as recent trends that might suggest that past cost information may differ from future claims.

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

(c) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition as at the date of statement of financial position and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of technical innovations, changes in customer taste and competitor actions in response to severe industry cycle. Management reassesses these estimates at each date of statement of financial position.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

4.1 Critical accounting estimates and assumptions (Continued)

(d) Impairment of trade and other receivables

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

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

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

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

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

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

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

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

4.1 Critical accounting estimates and assumptions (Continued)

(f) Impairment of the Group's assets

The Group follows the guidance of HKAS 36 to determine whether the Group's assets are impaired. As stated in HKAS 36, the equity attributable to owners of an entity that exceeds its market capitalisation is an impairment indicator which would require an estimate of the recoverable amount to be performed. As at 31 December 2017, the Group's market capitalisation of approximately RMB20,310 million, which is lower than the equity attributable to owners of the Company of approximately RMB22,757 million. The Group needs to assess whether its assets are impaired. This assessment requires significant judgments and estimations. In making these judgments and estimations, the Group evaluates and considers both qualitative and quantitative factors that will affect the value-in-use of an asset or a cash-generating unit ("CGU") such as the extent of difference between the equity attributable to owners of the Company and market capitalisation, composition of the Group's assets, results and timing of previous impairment tests.

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

(g) Fair value of investment properties

The fair value of investment properties is determined by using valuation technique.

Details of the judgement and assumptions have been disclosed in Note 16.

5. SEGMENT INFORMATION

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

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

(i) Heavy duty trucks – Manufacture and sale of heavy duty trucks, medium-heavy trucks and related components;

(ii) Light duty trucks – Manufacture and sale of light duty trucks and related components;

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

(iv) Finance – Provision for deposits taking, borrowings, bills and notes discounting and entrustment loans to the members of the Group and the members of CNHTC and its subsidiaries excluding the Group ("CNHTC Group") and auto and supplier chain financing services.

5. SEGMENT INFORMATION (CONTINUED)

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

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

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

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

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

Capital expenditure comprises mainly additions to land use rights (Note 14), property, plant and equipment (Note 15), and intangible assets (Note 17), including additions resulting from acquisitions through business combinations.

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

(All amounts in RMB thousands unless otherwise stated)

5. SEGMENT INFORMATION (CONTINUED)

The segment results for the year ended 31 December 2017 and 2016 as follows:

	Year ended 31 December 2017					
	Heavy duty trucks	Light duty trucks	Engines	Finance	Elimination	Total
External segment revenue						
Sales of goods	44,455,157	8,500,823	1,068,917	–	–	54,024,897
Provision of financing services	–	–	–	669,264	–	669,264
Rendering of services	731,289	4,692	27,786	–	–	763,767
Total	45,186,446	8,505,515	1,096,703	669,264	–	55,457,928
Inter-segment revenue	378,698	420,590	13,609,053	462,743	(14,871,084)	–
Segment revenue	45,565,144	8,926,105	14,705,756	1,132,007	(14,871,084)	55,457,928
Operating profit/(loss) before unallocated expenses	1,507,123	231,737	2,351,064	546,266	(351,568)	4,284,622
Unallocated expenses						(13,040)
Operating profit						4,271,582
Finance costs – net						(261,593)
Share of profit less loss of investments accounted for using the equity method						45,444
Profit before income tax						4,055,433
Income tax expense						(719,538)
Profit for the year						3,335,895

(All amounts in RMB thousands unless otherwise stated)

5. SEGMENT INFORMATION (CONTINUED)

The segment results for the year ended 31 December 2017 and 2016 are as follows: (Continued)

	Year ended 31 December 2016					
	Heavy duty trucks	Light duty trucks	Engines	Finance	Elimination	Total
External segment revenue						
Sales of goods	24,489,753	7,264,928	630,510	—	—	32,385,191
Provision of financing services	—	—	—	285,234	—	285,234
Rendering of services	254,588	3,518	30,370	—	—	288,476
Total	24,744,341	7,268,446	660,880	285,234	—	32,958,901
Inter-segment revenue	506,180	154,277	7,466,875	241,239	(8,368,571)	—
Segment revenue	25,250,521	7,422,723	8,127,755	526,473	(8,368,571)	32,958,901
Operating profit/(loss)before unallocated expenses	613,009	40,284	529,791	208,483	(263,021)	1,128,546
Unallocated expenses						(15,697)
Operating profit						1,112,849
Finance costs – net						(250,875)
Share of profit less loss of investments accounted for using the equity method						59,608
Profit before income tax						921,582
Income tax expense						(258,750)
Profit for the year						662,832

(All amounts in RMB thousands unless otherwise stated)

5. SEGMENT INFORMATION (CONTINUED)

Other segment items included in profit or loss for the year ended 31 December 2017 and 2016 are as follows:

	Year ended 31 December 2017					
	Heavy duty trucks	Light duty trucks	Engines	Finance	Unallocated	Total
Depreciation	427,534	153,240	570,604	1,065	45	1,152,488
Amortisation of intangible assets and land use rights	37,667	9,645	47,966	415	19	95,712

	Year ended 31 December 2016					
	Heavy duty trucks	Light duty trucks	Engines	Finance	Unallocated	Total
Depreciation	427,785	167,661	594,465	1,125	46	1,191,082
Amortisation of intangible assets and land use rights	60,018	9,082	124,558	305	19	193,982

The segment assets and liabilities as at 31 December 2017 and 2016 and capital expenditure for the year then ended are as follows:

	As at 31 December 2017					
	Heavy duty trucks	Light duty trucks	Engines	Finance	Unallocated	Total
Segment assets	48,994,733	5,278,752	17,332,626	15,258,637	1,621,239	88,485,987
Elimination						(27,302,971)
Total assets						61,183,016
Segment liabilities	32,817,847	3,349,943	7,117,232	10,196,819	3,644,201	57,126,042
Elimination						(21,373,737)
Total liabilities						35,752,305
Segment capital Expenditure	451,412	95,428	694,520	3,448	–	1,244,808

(All amounts in RMB thousands unless otherwise stated)

5. SEGMENT INFORMATION (CONTINUED)

Reconciled to entity assets and liabilities as follows:

	As at 31 December 2017	
	Assets	**Liabilities**
Segment assets/liabilities after elimination	**59,561,777**	**32,108,104**
Unallocated:		
Deferred tax assets/liabilities	**1,484,254**	**51,398**
Current tax assets/liabilities	**3,428**	**395,068**
Current borrowings	**—**	**3,190,000**
Other assets/liabilities of the Company	**133,557**	**7,735**
Total	**61,183,016**	**35,752,305**

	As at 31 December 2016					
	Heavy duty trucks	Light duty trucks	Engines	Finance	Unallocated	Total
Segment assets	38,493,183	5,938,896	12,777,506	22,491,339	1,737,295	81,438,219
Elimination						(31,952,876)
Total assets						49,485,343
Segment liabilities	21,711,841	4,286,589	3,658,470	19,251,391	4,712,138	53,620,429
Elimination						(26,474,183)
Total liabilities						27,146,246
Segment capital Expenditure	345,145	46,503	246,282	3,286	—	641,216

(All amounts in RMB thousands unless otherwise stated)

5. SEGMENT INFORMATION (CONTINUED)

Reconciled to entity assets and liabilities as follows:

	As at 31 December 2016	
	Assets	Liabilities
Segment assets/liabilities after elimination	47,748,048	22,434,108
Unallocated:		
Deferred tax assets/liabilities	1,249,218	40,912
Current tax assets/liabilities	42,797	132,998
Current borrowings	—	4,511,787
Other assets/liabilities of the Company	445,280	26,441
Total	49,485,343	27,146,246

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

	2017	2016
Revenue		
Mainland China	**48,462,394**	27,739,383
Overseas	**6,995,534**	5,219,518
	55,457,928	32,958,901

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

	2017	2016
Total assets		
Mainland China	**59,632,527**	47,677,766
Overseas	**1,550,489**	1,807,577
	61,183,016	49,485,343

(All amounts in RMB thousands unless otherwise stated)

5. SEGMENT INFORMATION (CONTINUED)

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

	2017	2016
Non-current assets other than deferred income tax assets		
Mainland China	**14,494,677**	13,664,241
Overseas	**793,555**	764,146
	15,288,232	14,428,387

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

	2017	2016
Capital expenditure		
Mainland China	**1,244,151**	640,892
Overseas	**657**	324
	1,244,808	641,216

(All amounts in RMB thousands unless otherwise stated)

6. OTHER GAINS – NET

	2017	2016
Fair value gains on financial assets at fair value through profit or loss (Note 33(a))	**22,138**	6,819
Disposal of scraps	**15,909**	10,410
Government grants	**93,961**	122,216
Fair value gains on investment properties (Note 16 and Note 33(a))	**18,972**	18,031
Gains/(Losses) on disposal of property, plant and equipment (Note 33(a))	**8,269**	(19,856)
Losses on disposal of land use rights (Note 33(a))	**—**	(5,227)
Rental income	**29,287**	26,791
Foreign exchange (losses)/gains – net	**(57,593)**	59,063
Gains on disposal of financial assets at fair value through profit or loss (Note 33(a))	**27,546**	9,825
Gains on disposal of wealth management products with principal and interests guaranteed (Note 33(a))	**21,670**	17,298
Dividends received from financial assets at fair value through profit or loss (Note 33(a))	**2,313**	—
Dividends received from available-for-sale financial assets (Note 33(a))	**2,047**	—
Interests received from available-for-sale financial assets (Note 33(a))	**8,721**	—
Gains on disposal of available-for-sale financial assets (Note 33(a))	**109,102**	19,535
Gains on disposal of a subsidiary (Note 26)	**51,553**	—
Gains on disposal of an associate (Note 11)	**1,016**	—
Others	**68,968**	10,588
Total	**423,879**	275,493

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

(All amounts in RMB thousands unless otherwise stated)

7. EXPENSES BY NATURE

	2017	2016
Materials cost (Note 20)	**40,307,297**	23,751,654
Employee benefit expenses (Note 8)	**3,718,599**	2,931,023
Transportation expenses	**1,362,327**	873,698
Depreciation of property, plant and equipment (Note 15)	**1,152,488**	1,191,082
Warranty expenses (Note 31)	**1,082,619**	785,950
Utilities expenses	**863,451**	566,452
Subcontracting costs	**783,440**	326,911
Maintenance costs	**521,914**	309,777
Travel and office expenses	**325,520**	246,030
Provision for impairment of trade and other receivables (Note 19 (b))	**234,392**	286,854
Write-down of inventories to net realisable value (Note 20)	**222,646**	33,319
Transaction taxes	**203,483**	166,084
Exhibition expenses	**59,487**	44,685
Amortisation of intangible assets (Note 17)	**57,105**	152,198
Rental expenses	**56,400**	74,525
Advertising costs	**56,252**	95,513
Amortisation of land use rights (Note 14)	**38,607**	41,784
Auditors' remuneration		
– Financial audit services	**13,562**	11,566
– Internal control audit services	**755**	755
– Taxation professional services	**388**	544
– Environmental, social and governance report services	**300**	283
– Financial information reporting services	**10**	—
Other charges	**549,183**	230,858
Total	**51,610,225**	32,121,545
Representing:		
Cost of sales	**45,429,858**	27,140,913
Distribution costs	**3,228,577**	2,394,761
Administrative expenses	**2,951,790**	2,585,871
Total	**51,610,225**	32,121,545

(All amounts in RMB thousands unless otherwise stated)

8. EMPLOYEE BENEFIT EXPENSES

	2017	2016
Salaries, wages and bonuses	**2,785,475**	2,230,348
Contributions to pension plans	**421,871**	350,823
Termination benefits (Note 29(a))	**8,756**	120
Post-employment benefits (Note 29 (b))	**220**	140
Medical insurance plans (Note 29 (c))	**19**	10
Housing benefits	**186,472**	153,952
Other welfare expenses	**315,786**	195,630
Total (Note 7)	**3,718,599**	2,931,023

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include four (2016: four) directors of the Company ("Director(s)") whose emoluments are reflected in the analysis in Note 40. The emoluments payable to the remaining one (2016: one) individual during the year are as follows:

	2017	2016
Basic salaries, housing allowances and other allowances	**1,149**	1,126
Contribution to pension plans	**57**	56
	1,206	1,182

The emoluments fell within the following bands:

	Number of individuals	
	2017	2016
Emolument bands (in HKD)		
HKD 1,000,001 – HKD 1,500,000	**1**	1

(All amounts in RMB thousands unless otherwise stated)

9. FINANCE COSTS – NET

	2017	2016
Finance costs:		
– Borrowings	**245,898**	328,776
– Interest expenses on notes receivable discounted	**5,865**	18,075
– Net foreign exchange transaction losses/(gains)	**95,644**	(28,917)
	347,407	317,934
Less: amount capitalized in construction in progress (Note 15(b))	**(4,479)**	(1,647)
Total finance costs	**342,928**	316,287
Finance income:		
– Interest income from bank deposits (Note 33(a))	**(81,335)**	(65,412)
Finance costs – net	**261,593**	250,875

10. SUBSIDIARIES

As at 31 December 2017, the Company had direct or indirect interest in the following subsidiaries:

Company Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Issued/paid in capital (in million)	Ownership interest directly held by the Company	Ownership interest held by the Group	Ownership interest held by non-controlling interests
Listed -						
Sinotruk Ji'nan Truck Co., Ltd. (中國重汽集團濟南卡車股份有限公司)	PRC, Joint stock company with limited liability	Manufacture and sales of trucks and spare parts in PRC	RMB 671.08	63.78%	63.78%	36.22%
Unlisted -						
Sinotruk Ji'nan Power Co., Ltd. (中國重汽集團濟南動力有限公司)	PRC, Limited liability company	Manufacture and reproduction of engines in PRC	RMB 6,713.08	100%	100%	–
Sinotruk Ji'nan Commercial Truck Co., Ltd. (中國重汽集團濟南商用車有限公司)	PRC, Limited liability company	Manufacture and sales of trucks and spare parts in PRC	RMB 1,871.29	100%	100%	–
Sinotruk International (中國重汽國際有限公司) (i)	PRC, Limited liability company	Import and export of trucks and spare parts in PRC	RMB 555	100%	100%	–
Sinotruk Ji'nan Ganghua Import & Export Co., Ltd. (中國重汽集團濟南港華進出口有限公司)	PRC, Limited liability company	Import and export of heavy duty trucks in PRC	RMB206	100%	100%	–
Sinotruk Factory Design Institute Co., Ltd. (中國重汽集團設計研究院有限公司)	PRC, Limited liability company	Construction design and technical consulting service in PRC	RMB 10.5	100%	100%	–
Sinotruk (Hong Kong) International Investment Limited (中國重汽(香港)國際資本有限公司)	Hong Kong,Limited liability company	Consultations and strategic planning in respect of automobile market, import and export trading, asset operations and investment holdings in Hong Kong	HKD 3,266.92	100%	100%	–
Sinotruk Finance Co., Ltd. (中國重汽財務有限公司)	PRC, Limited liability company	Taking deposits, facilitating borrowings, discounting notes, providing entrusted loan, entrusted investment and customer credit in PRC	RMB 3,050	51.33%	94.49%	5.51%

(i) Sinotruk Import & Export Co., Ltd was renamed to Sinotruk International during the year.

10. SUBSIDIARIES (CONTINUE)

As at 31 December 2017, the Company had direct or indirect interest in the following subsidiaries: (continued)

Company Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Issued/paid in capital (in million)	Ownership interest directly held by the Company	Ownership interest held by the Group	Ownership interest held by non-controlling interests
Sinotruk Ji'nan Axle & Transmission Co., Ltd. (中國重汽集團濟南橋箱有限公司)	PRC, Limited liability company	Manufacture and sales of trucks and axle and transmission parts in PRC	RMB 646.74	49%	81.53%	18.47%
ShanDong HOWO Auto Finance Co., Ltd. (山東豪沃汽車金融有限公司) (ii)	PRC, Limited liability company	Taking deposits, facilitating borrowings and financing leases, providing loan and customer credit in PRC	RMB 500	50%	50%	50%
Sinotruk Hangzhou Engines Co., Ltd. (中國重汽集團杭州發動機有限公司)	PRC, Limited liability company	Manufacture and reproduction of engines in PRC	RMB 1,931	49%	100%	–
Sinotruk Chongqing Fuel System Co., Ltd. (中國重汽集團重慶燃油噴射系統有限公司)	PRC, Limited liability company	Manufacture and sales of oil pump and nozzle in PRC	RMB 338.49	–	100%	–
Sinotruk Ji'nan Fuqiang Power Co., Ltd. (中國重汽集團濟南復強動力有限公司)	PRC, Limited liability company	Manufacture and reproduction of engines in PRC	USD 81.15	–	100%	–
Sinotruk Liuzhou Yunli Special Vehicles Co., Ltd. (中國重汽集團柳州運力專用汽車有限公司)	PRC,Limited liability company	Refit and sales of heavy duty trucks in PRC	RMB 103	–	60%	40%
Ji'nan Ganghao Development Co., Ltd. (濟南港豪發展有限公司)	PRC, Limited liability company	Manufacture and sales of trucks and spare parts in PRC	HKD 1,503.7	–	100%	–
Hangzhou Ganghang Power System Co., Ltd. (杭州港杭動力系統有限公司)	PRC, Limited liability company	Manufacture and reproduction of engines in PRC	HKD 60	–	100%	–
Sinotruk Hubei Huawei Special Vehicles Co., Ltd. (中國重汽集團湖北華威專用汽車有限公司)	PRC, Limited liability company	Refit and sales of heavy duty trucks in PRC	RMB 62.77	–	60%	40%

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

10. SUBSIDIARIES (CONTINUE)

As at 31 December 2017, the Company had direct or indirect interest in the following subsidiaries: (continued)

Company Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Issued/paid in capital (in million)	Ownership interest directly held by the Company	Ownership interest held by the Group	Ownership interest held by non-controlling interests
Sinotruk Mianyang Special Vehicles Co., Ltd. (中國重汽集團綿陽專用汽車有限公司)	PRC, Limited liability company	Manufacture and reproduction of spare parts; sales of trucks in PRC	RMB 50	–	100%	–
Sinotruk Ji'ning Commercial Truck Co., Ltd. (中國重汽集團濟寧商用車有限公司)	PRC, Limited liability company	Manufacture and sales of trucks and spare parts in PRC	RMB 300	–	100%	–
Sinotruk Ji'nan Ganghao Bonded Logistics Co., Ltd. (中國重汽集團濟南港豪保税物流有限公司)	PRC, Limited liability company	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 in PRC	USD 16	–	100%	–
Sinotruk Chengdu Wangpai Commercial Vehicles Co., Ltd. (中國重汽集團成都王牌商用車有限公司)	PRC, Limited liability company	Research, development, manufacture and sales of commercial vehicles in PRC	RMB 800	–	80%	20%
Sichuan Sinotruk Wangpai Xingcheng Hydraulic Parts Co., Ltd. (四川重汽王牌興城液壓件有限公司)	PRC, Limited liability company	Manufacture and sales of spare parts, general machinery components, coal machinery, hard ware, chemicals, electromechanical equipment and metals in PRC	RMB 10.1	–	80%	20%
Sinotruk Nanchong Haile Mechanics co., Ltd. (中國重汽集團南充海樂機械有限公司) (iii)	PRC, Limited liability company	Research, development, manufacture and sales of auto parts, machinery components and coal mining mechanic equipment in PRC	RMB –	–	80%	20%
Chengdu Sinotruk Wangpai Automobile Testing Co., Ltd. (成都重汽王牌汽車檢測有限公司)	PRC, Limited liability company	Sales of spare parts and vehicle inspection in PRC	RMB 2	–	80%	20%

(iii) The registered capital is RMB 50 million and has not been paid. It will be fully paid on or before 31 December 2020.

10. SUBSIDIARIES (CONTINUE)

As at 31 December 2017, the Company had direct or indirect interest in the following subsidiaries: (continued)

Company Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Issued/paid in capital (in million)	Ownership interest directly held by the Company	Ownership interest held by the Group	Ownership interest held by non-controlling interests
Sinotruk Fujian Haixi Vehicles Co., Ltd. (中國重汽集團福建海西汽車有限公司)	PRC, Limited liability company	Manufacture and sales of trucks and spare parts and related information consulting in PRC	RMB 200	–	80%	20%
Sinotruk Hangzhou Engines Sales Co., Ltd. (中國重汽集團杭州發動機銷售有限公司)	PRC, Limited liability company	Wholesale of engines and spare parts in PRC	RMB 50	–	100%	–
Sinotruk Xinjiang Commercial Truck Co., Ltd. (中國重汽集團新疆商用車有限公司)	PRC, Limited liability company	Research, development, manufacture and sales of spare parts (excluding engines) and trucks; after-sales service of trucks; import and export in PRC	RMB 40	–	100%	–
Sinotruk Ji'nan Rubber & Plastic Components Co., Ltd. (中國重汽集團濟南橡塑件有限公司)	PRC, Limited liability company	Research, development, manufacture, sales and consulting of spare parts, engineering machinery and rubber products; maintenance and lease of machinery equipment in PRC	RMB 240	–	100%	–
SINOTRUK RUS Limited Liability Company (中國重汽俄羅斯有限公司)	Russia, Limited liability company	Retail and wholesale of trucks and spare parts; agency of sales of motor vehicle and spare parts; after-sales service of trucks, cars and other motor vehicles in Russia	RUB 15	–	100%	–

10. SUBSIDIARIES (CONTINUED)

As at 31 December 2017, the Company had direct or indirect interest in the following subsidiaries: (continued)

Company Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Issued/paid in capital (in million)	Ownership interest directly held by the Company	Ownership interest held by the Group	Ownership interest held by non-controlling interests
Sinotruk (Hong Kong) Capital Holding Limited (中國重汽(香港)投資控股有限公司)	Hong Kong, Limited liability company	Consultations and strategic planning in respect of automobile market, import and export trading, asset operations and investment holdings in Hong Kong	HKD 310	–	100%	–
Sinotruk South Africa (Pty) Ltd. (中國重汽南非有限公司)	South Africa, Limited liability company	Retail and wholesale of trucks and spare parts; agency of sales of motor vehicle and spare parts; after-sales service of trucks and other motor vehicles in South Africa	USD 1	–	100%	–
Sinotruk Liuzhou Yunli Kodiak Machinery Co., Ltd. (中國重汽集團柳州運力科迪亞克機械有限責任公司)	PRC, Limited liability company	Production, sales, and rendering service of snow removal equipment, and spreader multi-functional snow removal equipment and rail snow blower	USD 3.5	–	30.6% (iv)	69.4%
Sinotruk Ji'nan Global Village Electronics Commerce Co., Ltd. (中國重汽集團濟南地球村電子商務有限公司)	PRC, Limited liability company	Commercial vehicles and automobile spare parts purchase, sales and wholesale;	RMB 20	–	63.78%	36.22%
Sinotruk Kazakhstan Limited Liability Partnership (中國重汽哈薩克斯坦有限責任合夥公司)	Kazakhstan, Limited liability partnership	Retail and wholesale trade of automobile; maintenance and service of automobile	Tenge 13.5	–	100%	–

(iv) Sinotruk Liuzhou Yunli Special Vehicles Co., Ltd., a subsidiary of the Company, holds 51% equity interests in Sinotruk Liuzhou Yunli Kodiak Machinery Co., Ltd.

(All amounts in RMB thousands unless otherwise stated)

10. SUBSIDIARIES (CONTINUED)

(a) Material non-controlling interests

As at 31 December 2017, the total non-controlling interests is approximately RMB2,673,248,000 (2016: approximately RMB2,427,288,000), of which approximately RMB1,706,841,000 (2016: approximately RMB 1,521,171,000) is attributed by Sinotruk Ji'nan Truck Co., Ltd. Except for the dividends paid to non-controlling interests (Note 32(c)), capital injection from non-controlling interests and acquisition of additional interest in a subsidiary, there was no other transactions with non-controlling interests during the year.

Summarised financial information on subsidiaries with material non-controlling interests

The following tables illustrate the financial information of Sinotruk Ji'nan Truck Co., Ltd., that has non-controlling interests that are material to the Group. The financial information extracted from the financial statements has been adjusted for differences in accounting policies between the Group and the subsidiary.

Summarised statement of financial position

	2017	2016
Current		
Assets	**20,813,351**	15,952,026
Liabilities	**(16,905,757)**	(12,554,727)
Total current net assets	**3,907,594**	3,397,299
Non-current		
Assets	**1,367,920**	1,325,144
Liabilities	**(134,878)**	(107,290)
Total non-current net assets	**1,233,042**	1,217,854
Net assets	**5,140,636**	4,615,153

(All amounts in RMB thousands unless otherwise stated)

10. SUBSIDIARIES (CONTINUED)

(a) Material non-controlling interests (Continued)

Summarised statement of profit or loss and comprehensive income

	2017	2016
Revenue	34,975,670	20,336,074
Profit before income tax	869,197	538,401
Income tax expense	(198,325)	(92,598)
	670,872	445,803
Other comprehensive loss	(6,041)	—
Post-tax profit and total comprehensive Income	664,831	445,803
Total comprehensive income allocated to non-controlling interests	240,802	161,438
Dividends paid to non-controlling interests	55,905	30,383

Summarised statement of cash flows

	2017	2016
Cash flows from operating activities		
Cash generated from/(used in) operations	1,466,378	(760,791)
Interest paid	(204,196)	(160,639)
Income tax paid	(195,277)	(43,629)
Net cash generated from/(used in) operating activities	1,066,905	(965,059)
Net cash generated from investing activities	4,828	39,356
Net cash generated from financing activities	615,929	559,744
Net increase/(decrease) in cash and cash equivalents	1,687,662	(365,959)
Cash and cash equivalents at beginning of the year	474,338	840,297
Cash and cash equivalents at end of the year	2,162,000	474,338

(All amounts in RMB thousands unless otherwise stated)

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

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

	2017	2016
Associates	333,675	324,915
Joint venture	144,152	141,512
	477,827	466,427

The amounts recognised in the consolidated statement of profit or loss are as follows:

	2017	2016
Associates	33,508	49,054
Joint venture	11,936	10,554
	45,444	59,608

(a) Investments in associates

	2017	2016
At 1 January	324,915	270,474
Share of profits less losses	33,508	49,054
Share of other comprehensive income/(loss) of investments accounted for using the equity method	16	(7,948)
Dividend received	(24,764)	(4,243)
Exchange differences	—	17,578
At 31 December	333,675	324,915

In October 2017, the Group sold 15% equity interests in Sinotruk Baotou Xinhongchang Special Vehicles Co., Ltd. ("Baotou Xinhongchang") to Sanhe Xinhongchang Special Vehicle Co., Ltd. at the price of RMB 1,020,000. The book value of the investment has been written down to nil at the date of disposal and gains of RMB1,016,000 is recognised in 'other gains – net' after deducting the relevant costs (Note 6 and Note 33(a)).

(All amounts in RMB thousands unless otherwise stated)

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(a) Investments in associates (Continued)

The particulars of the associates of the Group at 31 December 2017 and 2016, all of which are unlisted, are set out as follows:

Company name	Place of business/ Country/ place of incorporation	% of ownership interest as at 31 December		Principal activities
		2017	2016	
Prinx (Cayman) Holdings Limited ("Prinx Cayman")	PRC/ Cayman Islands	**12.68%**	12.68%	Investment holding
Sinotruk Panzhihua Mining Truck Co., Ltd. ("Panzhihua Mining Truck")	PRC	**30%**	30%	Sales of heavy duty truck
Baotou Xinhongchang	PRC	**–**	15%	Sales of heavy duty truck

(All amounts in RMB thousands unless otherwise stated)

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(b) Investment in a joint venture

	2017	2016
At 1 January	**141,512**	127,618
Share of profits less losses	**11,936**	10,554
Dividend received	**(9,296)**	(5,334)
Exchange differences	**—**	8,674
At 31 December	**144,152**	141,512

The particulars of the joint venture of the Group at 31 December 2017 and 2016, which is unlisted, are set out as follows:

Company name	Place of business/ Country/ place of incorportaion	% of ownership interest as at 31 December		Principal activities
		2017	2016	
Sinotruk (Hong Kong) Hongye Limited ("Hongye")	Hong Kong	**65%**	65%	Retail and wholesale of trucks and spare parts; agency of sales of motor vehicle and spare parts; after-sales service of trucks and other motor vehicles

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

(All amounts in RMB thousands unless otherwise stated)

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(b) Investment in a joint venture (Continued)

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

	2017	2016
Assets	583,353	357,495
Liabilities	361,581	139,784
Revenue	1,250,711	502,541
Profit	18,363	16,237
% interest held	65%	65%

12. TAXATION

(a) Income tax expense

The Company, Sinotruk (Hong Kong) International Investment Limited and Capital Holding Company are subject to Hong Kong profits tax at the rate of 16.5% (2016: 16.5%) on their estimated assessable profit for the year. The Company is determined as a Chinese resident enterprise and, accordingly, is subject to corporate income tax of the People's Republic of China ("PRC"), which has been calculated based on the corporate income tax rate of 25% (2016: 25%).

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

Sinotruk Ji'nan Fuqiang Power Co., Ltd. has been recognised as the High New Tech Enterprises in 2015. Sinotruk Hubei Huawei Special Vehicles Co., Ltd. has been recognised as the High New Tech Enterprises in 2016. Sinotruk Ji'nan Power Co., Ltd. and Sinotruk Hangzhou Engines Co., Ltd. have been recognised as the High New Tech Enterprises in 2017. According to the tax incentives of the Corporate Income Tax Law of the PRC (the "CIT Law") for High New Tech Enterprises, these companies are subject to a reduced corporate income tax rate of 15% in 2017 (2016: 15%).

Sinotruk Chongqing Fuel System Co., Ltd., Sinotruk Liuzhou Yunli Special Vehicles Co., Ltd., Sinotruk Chengdu Wangpai Commercial Vehicles Co., Ltd. and Sinotruk Mianyang Special Vehicles Co., Ltd. are subject to a corporate income tax rate of 15% according to the Western Development tax incentives of the CIT Law (2016: 15%).

SINOTRUK RUS Limited Liability Company is subject to a corporate income tax rate of 20% according to Tax Code of the Russian Federation (2016: 20%).

Sinotruk South Africa (Pty) Ltd. is subject to a corporate income tax rate of 28% according to South Africa Tax Law (2016: 28%).

Sinotruk Kazakhstan Limited Liability Partnership is subject to a corporate income tax rate of 20% according to Kazakhstan Tax Law (2016: 20%).

The remaining subsidiaries are subject to the PRC corporate income tax, which have been calculated based on the corporate income tax rate of 25% (2016: 25%).

(All amounts in RMB thousands unless otherwise stated)

12. TAXATION (CONTINUED)

(a) Income tax expense (Continued)

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

	2017	2016
Current tax:		
– Hong Kong profits tax	8,756	6,380
– PRC corporate income tax	1,015,958	340,078
– Income tax in other jurisdictions	326	—
Total current tax	1,025,040	346,458
Deferred tax (Note 28 (b))	(305,502)	(87,708)
Income tax expense	719,538	258,750

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

	2017	2016
Profit before income tax	4,055,433	921,582
Tax calculated at tax rates applicable to profits of the respective entities	963,443	230,396
Tax effects of:		
Preferential tax of certain subsidiaries	(164,250)	(40,791)
Additional deduction for research and development expenditures	(51,842)	(44,293)
Expenses not deductible for tax purposes	43,231	36,962
Tax losses for which no deferred tax assets were recognised	95,404	27,999
Utilisation of previously unrecognised deffered tax assets	(106,912)	(153)
Re-measurement of deferred tax resulted from recognition changes of tax losses of certain subsidiaries	(59,536)	48,630
Income tax expense	719,538	258,750

(i) As at 31 December 2017, the Group has unrecognised tax losses of approximately RMB944,401,000 (2016: RMB1,090,272,000) which can be carried forward against future taxable income and will expire within 5 years. Tax losses amounting to approximately RMB62,602,000, RMB135,116,000, RMB253,759,000, RMB 107,907,000, RMB385,017,000 will expire in 2018, 2019, 2020, 2021 and 2022, respectively.

12. TAXATION (CONTINUED)

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

Certain of the Group's entities are subject to output VAT generally calculated at 17% of the product selling prices, and 5%, 6% or 17% of the service fee income. An input credit is available whereby input VAT previously paid on purchases of raw materials, semi-finished products or other can be used to offset the output VAT to determine the net VAT payable. The subsidiaries are also subject to city construction tax and educational surcharge based on 5% or 7% and 5% of net VAT payable, respectively.

13. EARNINGS PER SHARE

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

	2017	2016
Profit attributable to owners of the Company	**3,023,023**	532,105
Weighted average number of ordinary shares in issue (thousands)	**2,760,993**	2,760,993
Basic earnings per share (RMB per share)	**1.09**	0.19

Diluted earnings per share equals to basic earnings per share for the years ended 31 December 2017 and 2016 as there are no dilutive potential shares existed during the years.

(All amounts in RMB thousands unless otherwise stated)

14. LAND USE RIGHTS

Land in the Mainland China is state-owned or collectively-owned and no individual land ownership right exists. 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 32 to 867 years.

The movements for land use rights are as follows:

	2017	2016
Opening net book amount	**1,651,677**	1,776,640
Additions	**47,274**	105
Transfer to assets classified as held for sale	**(7,554)**	—
Transfer to investment properties (Note 16)	**(2,667)**	(79,206)
Disposal	**—**	(5,227)
Exchange differences	**—**	1,149
Amortisation charge (Note 7)	**(38,607)**	(41,784)
Closing net book amount	**1,650,123**	1,651,677

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

(All amounts in RMB thousands unless otherwise stated)

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Machinery	Furniture, fittings and equipment	Vehicles	Construction in progress	Total
At 1 January 2016						
Cost	6,616,991	10,849,518	378,259	262,947	622,755	18,730,470
Accumulated depreciation	(1,279,413)	(5,971,096)	(242,796)	(143,492)	—	(7,636,797)
Net book amount	5,337,578	4,878,422	135,463	119,455	622,755	11,093,673
Year ended 31 December 2016						
Opening net book amount	5,337,578	4,878,422	135,463	119,455	622,755	11,093,673
Additions	31,359	32,993	18,596	12,730	531,202	626,880
Transfers	109,829	222,545	14,515	6,685	(353,574)	—
Transfer to intangible assets (Note 17)	—	—	—	—	(13,816)	(13,816)
Transfer to Investment Property (Note 16)	(286,673)	—	—	—	—	(286,673)
Disposals (Note 33(b))	(44,776)	(18,144)	(186)	(478)	—	(63,584)
Depreciation charge (Note 7)	(217,336)	(931,769)	(23,096)	(18,881)	—	(1,191,082)
Closing net book amount	4,929,981	4,184,047	145,292	119,511	786,567	10,165,398
As at 31 December 2016						
Cost	6,355,127	11,011,152	405,633	278,022	786,567	18,836,501
Accumulated depreciation	(1,425,146)	(6,827,105)	(260,341)	(158,511)	—	(8,671,103)
Net book amount	4,929,981	4,184,047	145,292	119,511	786,567	10,165,398
Year ended 31 December 2017						
Opening net book amount	**4,929,981**	**4,184,047**	**145,292**	**119,511**	**786,567**	**10,165,398**
Additions	**1,351**	**21,849**	**10,697**	**40,069**	**1,111,306**	**1,185,272**
Transfers	**608,303**	**272,323**	**3,540**	**1,659**	**(885,825)**	**—**
Transfer to intangible assets (Note 17)	**—**	**—**	**—**	**—**	**(52,420)**	**(52,420)**
Transfer to Investment Property (Note 16)	**(32,088)**	**—**	**—**	**—**	**(201)**	**(32,289)**
Transfer to assets classified as held for sale	**(114,196)**	**—**	**—**	**—**	**—**	**(114,196)**
Disposals (Note 33(b))	**(27,095)**	**(3,844)**	**(372)**	**(7,873)**	**—**	**(39,184)**
Disposal of a subsidiary (Note 26)	**(4,913)**	**(15,284)**	**(888)**	**(1,102)**	**(140)**	**(22,327)**
Depreciation charge (Note 7)	**(216,380)**	**(890,083)**	**(23,825)**	**(22,200)**	**—**	**(1,152,488)**
Closing net book amount	**5,144,963**	**3,569,008**	**134,444**	**130,064**	**959,287**	**9,937,766**
As at 31 December 2017						
Cost	**6,702,107**	**11,184,010**	**405,663**	**278,716**	**959,287**	**19,529,783**
Accumulated depreciation	**(1,557,144)**	**(7,615,002)**	**(271,219)**	**(148,652)**	**—**	**(9,592,017)**
Net book amount	**5,144,963**	**3,569,008**	**134,444**	**130,064**	**959,287**	**9,937,766**

(All amounts in RMB thousands unless otherwise stated)

15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

	2017	2016
Cost of sales	949,443	967,563
Distribution costs	4,790	3,614
Administrative expenses	198,255	219,905
	1,152,488	1,191,082

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

	2017	2016
Borrowing costs capitalized (Note 9)	4,479	1,647
Weighted average capitalisation rate	4.04%	3.36%

(c) As at 31 December 2017, the Group was in the process of applying the certificates of ownership for the buildings, with net book amount of approximately RMB201,780,000 (2016: approximately RMB182,108,000).

16. INVESTMENT PROPERTIES

	2017	2016
As at 1 January	642,561	206,940
Transfer from property, plant and equipment (Note 15)	32,289	286,673
Transfer from land use rights (Note 14)	2,667	79,206
Revaluation gains arising from transfer of property, plant and equipment and land use rights to investment properties	13,087	36,847
Revaluation gains recognised in other gains – net (Note 6)	18,972	18,031
Translation differences	—	14,864
As at 31 December	709,576	642,561

(a) Investment properties are located in the Hong Kong, Shandong province and Guangxi province, PRC and revalued as at 31 December 2017 on an open market value. Investment properties in Hong Kong are held on leases over 50 years. Investment properties in Mainland China are held on leases between 35 to 50 years.

(All amounts in RMB thousands unless otherwise stated)

16. INVESTMENT PROPERTIES (CONTINUED)

(b) The following amounts have been recognised in profit or loss:

	2017	2016
Rental income	**26,103**	21,271

(c) Fair value hierarchy

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There were no transfers among level 1, 2 and 3 during the year.

The following table analyses the investment properties carried at fair value, by valuation method.

Fair value hierarchy

	Fair value measurements at 31 December 2017 using		
Description	**Quoted prices in active markets for identical assets (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Recurring fair value measurements:			
– Warehouses	**–**	**–**	**60,487**
– Factories	**–**	**–**	**309,526**
– Office units	**–**	**253,862**	**85,701**
	–	**253,862**	**455,714**

(All amounts in RMB thousands unless otherwise stated)

16. INVESTMENT PROPERTIES (CONTINUED)

(c) Fair value hierarchy (Continued)

Description	Fair value measurements at 31 December 2016 using		
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Recurring fair value measurements:			
– Warehouses	—	—	66,088
– Factories	—	—	288,394
– Office units	—	235,811	52,268
	—	235,811	406,750

(d) Valuation process of the Group

An independent valuation of the Group's investment properties was performed by the surveyor, PRUDENTIAL Property Surveyors (Hong Kong) Limited, Jinan Zhong Da Appraisal Corporation, and Guangxi Jia Yi Appraisal Corporation, to determine the fair value of the investment properties as at 31 December 2017 and 2016. The revaluation gains or losses are included in 'Other gains - net' in profit or loss.

(e) Valuation techniques

Level 2 fair values of the investment properties have been generally derived using sales comparison approach. Sales prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is selling price per square foot or per square meter.

Level 3 fair values of the investment properties are based on income capitalization approach (term and reversionary method) which largely used unobservable inputs (rental value and capitalization rate) and taking into account the significant adjustment on term yield to account for the risk upon reversionary and the estimation in vacancy rate after expiry of current lease.

(All amounts in RMB thousands unless otherwise stated)

16. INVESTMENT PROPERTIES (CONTINUED)

(e) Valuation techniques (Continued)

Information about fair value measurements using significant unobservable inputs (Level 3):

Description	Fair value at 31 December 2017	Valuation technique	Unobservable inputs	Range of unobservable inputs (probability-weighted average)	Relationship of unobservable inputs to fair value
Investment properties	455,714	Income capitalisation approach	Rental value	RMB6.00-RMB66.92 per month per square meter (RMB13.03 per month per square meter)	The higher the rental value, the higher the fair value
			Capitalisation rate	7% (7%)	The higher the capitalisation rate, the lower the fair value

(f) Investment properties pledged as security

As at 31 December 2017, no investment properties were pledged as security (31 December 2016: Nil).

(All amounts in RMB thousands unless otherwise stated)

17. INTANGIBLE ASSETS

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

	technology software	Proprietary Computer	Total
At 1 January 2016			
Cost	1,282,776	70,028	1,352,804
Accumulated amortisation	(843,166)	(35,271)	(878,437)
Net book amount	439,610	34,757	474,367
Year ended 31 December 2016			
Opening net book amount	439,610	34,757	474,367
Additions	9,879	4,352	14,231
Transfer from property, plant and equipment (Note 15)	13,208	608	13,816
Amortisation charge (Note 7)	(144,821)	(7,377)	(152,198)
Closing net book amount	317,876	32,340	350,216
At 31 December 2016			
Cost	1,305,863	74,988	1,380,851
Accumulated amortisation	(987,987)	(42,648)	(1,030,635)
Net book amount	317,876	32,340	350,216
Year ended 31 December 2017			
Opening net book amount	**317,876**	**32,340**	**350,216**
Additions	**3,761**	**8,501**	**12,262**
Transfer from property, plant and equipment (Note 15)	**51,887**	**533**	**52,420**
Amortisation charge (Note 7)	**(49,452)**	**(7,653)**	**(57,105)**
Disposal of a subsidiary (Note 26)	**(8)**	**(958)**	**(966)**
Closing net book amount	**324,064**	**32,763**	**356,827**
At 31 December 2017			
Cost	**1,361,503**	**83,064**	**1,444,567**
Accumulated amortisation	**(1,037,439)**	**(50,301)**	**(1,087,740)**
Net book amount	**324,064**	**32,763**	**356,827**

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

(b) Research and development expenditures that do not meet criteria for capitalisation are recognised as an expense as incurred. The total amount of expenses charged into profit or loss is approximately RMB1,244,553,000 (2016: RMB1,074,470,000).

(All amounts in RMB thousands unless otherwise stated)

18. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2017	2016
At 1 January	**2,029,225**	155,431
Additions	**8,467,785**	3,347,625
Disposals	**(7,957,485)**	(1,500,000)
Fair value change recognised in other comprehensive income	**6,081**	26,169
At 31 December	**2,545,606**	2,029,225
Less: non-current portion	**(205,533)**	(353,135)
Current portion	**2,340,073**	1,676,090

Available-for-sale financial assets include the following:

	2017	2016
Wealth management products with principal and interests non-guaranteed and due within one year (a)	**2,340,073**	1,676,090
Wealth management products with principal and interests non-guaranteed and due more than one year (a)	**167,608**	315,210
Unlisted securities		
– equity investments	**37,925**	37,925
	2,545,606	2,029,225

(a) The investment principal of these wealth management products is RMB 2,472 million and it is fair valued using a discounted cash flow approach and main input used by the Group is estimated yield rates written in contracts with the counterparities. The fair value is within level 3 of the fair value hierarchy (Note 3.3).

(All amounts in RMB thousands unless otherwise stated)

19. TRADE RECEIVABLES, OTHER RECEIVABLES AND OTHER CURRENT ASSETS

	2017	2016
Non-current		
Accounts receivable	—	42,835
Loans and receivables from financing services	1,976,359	760,040
Less: Provision for impairment of loans and receivables from financing services	(29,647)	(7,770)
Loans and receivables from financing services - net	1,946,712	752,270
Trade receivables and other receivables	1,946,712	795,105
Current		
Accounts receivable	5,588,123	8,931,414
Less: Provision for impairment of accounts receivable	(803,354)	(768,624)
Accounts receivable - net	4,784,769	8,162,790
Notes receivable	2,685,325	1,732,628
Trade receivables - net	7,470,094	9,895,418
Loans and receivables from financing services	5,228,935	2,691,596
Less: Provision for impairment of loans and receivables from financing services	(90,649)	(69,281)
Loans and receivables from financing services - net	5,138,286	2,622,315
Other receivables	1,099,044	319,127
Less: Provision for impairment of other receivables	(63,588)	(30,119)
Other receivables - net	1,035,456	289,008
Interest receivables	51,504	36,444
Receivables and other current assets before prepaid items	13,695,340	12,843,185
Prepayments	442,393	397,732
Prepaid taxes other than income tax	1,009,536	746,679
Prepaid income taxes	3,428	42,797
Trade receivables, other receivables and other current assets - net	15,150,697	14,030,393

(a) As at 31 December 2017 and 2016, the carrying amounts of the Group's receivables and other current assets before prepaid items approximated their fair values.

(All amounts in RMB thousands unless otherwise stated)

19. TRADE RECEIVABLES, OTHER RECEIVABLES AND OTHER CURRENT ASSETS (CONTINUED)

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

	2017	2016
Opening amount	875,794	600,082
Provision for impairment of receivables (Note 7)	234,392	286,854
Receivables written off during the year as uncollectible	(6,854)	(11,142)
Disposal of a subsidiary	(116,094)	—
Closing amount	987,238	875,794

The Group's provision for impairment of receivables of approximately RMB234,392,000 (2016: RMB286,854,000) is included in administrative expenses in profit or loss.

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

	2017	2016
Less than 3 months	5,069,670	5,616,007
3 months to 6 months	1,554,192	1,505,553
6 months to 12 months	667,152	1,052,869
1 year to 2 years	117,657	1,467,173
2 years to 3 years	51,684	164,322
Over 3 years	9,739	132,329
	7,470,094	9,938,253

The credit policy of the Group generally requires customers to pay a certain amount of deposits when orders of trucks are made and settle purchase price either in cash or acceptance notes with a tenure of usually 3 to 6 months, which represents the credit terms granted to the customers who pay by acceptance notes. A credit period from 3 to 12 months is granted to selected customers based on credit assessment.

As at 31 December 2017, accounts receivable of the Group of approximately RMB602,731,000 (2016: RMB344,629,000) were secured by certain letters of credit issued by overseas third parties. As at 31 December 2017, RMB1,237,053,000 (2016: RMB738,360,000) were guaranteed by China Export and Credit Insurance Corporation. No provision is provided against these receivables as at 31 December 2017 and 2016.

(All amounts in RMB thousands unless otherwise stated)

19. TRADE RECEIVABLES, OTHER RECEIVABLES AND OTHER CURRENT ASSETS (CONTINUED)

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

(e) The notes receivable are analysed as follows:

	2017	2016
Bank acceptance notes (i)	**2,681,805**	1,713,728
Commercial acceptance notes	**3,520**	18,900
	2,685,325	1,732,628

(i) As at 31 December 2017, no bank acceptance notes (31 December 2016: RMB237,292,000) were pledged as collaterals for the Group's bank borrowings (note 27(a)).

(f) Loans and receivables from financing services represented loans granted by Sinotruk Finance Co., Ltd. and ShanDong HOWO Auto Finance Co., Ltd. which are involved in the provision of financing services, to individuals and entities when they purchased commercial vehicles of the Group from dealers at an interest rate of 4.86% to 9.3% per annum, and to suppliers of the Group at an interest rate of 4.35% to 7.8% per annum. These loans and receivables from financing services to those who purchased commercial vehicles of the Group from dealers were mainly secured by the vehicle together with guarantees provided by these dealers and its relevant parties.

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

	2017	2016
Less than 3 months	**2,321,760**	1,534,708
3 months to 6 months	**1,818,342**	577,804
6 months to 12 months	**2,249,046**	921,002
1 year to 2 years	**695,361**	315,473
2 years to 3 years	**—**	20,744
Over 3 years	**489**	4,854
	7,084,998	3,374,585

(g) The other receivables are analysed as follows:

As at 31 December 2017, RMB900,000,000 (31 Decemer 2016: nil) were wealth management products with principal and interests guaranteed and due within one year.

(All amounts in RMB thousands unless otherwise stated)

19. TRADE RECEIVABLES, OTHER RECEIVABLES AND OTHER CURRENT ASSETS (CONTINUED)

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

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

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

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

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

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

	2017	2016
Group 1	2,733,309	1,750,172
Group 2	3,520	18,900
Group 3	10,216,556	7,957,952
	12,953,385	9,727,024

(ii) Accounts receivable, loans and receivables from financing services and other receivables that were part due but not impaired

As at 31 December 2017, accounts receivable, loans and receivables from financing services and other receivables of approximately RMB157,604,000 (31 December 2016: RMB61,584,000) were past due but not impaired. These balances relate to a number of independent customers or other counterparities for whom there is no recent history of default.

The ageing analysis of these receivables based on invoice date is as follows:

	2017	2016
within 1 year	121,866	61,584
1 year to 2 years	35,738	—
	157,604	61,584

(All amounts in RMB thousands unless otherwise stated)

19. TRADE RECEIVABLES, OTHER RECEIVABLES AND OTHER CURRENT ASSETS (CONTINUED)

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

(ii) Accounts receivable, loans and receivables from financing services and other receivables that were part due but not impaired (Continued)

The ageing analysis of these receivables based on payment due date is as follows:

	2017	2016
within 1 year	**148,750**	61,584
1 year to 2 years	**8,854**	—
	157,604	61,584

(iii) Impaired receivables

As at 31 December 2017, receivables that were impaired are analysed below:

	2017	2016
Receivables	**3,518,301**	4,725,476
Less: Provision for impairment	**(987,238)**	(875,794)
	2,531,063	3,849,682

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)

19. TRADE RECEIVABLES, OTHER RECEIVABLES AND OTHER CURRENT ASSETS (CONTINUED)

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

	2017	2016
RMB	**14,014,577**	12,454,479
USD	**1,508,612**	1,097,700
EURO	**118,314**	78,334
HKD	**542**	7,739
AUD (Australian Dollar)	**4**	22
TWD (Taiwan Dollar)	**3**	16
	15,642,052	13,638,290

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

20. INVENTORIES

	2017	2016
Raw materials	**1,499,455**	1,209,359
Work in progress	**2,076,683**	1,055,455
Finished goods - engines, parts and components	**310,888**	236,765
Finished goods - trucks	**9,773,917**	6,169,917
	13,660,943	8,671,496
Less: write-down of inventories to net realisable value	**(414,916)**	(299,644)
	13,246,027	8,371,852

(All amounts in RMB thousands unless otherwise stated)

20. INVENTORIES (CONTINUED)

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

	2017	2016
Materials cost (Note 7)	**40,307,297**	23,751,654
Write-down of inventories to net realizable value (Note 7)	**222,646**	33,319
	40,529,943	23,784,973
Representing:		
Cost of sales	**40,126,347**	23,551,841
Administrative expenses	**403,596**	233,132
	40,529,943	23,784,973

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017	2016
Listed securities - held-for-trading		
– equity securities	**128,306**	125,692
Wealth management products with principal preservation and floating return	**653,675**	—
	781,981	125,692

(a) Financial assets at fair value through profit or loss are denominated in the following currencies:

	2017	2016
RMB	**655,362**	1,775
HKD	**126,619**	123,255
USD	**—**	662
	781,981	125,692

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

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

(All amounts in RMB thousands unless otherwise stated)

22. CASH AND BANK BALANCES

	2017	2016
Restricted cash (a)	2,577,240	2,017,045
Cash and cash equivalents (b)	9,840,149	7,171,365
	12,417,389	9,188,410

(a) Restricted cash

The breakdown of restricted cash by nature as at 31 December 2017 and 2016 is as follows:

	2017	2016
Deposits for issuing bank acceptance notes	423,129	705,434
Deposits for issuing letters of credit	44,263	128,516
Mandatory reserve deposits (i)	2,101,332	1,176,228
Security for consumer credit	—	1,305
Other restricted cash	8,516	5,562
	2,577,240	2,017,045

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

(b) Cash and cash equivalents

	2017	2016
Cash on hand	194	202
Time deposits with initial terms of over three months (i)	5,000	1,402,062
Current bank deposits (ii)	9,834,955	5,769,101
Cash and cash equivalents	9,840,149	7,171,365

(i) The weighted average effective interest rate on these time deposits with initial terms of over three months was 1.65% per annum (2016: 3.71%). As these time deposits can be drawn on demand and available within short time frame without penalty, the Directors are of the view that such time deposits are qualified as demand deposits and classified as cash and cash equivalents.

(All amounts in RMB thousands unless otherwise stated)

22. CASH AND BANK BALANCES (CONTINUED)

(b) Cash and cash equivalents (Continued)

(ii) The weighted average effective interest rate on current bank deposits was 0.83% per annum (2016: 0.66%).

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

(iv) Credit quality of cash at bank

The Group categorises its cash at bank into the following:

i) Group 1 – Major international banks

ii) Group 2 – Large China reputable banks

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

	2017	2016
Group 1	**66,187**	14,245
Group 2	**9,773,768**	7,156,918
	9,839,955	7,171,163

(c) Cash and bank balances are denominated in:

	2017	2016
RMB	**9,567,943**	8,533,930
USD	**2,799,985**	485,770
HKD	**35,504**	55,720
EURO	**11,409**	110,677
GBP (Great Britain Pound)	**—**	1,629
Others	**2,548**	684
	12,417,389	9,188,410

(All amounts in RMB thousands unless otherwise stated)

23. ASSETS CLASSIFIED AS HELD FOR SALE

	2017	2016
Assets classified as held for sale		
Land use rights and property, plant and equipment	121,595	–

In December 2017, the Group entered an agreement with Land Reservation Center of Zhangqiu District, Ji'nan City to sell a parcel of land use rights and property, plant and equipment. The sale is expected to be completed before the end of December 2018. The asset is presented within in total assets of engines segment in Note 5.

(i) Non-recurring fair value measurements

Land use rights and property, plant and equipment classified as held for sale during the reporting period was measured at the lower of its carrying amount and fair value less costs to sell at the time of the reclassification, resulting in the recognition of a write-down of RMB155,000 as administrative expenses in the statement of profit or loss.

The following table analyses the assets classified as held for sale carried at fair value, by valuation method.

Fair value hierarchy

	Fair value measurements at 31 December 2017 using		
Description	**Quoted prices in active markets for identical assets (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Non-recurring fair value measurements – Land use rights and property, plant and equipment	–	–	121,595

(All amounts in RMB thousands unless otherwise stated)

23. ASSETS HELD CLASSIFIED AS FOR SALE (CONTINUED)

(ii) Valuation techniques

Level 3 fair values of assets classified as held for sale was determined using discounted cash flow method. Information about fair value measurements using significant unobservable inputs (Level 3):

Description	Fair value at 31 December 2017	Valuation technique	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Non-current assets held for sale	121,595	Discounted cash flow	Selling price	RMB121,595,000	The higher the selling value, the higher the fair value
			Discount rate	N/A	N/A

24. EQUITY

(a) Share Capital

Ordinary shares, issued and fully paid:

	Number of shares	Share capital
Balance at 1 January 2017 and at 31 December 2017	**2,760,993,339**	**16,717,024**
Balance at 1 January 2016 and at 31 December 2016	2,760,993,339	16,717,024

(b) Notes to the Group's reserves

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

(ii) The Group's statutory reserves is the aggregate of statutory reserves of all PRC subsidiaries. In accordance with PRC regulations and the articles of the association of the subsidiaries incorporated 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 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 capital after such issuance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017
(All amounts in RMB thousands unless otherwise stated)

24. EQUITY (CONTINUED)

(b) Notes to the Group's reserves (Continued)

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

(iv) According to the regulations of the Notice of the Ministry of Finance on Issuing the Administrative Measures for the Provision of Reserves of Financial Enterprises (Cai Jin [2012] No. 20) issued on 30 March 2012, financial enterprises shall, based on their actual conditions, carry out quantitative analysis on the risks to which the risk assets are exposed via the internal model approach or standard approach to determine the estimated value of potential risk. A general provision is made for the part that the estimated value of potential risk excesses the impairment of assets. In principle, balance of general provision shall be no lower than 1.5% of the ending balance of risk assets. The proportion (1.5%) that the balance of general provision accounts for the ending balance of risk assets could be reached in several years, but no more than 5 years in principle, if it is not available for a financial enterprise by one-time.

Sinotruk Finance Co., Ltd. and ShanDong HOWO Auto Finance Co., Ltd., both are subsidiaries of the Company, appropriate their general risk reserve and have reached 1.5% and 1.05% of ending balances of their risk assets of the current year respectively.

25. TRADE PAYABLES, OTHER PAYABLES AND OTHER CURRENT LIABILITIES

	2017	2016
Trade and bills payables	**22,413,165**	16,348,199
Advances from customers	**2,744,023**	1,472,841
Accrued expenses	**848,793**	574,982
Staff welfare and salaries payable	**563,861**	316,245
Taxes liabilities other than income tax	**142,856**	161,721
Other payables	**1,833,237**	1,936,579
	28,545,935	20,810,567

(All amounts in RMB thousands unless otherwise stated)

25. TRADE PAYABLES, OTHER PAYABLES AND OTHER CURRENT LIABILITIES (CONTINUED)

The ageing analysis of the trade and bills payables based on invoice date at respective dates of statement of financial position are as follows:

	2017	2016
Less than 3 months	**20,038,522**	14,442,715
3 months to 6 months	**2,125,755**	1,799,155
6 months to 12 months	**162,225**	76,650
1 year to 2 years	**66,581**	17,309
2 years to 3 years	**10,624**	5,748
Over 3 years	**9,458**	6,622
	22,413,165	16,348,199

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

	2017	2016
RMB	**24,214,156**	18,255,864
USD	**28,958**	26,599
HKD	**3,288**	1,946
ZAR (South African Rand)	**—**	369
	24,246,402	18,284,778

(All amounts in RMB thousands unless otherwise stated)

26. DISPOSAL OF A SUBSIDIARY

On 10 May 2017, the Group completed the disposal of 100% equity interest in Sinotruk Ji'nan HOWO Bus Co., Ltd. ("HOWO Bus") to CNHTC, the parent company, at a net consideration of approximately RMB2,303,500. Upon completion of the disposal, the Group lost its control over HOWO Bus.

An analysis on gain on disposal of a subsidiary is as follows:

Consideration satisfied by:	
Net cash consideration	2,304
Less: Net liabilities disposed of:	
Property, plant and equipment (Note 15)	22,327
Intangible assets (Note 17)	966
Deferred income tax assets (Note 28)	78,570
Inventories	27,036
Trade receivables, other receivables and other current assets	2,257,232
Cash and cash equivalents	32,503
Accrued liabilities and other payables	(597,883)
Bank borrowings (Note 33(d))	(1,870,000)
	(49,249)
Gain on disposal of a subsidiary (Note 6)	51,553
An analysis on net cash flows effects arising from the disposal:	
Net cash consideration	2,304
Less: Cash and cash equivalents disposed of	(32,503)
Net cash outflows for disposal of a subsidiary	(30,199)

(All amounts in RMB thousands unless otherwise stated)

27. BORROWINGS

	2017	2016
Current		
Long-term bank borrowings, current portion		
– unsecured	–	1,946,787
Short-term bank borrowings		
– secured (a)	–	200,000
– unsecured	**3,990,000**	2,365,000
Total borrowings	**3,990,000**	4,511,787

(a) As at 31 December 2017, no borrowings is secured by bank acceptance notes. (31 December 2016: RMB200,000,000) (Note 19(e)).

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

	2017	2016
Within 1 year	**3,990,000**	4,511,787

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

	2017	2016
RMB	**3,990,000**	4,511,787

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

	2017	2016
Bank borrowings	**4.23%**	3.79%

Interest rates of the bank borrowings denominated in RMB are reset periodically by reference to the primary rates announced by PBOC or prevailing market interest rates.

(All amounts in RMB thousands unless otherwise stated)

27. BORROWINGS (CONTINUED)

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

	2017	2016
Within 6 months	–	3,914,787
Between 6 and 12 months	3,990,000	597,000
	3,990,000	4,511,787

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

	2017	2016
Expiring within one year	2,781,367	3,167,800

28. DEFERRED INCOME TAX

(a) The amounts are as follows:

	2017	2016
Deferred tax assets:		
– Deferred tax assets to be recovered after more than 12 months	385,725	513,848
– Deferred tax assets to be recovered within 12 months	1,098,529	735,370
	1,484,254	1,249,218
Deferred tax liabilities:		
– Deferred tax liabilities to be recovered after more than 12 months	(51,053)	(40,615)
– Deferred tax liabilities to be recovered within 12 months	(345)	(297)
	(51,398)	(40,912)
Deferred tax assets – net	1,432,856	1,208,306

(All amounts in RMB thousands unless otherwise stated)

28. DEFERRED INCOME TAX (CONTINUED)

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

	2017	2016
As at 1 January	**1,208,306**	1,134,357
Credited to profit or loss (Note 12 (a))	**305,502**	87,708
Charged to other comprehensive income	**(2,382)**	(13,759)
Disposal of a subsidiary (Note 26)	**(78,570)**	—
As at 31 December	**1,432,856**	1,208,306

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

Deferred tax assets	Provisions for receivable and inventories	Pensions and other post-retirement benefits	Unrealised profit	Accrued expenses and provisions	Fair value adjustment arising from business combination	Deferred income	Tax losses	Others	Total
As at 1 January 2016	214,153	2,700	129,144	160,314	72,385	46,017	501,042	36,007	1,161,762
Credited/(charged) to profit or loss	55,555	(755)	83,898	78,210	(4,451)	(11,683)	(101,420)	(11,898)	87,456
As at 31 December 2016	269,708	1,945	213,042	238,524	67,934	34,334	399,622	24,109	1,249,218
Credited/(charged) to profit or loss	**71,090**	**(1,133)**	**171,298**	**181,451**	**(8,802)**	**23,923**	**(171,254)**	**47,033**	**313,606**
Disposal of a subsidiary	**(33,378)**	**–**	**–**	**(10,810)**	**–**	**–**	**(25,059)**	**(9,323)**	**(78,570)**
As at 31 December 2017	**307,420**	**812**	**384,340**	**409,165**	**59,132**	**58,257**	**203,309**	**61,819**	**1,484,254**

(All amounts in RMB thousands unless otherwise stated)

28. DEFERRED INCOME TAX (CONTINUED)

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

Deferred tax liabilities	Accelerated tax depreciation	Fair value adjustment arising from business combination	Fair value adjustment arising from property, plant and equipment and land use right	Fair value adjustment arising from investment properties	Fair value adjustment arising from available-for-sale financial assets	Total
As at 1 January 2016	(2,554)	(24,851)	—	—	—	(27,405)
(Charged)/credited to profit or loss	(741)	563	—	430	—	252
Charged to other comprehensive income	—	—	(7,360)	—	(6,399)	(13,759)
As at 31 December 2016	(3,295)	(24,288)	(7,360)	430	(6,399)	(40,912)
Credited/(charged) to profit or loss	**(838)**	**521**	**—**	**(7,787)**	**—**	**(8,104)**
Charged to other comprehensive income	**—**	**—**	**(1,421)**	**—**	**(961)**	**(2,382)**
As at 31 December 2017	**(4,133)**	**(23,767)**	**(8,781)**	**(7,357)**	**(7,360)**	**(51,398)**

29. TERMINATION AND POST-EMPLOYMENT BENEFITS

	2017	2016
Termination benefits (a)	**7,095**	4,210
Post-employment benefits (b)	**6,712**	5,810
Post-employment medical insurance plan (c)	**426**	510
	14,233	10,530

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

	2017	2016
Termination benefits, included in staff costs (Note 8)	**8,756**	120
Remeasurements of termination benefits recognised in other comprehensive income	**—**	100

(All amounts in RMB thousands unless otherwise stated)

29. TERMINATION AND POST-EMPLOYMENT BENEFITS (CONTINUED)

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

	2017	2016
Present value of benefit plans	6,712	5,810
Unrecognised actuarial losses	—	—
Liability in the consolidated statement of financial position	6,712	5,810

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

	2017	2016
As at 1 January	5,810	6,370
Total expenses (interest cost) (Note 8)	220	140
Remeasurements of post-employment benefits recognised in other comprehensive income	1,420	50
Benefits paid	(738)	(750)
As at 31 December	6,712	5,810

(All amounts in RMB thousands unless otherwise stated)

29. TERMINATION AND POST-EMPLOYMENT BENEFITS (CONTINUED)

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

	2017	2016
Present value of benefit plan	**426**	510
Unrecognised actuarial losses	**—**	—
Liability in the consolidated statement of financial position	**426**	510

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

	2017	2016
As at 1 January	**510**	820
Total expenses (interest expense) (Note 8)	**19**	10
Remeasurements of medical insurance plan recognised in other comprehensive income	**234**	30
Benefits paid	**(337)**	(350)
As at 31 December	**426**	510

The material actuarial assumptions used in valuing these obligations are as follows:

(i) Discount rates adopted and salary increase rate adopted:

	2017	2016
Post-employment benefits and medical insurance plan discount rate	**3.79%**	2.75%
Average salary increase rate	**10% to 12%**	10% to 12%

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

(All amounts in RMB thousands unless otherwise stated)

30. DEFERRED INCOME

	2017	2016
Government grants	316,349	273,866
Relocation compensation	44,851	49,683
	361,200	323,549

During 2017, recognition of deferred income amounting to RMB58,459,000 is credited to profit or loss (2016: RMB56,726,000).

31. PROVISIONS FOR OTHER LIABILITIES

Products warranties	2017	2016
As at 1 January	588,557	316,168
Additional provision (Note 7)	1,082,619	785,950
Untilised during the year	(693,090)	(513,561)
As at 31 December	978,086	588,557

32. DIVIDENDS

(a) At a meeting held on 23 March 2018, the board of Directors ("Board") proposed a final dividend in respect of the year ended 31 December 2017 of HKD0.70 (2016: HKD0.08) per ordinary share representing total dividend at approximately HKD1,932,695,000 (2016: approximately HKD220,879,000) or approximately RMB1,558,158,000 (2016: approximately RMB193,029,000). Such dividend is to be approved by the shareholders at the forthcoming annual general meeting of the Company. The consolidated financial statements does not reflect this dividend payable.

(b) Pursuant to the CIT Law, the Company is determined as a Chinese resident enterprise and required to withhold and pay corporate income tax at the specific tax rates according to the CIT Law for its non-PRC resident enterprise shareholders to whom the Company pays dividend. Accordingly, the Company had withheld corporate income tax amounting to approximately HKD7,551,000 or approximately RMB6,555,000 in respect of the final dividend for the year 2016 (withholding corporate income tax for the final dividend for the year 2015: approximately HKD2,828,000 or approximately RMB2,425,000) for its non-PRC resident enterprise shareholders and fully paid in July 2017.

(c) During the year ended 31 December 2017, certain Group's non-wholly owned subsidiaries have approved dividends to non-controlling interests amounting to approximately RMB 62,562,000 (2016: approximately RMB 41,460,000).

(All amounts in RMB thousands unless otherwise stated)

33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Cash generated from operations

	2017	2016
Profit before income tax	**4,055,433**	921,582
Adjustments for:		
– Provision for impairment of trade and other receivables (Note 7 and Note 19(b))	**234,392**	286,854
– Depreciation (Note 7 and Note 15)	**1,152,488**	1,191,082
– Amortisation	**95,712**	193,982
– Write-down inventories to net realisable value (Note 7 and Note 20)	**222,646**	33,319
– Fair value gains on financial assets at fair value through profit or loss (Note 6)	**(22,138)**	(6,819)
– Fair value losses on financial liabilities at fair value through profit or loss	**—**	(5,420)
– Fair value losses on non-current assets classified as held for sale	**155**	—
– Interests received from available-for-sale financial assets (Note 6)	**(8,721)**	—
– Dividends received from available-for-sale financial assets	**(2,047)**	—
– (Gains)/losses on disposal of property, plant and equipment (Note 6 and Note 33(b))	**(8,269)**	19,856
– Losses on disposal of land use rights (Note 6)	**—**	5,227
– Gains on disposal of financial assets at fair value through profit or loss (Note 6)	**(27,546)**	(9,825)
– Dividends received from financial assets at fair value through profit or loss (Note 6)	**(2,313)**	—
– Gains on disposal of wealth management products with principal and interests guaranteed (Note 6)	**(21,670)**	(17,298)
– Gains on disposal of available-for-sale financial assets (Note 6)	**(109,102)**	(19,535)
– Gains on disposal of a subsidiary	**(51,553)**	—
– Gains on disposal of an associate	**(1,016)**	—
– Fair value gains on investment properties (Note 6 and Note 16)	**(18,972)**	(18,031)
– Share of profits less losses of investments accounted for using the equity method	**(45,444)**	(59,608)
– Finance income (Note 9)	**(81,335)**	(65,412)
– Finance costs	**247,284**	345,204
– Recognition of deferred income (Note 30)	**(58,459)**	(56,726)
– Foreign exchange losses/(gains)	**95,644**	(28,917)
	5,645,169	2,709,515
Changes in working capital:		
– Inventories	**(5,123,857)**	(2,058,694)
– Trade and other receivables and amounts due from related parties	**(3,777,741)**	(1,606,960)
– Restricted cash	**(560,195)**	(381,523)
– Trade and other payables, amounts due to related parties and other liabilities	**8,642,721**	6,807,446
– Operating fund of finance segment	**800,000**	—
– Interest receivable of finance segment	**(15,827)**	—
– Receipt of government grant	**96,110**	36,068
– Provisions for other liabilities	**431,670**	272,389
– Termination and post-employment benefits obligations	**2,049**	(3,500)
Cash generated from operations	**6,140,099**	5,774,741

(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 disposal of property, plant and equipment comprise:

	2017	2016
Net book amount (Note 15)	39,184	63,584
Gains/(losses) on disposal of property, plant and equipment (Note 33(a))	8,269	(19,856)
Net-off with payables	(26,920)	—
Proceeds from disposal of property, plant and equipment	20,533	43,728

(c) Major non-cash transactions

For the year ended 31 December 2017, the Group endorsed bank acceptance notes to the suppliers for purchase of property, plant and equipment amounting to approximately RMB326,679,000 (2016: approximately RMB192,329,000).

(d) Non-cash financing activities

	2017	2016
Disposal of a subsidiary - bank borrowings (Note 26)	(1,870,000)	—
Capital injection by intangible assets from non-controlling interests	3,404	—

(e) Reconciliation of liabilities from financing activities

	Liabilities from financing activities		
	Borrowings due within 1 year	Borrowings from related parties	Total
Net debt as at 31 December 2016	4,511,787	36,000	4,547,787
Financing cash flows	548,213	—	548,213
Operating cash flows (i)	800,000	—	800,000
Disposal of a subsidiary	(1,870,000)	—	(1,870,000)
Net debt as at 31 December 2017	**3,990,000**	**36,000**	**4,026,000**

(i) Borrowings arising from finance segment is reflected as operating cash flow.

(All amounts in RMB thousands unless otherwise stated)

34. CONTINGENCIES AND GUARANTEES

The Directors are of the opinion that there is no material liability in respect of legal claims. The provision for guarantees of products warranties has been disclosed in Note 31.

35. COMMITMENTS

(a) Capital commitments

Capital expenditure contracted for at the year end but not yet incurred is as follows:

	2017	2016
Property, plant and equipment	**397,246**	475,336

(b) Operating lease commitments – As a lessee

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

	2017	2016
No later than 1 year	**19,829**	23,821
Later than 1 year and no later than 2 years	**981**	7,788
Later than 2 years and no later than 5 years	**92**	572
	20,902	32,181

(c) Lease payments receivable – As a lessor

The future aggregate minimum lease payments receivable under non-cancellable operating leases in respect of investment properties, warehouses, plants and other assets are as follows:

	2017	2016
No later than 1 year	**35,352**	24,168
Later than 1 year and no later than 2 years	**3,729**	18,304
Later than 2 years and no later than 5 years	**1,342**	6,990
Later than 5 years	**995**	2,100
	41,418	51,562

(All amounts in RMB thousands unless otherwise stated)

36. TRANSACTIONS WITH NON-CONTROLLING INTERESTS

(a) Acquisition of additional interest in a subsidiary

(i) In February 2017, the Company acquired an additional 0.3012% of the issued equity of Sinotruk Finance Co., Ltd. for a purchase consideration of RMB7,442,000 and paid in February 2017. The effect of changes in the ownership interest of Sinotruk Finance Co., Ltd. on the equity attributable to owners of the Company during the period is summarised as follows:

	2017
Carrying amount of non-controlling interests acquired	8,200
Consideration to non-controlling interests	(7,442)
Gains on a bargain purchase recognised within equity	758

(ii) In December 2017, the Group completed the injection for a consideration of RMB1,396,417,000 in Sinotruk Finance Co., Ltd., which increased its equity interest to 94.49%. The effect of changes in the ownership interest of Sinotruk Finance Co., Ltd. on the equity attributable to owners of the Company during the period is summarised as follows:

	2017
The dilution effect to non-controlling interests resulting from the injection	(77)

(b) Effects of changes in ownership interests in a subsidiary without change of control on the equity

	2017
Changes in equity attributable to owners of the Company arising from:	
– Dilution effect on capital injection in a subsidiary	(77)
– Acquisition of additional interests in a subsidiary	758
	681

(All amounts in RMB thousands unless otherwise stated)

37. RELATED PARTY TRANSACTIONS

The immediate holding company of the Group is Sinotruk (BVI) Limited, a company incorporated in the British Virgin Islands. The ultimate holding company of the Group is CNHTC which is a state-owned company established in the PRC and is controlled by the PRC Government.

The Group is an associated company of MAN Finance and Holding S.A., a non-wholly owned subsidiary of Ferdinand Porsche Familien – Privatstiftung ("FPFPS"). FPFPS and its subsidiaries are referred as the FPFPS Group.

Hongye is a jointly controlled entity of the Group. Prinx Cayman and its subsidiaries (referred as "Prinx Cayman Group") and Panzhihua Mining Truck are associated companies of the Group. Baotou Xinhongchang was an associated company of the Group during the year

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

(a) Significant related party transactions

	2017	2016
Transactions with related parties		
(i) CNHTC Group		
Sales of trucks	1,294,317	533,262
Purchases of trucks	1,870,721	1,347,909
Sales of spare parts	457,660	325,506
Purchases of spare parts	1,256,393	719,175
Supply of auxiliary production services	4,343	3,248
Purchases of general services	109,246	87,310
Rental income	14,542	11,938
Rental expenses	17,135	23,460
Purchases of construction and project management services	28,662	22,800
Provision for technology support and services	6,966	9,054
Purchase of technology development	20,755	19,202
Interest expenses for deposits taking services	7,265	3,814
Purchases of fixed assets	101	1,131
Interest expenses for accepting loan service	1,588	1,566
Aggregate of interest income for loan service	10,352	9,402
Fee income	344	339
	5,100,390	3,119,116

(All amounts in RMB thousands unless otherwise stated)

37. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Significant related party transactions (Continued)

	2017	2016
(ii) FPFPS Group		
Sales of spare parts	**44,214**	33,462
Purchases of spare parts	**—**	90
	44,214	33,552
(iii) Prinx Cayman Group		
Purchases of spare parts	**266,182**	151,870
Sales of raw materials	**135,927**	91,812
	402,109	243,682
(iv) Hongye		
Sales of trucks	**993,732**	487,139
Aggregate of interest expenses for deposits taking services	**111**	95
Purchases of spare parts	**30,199**	—
	1,024,042	487,234
(v) Key management		
Salaries and other short-term benefits	**8,053**	6,907
Post-employment benefits	**287**	267
	8,340	7,174

(vi) Other State-owned Enterprises

The Group has transactions with Other State-owned Enterprises including but not limited to sales of products, purchase of raw material and services, deposits placement and borrowings. The Directors are of the opinion that these transactions are conducted in the ordinary business of the Group and no disclosure is presented.

(All amounts in RMB thousands unless otherwise stated)

37. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Balances with related parties

Amounts due from related parties

	2017	2016
(i) CNHTC Group		
Trade receivables	2,197	891
Other receivables	—	300,000
	2,197	300,891
(ii) FPFPS Group		
Prepayments	340	194
(iii) Prinx Cayman Group		
Trade receivables	1,843	6,099
(iv) Hongye		
Trade receivables	337,308	107,910
Other receivables	11,080	207
	348,388	108,117
	352,768	415,301

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

	2017	2016
RMB	345,078	408,986
USD	5,764	6,099
HKD	1,586	22
	352,428	415,107

(All amounts in RMB thousands unless otherwise stated)

37. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Balances with related parties (Continued)

The ageing analysis of trade receivables from related parties based on invoice date at respective dates of statement of financial position are as follows:

	2017	2016
Less than 3 months	**325,056**	89,254
3 months to 6 months	**16,281**	24,866
6 months to 12 months	**—**	140
1 year to 2 years	**11**	—
2 years to 3 years	**—**	640
	341,348	114,900

Amounts due to related parties

	2017	2016
(i) CNHTC Group		
Trade payables	**5,684**	7,877
Other payables	**6,210**	5,760
Advances from customers	**13,642**	15,270
Deposits taking	**1,138,263**	446,830
Borrowings	**36,000**	36,000
	1,199,799	511,737
(ii) Prinx Cayman Group		
Trade payables	**17,675**	18,028
Advances from customers	**222**	—
	17,897	18,028
(iii) Panzhihua Mining Truck		
Advances from customers	**150**	150
(iv) Hongye		
Other payables	**134,055**	145,758
Deposits taking	**64,484**	51,673
	198,539	197,431
	1,416,385	727,346

(All amounts in RMB thousands unless otherwise stated)

37. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Balances with related parties (Continued)

The carrying amounts due to related parties excluding advances from customers are denominated in the following currencies:

	2017	2016
RMB	1,265,580	566,168
USD	86,908	85,908
HKD	49,883	59,850
	1,402,371	711,926

The ageing analysis of trade payables to related parties based on invoice date at respective dates of statement of financial position are as follows:

	2017	2016
Less than 3 months	22,709	25,566
3 months to 6 months	—	339
6 months to 12 months	650	—
	23,359	25,905

As at 31 December 2017 and 2016, except for deposits taking and borrowings, amounts due from/to related parties were all unsecured, interest free and due within one year. As at 31 December 2017 and 2016, deposits taking and borrowings from related parties were unsecured and due within one year, and bearing with interest at rate of 4.35% (2016: 3.63%) for borrowings.

As at 31 December 2017 and 2016, trade receivables due from related parties were not past due or impaired.

Balances with Other State-owned Enterprises

As at 31 December 2017 and 2016, majority of the Group's bank balances and borrowings are with state-owned banks.

(All amounts in RMB thousands unless otherwise stated)

38. EVENTS AFTER THE REPORTING PERIOD

On 30 August 2017, the Company's non-wholly owned subsidiary, ShanDong HOWO Auto Finance Co., Ltd. had entered a capital injection agreement with the Company, Shandong International Trust Co., Ltd. and CNHTC under which they agreed to inject approximately RMB674.9 million, approximately RMB304.5 million and approximately RMB35.5 million respectively into ShanDong HOWO Auto Finance Co., Ltd. The capital injection agreement was superseded on 1 March 2018, ShanDong HOWO Auto Finance Co., Ltd. entered into the capital increase agreement with the Company and Sinotruk Ji'nan Power Co., Ltd., a wholly-owned subsidiary of the Company. Under the agreement, the Company and Sinotruk Ji'nan Power Co., Ltd. agreed to make capital contributions of approximately RMB638.2 million and RMB319.1 million, respectively, to ShanDong HOWO Auto Finance Co., Ltd. Of the aforesaid capital contributions, RMB600 million and RMB300 million, respectively, will be contributed to the increase in the registered capital of ShanDong HOWO Auto Finance Co. Ltd., and the remaining amount will be contributed to its capital reserve. Upon completion of the capital increase, the equity interest of the Group in ShanDong HOWO Auto Finance Co., Ltd. will increase from 50% to approximately 82.15%.

39. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENTS OF THE COMPANY

Statement of financial position of the Company

	Note	**31 December 2017**	31 December 2016
ASSETS			
Non-current assets			
Land use rights		**16,272**	16,290
Property, plant and equipment		**396**	440
Deferred income tax assets		**1,627**	687
Investments in subsidiaries		**18,759,202**	17,039,019
Amounts due from subsidiaries		**1,060,000**	1,660,000
		19,837,497	18,716,436
Current assets			
Amounts due from subsidiaries		**19,885**	42,111
Dividends receivable		**271,246**	123,874
Trade receivables, other receivables and other current assets		**36,369**	43,817
Cash and bank balances		**116,819**	382,498
		444,319	592,300
Total assets		**20,281,816**	19,308,736
EQUITY			
Equity attributable to the owners of the Company			
Share capital		**16,717,024**	16,717,024
Retained earnings	(a)	**1,847,918**	994,186
Total equity		**18,564,942**	17,711,210

(All amounts in RMB thousands unless otherwise stated)

39. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENTS OF THE COMPANY (CONTINUED)

Statement of financial position of the Company (Continued)

	Note	31 December 2017	31 December 2016
LIABILITIES			
Current liabilities			
Amounts due to subsidiaries		**1,706,101**	124,298
Trade and other payables		**10,773**	26,441
Borrowings		**—**	1,446,787
Total liabilities and total current liabilities		**1,716,874**	1,597,526
Total equity and liabilities		**20,281,816**	19,308,736

The statement of financial position of the Company was approved by the Board of Directors on 23 March 2018 and was signed on its behalf.

Wang Bozhi
Director

Kong Xiangquan
Director

(a) Reserve movements of the Company

	Retained earnings
At 1 January 2016	818,847
Profit for the year	245,570
Dividends relating to 2015	(70,231)
At 31 December 2016	994,186
Profit for the year	**1,046,761**
Dividends relating to 2016	**(193,029)**
At 31 December 2017	**1,847,918**

(All amounts in RMB thousands unless otherwise stated)

40. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executive's emoluments

The Company does not have a chief executive who is not also the Director.

The remuneration of each Director for the year ended 31 December 2017 and 2016 are set out below:

	Year ended 31 December 2017					
Name of Director	Fees	Salaries	Discretionary bonus	Social security costs	Employer's contribution to a retirement benefit scheme	Total
Mr. Wang Bozhi (a)	–	–	–	–	–	–
Mr. Cai Dong	–	652	–	100	33	785
Mr. Tong Jingen	–	568	–	97	33	698
Mr. Wang Shanpo	–	568	–	95	33	696
Mr. Kong Xiangquan	–	568	–	94	33	695
Mr. Liu Wei	–	568	–	95	33	696
Mr. Liu Peimin	–	568	–	94	32	694
Mr. Franz Neundlinger	–	551	–	–	–	551
Mr. Andreas Hermann Renschler	180	–	–	–	–	180
Mr. Joachim Gerhard Drees	180	–	–	–	–	180
Mr. Matthias Gründler (b)	120	–	–	–	–	120
Dr. Lin Zhijun	180	–	–	–	–	180
Mr. Chen Zheng	180	–	–	–	–	180
Mr. Yang Weicheng	180	–	–	–	–	180
Dr. Wang Dengfeng	180	–	–	–	–	180
Mr. Zhao Hang	180	–	–	–	–	180
Mr. Liang Qing	180	–	–	–	–	180
Mr. Ma Chunji (c)	–	672	–	53	33	758

(All amounts in RMB thousands unless otherwise stated)

40. BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

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

The remuneration of each Director for the year ended 31 December 2017 and 2016 are set out below: (Continued)

	Year ended 31 December 2016					
Name of Director	Fees	Salaries	Discretionary bonus	Social security costs	Employer's contribution to a retirement benefit scheme	Total
Mr. Cai Dong	–	580	–	48	30	658
Mr. Tong Jingen	–	480	–	48	30	558
Mr. Wang Shanpo	–	480	–	48	30	558
Mr. Kong Xiangquan	–	480	–	48	30	558
Mr. Liu Wei	–	480	–	48	30	558
Mr. Liu Peimin	–	480	–	51	30	561
Mr. Franz Neundlinger	–	551	–	–	–	551
Mr. Andreas Hermann Renschler	180	–	–	–	–	180
Mr. Joachim Gerhard Drees	180	–	–	–	–	180
Mr. Matthias Gründler (b)	–	–	–	–	–	–
Dr. Lin Zhijun	180	–	–	–	–	180
Mr. Chen Zheng	180	–	–	–	–	180
Mr. Yang Weicheng	180	–	–	–	–	180
Dr. Wang Dengfeng (d)	146	–	–	–	–	146
Mr. Zhao Hang (e)	130	–	–	–	–	130
Mr. Liang Qing (f)	60	–	–	–	–	60
Mr. Ma Chunji	–	600	–	48	30	678
Mr. Anders Olof Nielsen (g)	69	–	–	–	–	69

(a) Mr. Wang Bozhi was appointed as Director on 22 December 2017.

(b) Mr. Matthias Gründler was appointed as Director on 1 July 2016. During the year 2017 and 2016, Mr. Matthias Gründler waived emoluments of RMB60,000 and RMB90,000 respectively.

(c) Mr. Ma Chunji retired as Director with effect from 21 December 2017.

(d) Dr. Wang Dengfeng was appointed as Director on 9 March 2016.

(e) Mr. Zhao Hang was appointed as Director on 11 April 2016.

(f) Mr. Liang Qing was appointed as Director on 1 September 2016.

(g) Mr. Anders Olof Nielsen resigned as Director with effect from 19 May 2016.

40. BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

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

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

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

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

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

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

FIVE YEARS FINANCIAL SUMMARY

OPERATING RESULTS

	For the year ended 31 December				
	2013 RMB'000	2014 RMB'000	2015 RMB'000	2016 RMB'000	**2017 RMB'000**
Revenue	30,409,787	32,809,402	28,304,893	32,958,901	**55,457,928**
Profit before income tax	592,293	804,228	426,135	921,582	**4,055,433**
Income tax expense	(152,738)	(209,269)	(102,694)	(258,750)	**(719,538)**
Profit for the year	439,555	594,959	323,441	662,832	**3,335,895**
Attributed to:					
Owners of the Company	271,387	408,032	205,946	532,105	**3,023,023**
Non-controlling interests	168,168	186,927	117,495	130,727	**312,872**
Profit for the year	439,555	594,959	323,441	662,832	**3,335,895**

ASSETS, LIABILITIES AND EQUITY

	As at 31 December				
	2013 RMB'000	2014 RMB'000	2015 RMB'000	2016 RMB'000	**2017 RMB'000**
Total assets	45,697,247	44,292,792	42,335,438	49,485,343	**61,183,016**
Total liabilities	24,884,875	23,046,413	20,619,768	27,146,246	**35,752,305**
Total equity:					
Owners of the Company	18,864,136	19,170,878	19,338,120	19,911,809	**22,757,463**
Non-controlling interests	1,948,236	2,075,501	2,377,550	2,427,288	**2,673,248**
	20,812,372	21,246,379	21,715,670	22,339,097	**25,430,711**


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