

The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from our auditors and reporting accountants, PricewaterhouseCoopers, certified public accountants, Hong Kong. As described in "Documents Delivered to the Registrar of Companies" and "Documents Available for Inspection" in Appendix VIII, a copy of the accountants' report is available for inspection.



羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

15 November 2007

The Directors

Sinotruk (Hong Kong) Limited

China International Capital Corporation (Hong Kong) Limited

J.P. Morgan Securities (Asia Pacific) Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") of Sinotruk (Hong Kong) Limited (the "Company") and its subsidiaries (together, the "Group") set out in Sections I to III below, for inclusion in the prospectus of the Company dated 15 November 2007 (the "Prospectus") in connection with the initial public offering of the shares of the Company and listing of those shares on the Main Board of The Stock Exchange of Hong Kong Limited. The Financial Information comprises the consolidated balance sheets as at 31 December 2004, 2005 and 2006 and 30 September 2007, the balance sheet of the Company as at 30 September 2007, and the consolidated income statements, the consolidated statements of changes in equity and the consolidated cash flow statements for each of the years ended 31 December 2004, 2005 and 2006 and the nine months ended 30 September 2006 and 2007 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory notes.

The Company was incorporated in Hong Kong on 31 January 2007 with limited liability under the Hong Kong Companies Ordinance. Pursuant to a group reorganisation, as detailed in the Note 1 of Section II below (the "Reorganisation"), the Company became the holding company of the subsidiaries now comprising the Group.

As at the date of this report, the Company has direct and indirect interests in the subsidiaries as set out in Note 34 of Section II below, all of which are private companies or, if incorporated or established outside Hong Kong, have substantially the same characteristics as a Hong Kong incorporated private company, except for Sinotruk Ji'nan Truck Company Limited ("Sinotruk Ji'nan Truck Company") which is a joint stock company with limited liability listed on the Shenzhen Stock Exchange. All companies now comprising the Group have adopted 31 December as their financial year end date.

No audited financial statements have been prepared by the Company since its date of incorporation as it is newly incorporated and has not carried out any significant business transaction other than the Reorganisation. The audited financial statements of the companies comprising the Group for which there are statutory audit requirements have been prepared in accordance with the relevant accounting principles generally accepted in their places of incorporation. The details of the statutory auditors of these companies are set out in Note 34 of Section II below.

For the purpose of this report, the directors of the Company have prepared consolidated financial statements of the Company for the Relevant Periods, in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) (the “Underlying Financial Statements”). We have audited the Underlying Financial Statements for each of the years ended 31 December 2004, 2005 and 2006 and the nine months ended 30 September 2007 in accordance with Hong Kong Standards on Auditing.

The Financial Information has been prepared based on the Underlying Financial Statements, with no adjustment made thereon and from the unaudited management accounts of the Group for the nine months ended 30 September 2006.

Directors’ responsibilities

The directors of the Company are responsible for the preparation and the true and fair presentation of the Underlying Financial Statements and the Financial Information in accordance with HKFRS. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and the true and fair presentation of Underlying Financial Statements and Financial Information that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Reporting accountant’s responsibility

For the financial information for each of the years ended 31 December 2004, 2005 and 2006 and the nine months ended 30 September 2007, our responsibility is to express an opinion on the financial information based on our examination and to report our opinion to you. We examined the Underlying Financial Statements, and carried out such additional procedures as are necessary in accordance with the Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

For the financial information for the nine months ended 30 September 2006, it is our responsibility to form an independent conclusion, based on our review, on the financial information and to report to our conclusion to you. We conducted our review on the financial information in accordance with Statement of Auditing Standards 700 “Engagements to review interim financial reports” issued by the HKICPA. A review consists principally of making enquiries of the group management and applying analytical procedures to the financial information and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless

otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information for the nine months ended 30 September 2006.

Opinion and review conclusion

In our opinion, the financial information for each of the years ended 31 December 2004, 2005 and 2006 and the nine months ended 30 September 2007, for the purpose of this report, gives a true and fair view of the state of affairs of the Company as at 30 September 2007 and the Group as at 31 December 2004, 2005 and 2006 and 30 September 2007 and the Group's results and cash flows for the years and period then ended.

On the basis of our review which does not constitute an audit, for the purpose of this report, we are not aware of any material modifications that should be made to the financial information for the nine months ended 30 September 2006.

I. CONSOLIDATED FINANCIAL STATEMENTS

1. CONSOLIDATED BALANCE SHEET

(All amounts in RMB thousands unless otherwise stated)

	Note	As at 31 December			As at
		2004	2005	2006	30 September
					2007
ASSETS					
Non-current assets					
Land use rights	7	48,872	193,677	240,087	276,877
Property, plant and equipment	8	1,607,481	2,289,455	2,647,734	3,231,093
Intangible assets	9	8,787	8,846	7,107	5,896
Deferred income tax assets	19	490,920	460,215	195,806	229,111
		<u>2,156,060</u>	<u>2,952,193</u>	<u>3,090,734</u>	<u>3,742,977</u>
Current assets					
Inventories	11	2,142,937	2,521,532	2,610,398	4,061,962
Trade and other receivables	10	1,666,662	995,604	4,097,569	2,745,363
Loan and receivables	12	30,000	592,730	474,700	—
Amounts due from related parties	35	1,569,871	1,528,405	96,311	88,692
Restricted cash	13	2,728,551	5,655,242	2,846,374	1,663,410
Cash and cash equivalents	14	1,169,967	1,527,594	2,321,902	2,654,295
		<u>9,307,988</u>	<u>12,821,107</u>	<u>12,447,254</u>	<u>11,213,722</u>
Total assets		<u>11,464,048</u>	<u>15,773,300</u>	<u>15,537,988</u>	<u>14,956,699</u>
EQUITY					
Capital and reserves attributable to the Company's equity holder					
Share capital		146,154	146,154	146,154	146,154
Statutory reserves		12,618	22,481	67,820	69,746
Capital reserves		115,966	(187,159)	(769,688)	(864,946)
Merger reserve		830,426	830,426	950,723	1,045,473
Retained earnings		(2,746,790)	(2,618,081)	545,923	1,375,565
		<u>(1,641,626)</u>	<u>(1,806,179)</u>	<u>940,932</u>	<u>1,771,992</u>
Minority interests		<u>353,434</u>	<u>403,566</u>	<u>644,101</u>	<u>884,625</u>
Total equity	15	<u>(1,288,192)</u>	<u>(1,402,613)</u>	<u>1,585,033</u>	<u>2,656,617</u>
LIABILITIES					
Non-current liabilities					
Borrowings	18	1,133,046	976,147	407,373	1,682,243
Termination benefits, post-employment benefits and medical insurance plan	20	1,015,450	956,050	99,090	85,840
Other long-term payables		24,970	24,970	—	—
		<u>2,173,466</u>	<u>1,957,167</u>	<u>506,463</u>	<u>1,768,083</u>
Current liabilities					
Trade and other payables	17	4,904,732	5,424,344	3,673,797	7,060,336
Current income tax liabilities	26	604	20,272	132,133	317,120
Borrowings	18	5,223,363	9,194,696	7,775,557	2,872,484
Amounts due to related parties	35	386,984	527,973	1,794,610	68,554
Provisions for other liabilities	21	63,091	51,461	70,395	213,505
		<u>10,578,774</u>	<u>15,218,746</u>	<u>13,446,492</u>	<u>10,531,999</u>
Total liabilities		<u>12,752,240</u>	<u>17,175,913</u>	<u>13,952,955</u>	<u>12,300,082</u>
Total equity and liabilities		<u>11,464,048</u>	<u>15,773,300</u>	<u>15,537,988</u>	<u>14,956,699</u>
Net current (liabilities)/assets		<u>(1,270,786)</u>	<u>(2,397,639)</u>	<u>(999,238)</u>	<u>681,723</u>
Total assets less current liabilities		<u>885,274</u>	<u>554,554</u>	<u>2,091,496</u>	<u>4,424,700</u>

2. COMPANY BALANCE SHEET

(All amounts in RMB thousands unless otherwise stated)

	Note	As at 30 September 2007
ASSETS		
Non-current assets		
Land use rights		16,464
Property, plant and equipment		824
Deferred income tax assets		154
Investment in subsidiaries	34	<u>3,006,299</u>
		<u>3,023,741</u>
Current assets		
Cash and cash equivalents		10
Other receivables		<u>35,050</u>
		<u>35,060</u>
Total assets		<u><u>3,058,801</u></u>
EQUITY		
Capital and reserves attributable to the Company's equity holder		
Share capital	15	146,154
Share premium	15(h)	2,860,145
Accumulated losses		<u>(726)</u>
Total equity		<u>3,005,573</u>
LIABILITIES		
Non-current liabilities		
Borrowings	18	<u>9,907</u>
Current liabilities		
Other payables		10
Borrowings	18	2,078
Amounts due to subsidiaries		<u>41,233</u>
		43,321
Total liabilities		<u>53,228</u>
Total equity and liabilities		<u><u>3,058,801</u></u>
Net current liabilities		<u>(8,261)</u>
Total assets less current liabilities		<u><u>3,015,480</u></u>

3. CONSOLIDATED INCOME STATEMENT — By function of expense

(All amounts in RMB thousands unless otherwise stated)

	Note	Year ended 31 December			Nine months ended 30 September	
		2004	2005	2006	2006	2007
					<i>(Unaudited)</i>	
Revenue	6	10,163,580	9,114,437	12,767,450	9,092,213	16,141,370
Cost of sales		(8,694,750)	(7,983,012)	(10,529,568)	(7,504,091)	(13,184,227)
Gross profit		1,468,830	1,131,425	2,237,882	1,588,122	2,957,143
Distribution costs		(334,572)	(427,401)	(649,904)	(463,666)	(778,269)
Administrative expenses		(529,834)	(497,995)	(638,673)	(468,069)	(604,698)
Other gains — net	22	153,318	88,489	372,555	347,674	114,224
Operating profit		757,742	294,518	1,321,860	1,004,061	1,688,400
Finance income		39,580	96,179	124,233	105,445	65,376
Finance costs		(245,721)	(154,735)	(259,435)	(183,741)	(138,868)
Finance costs — net	25	(206,141)	(58,556)	(135,202)	(78,296)	(73,492)
Profit before income tax		551,601	235,962	1,186,658	925,765	1,614,908
Income tax expense	26	(189,950)	(112,357)	(406,775)	(312,056)	(540,980)
Profit for the year/period		<u>361,651</u>	<u>123,605</u>	<u>779,883</u>	<u>613,709</u>	<u>1,073,928</u>
Attributable to:						
Equity holder of the Company		301,323	77,869	638,465	523,470	831,568
Minority interests		60,328	45,736	141,418	90,239	242,360
		<u>361,651</u>	<u>123,605</u>	<u>779,883</u>	<u>613,709</u>	<u>1,073,928</u>
Earnings per share for profit attributable to the equity holders of the Company during the year/period (expressed in RMB per share)						
— basic & diluted	28	<u>0.20</u>	<u>0.05</u>	<u>0.43</u>	<u>0.35</u>	<u>0.55</u>
Dividends paid to equity holders of the Company	29	<u>—</u>	<u>—</u>	<u>(60,918)</u>	<u>(60,918)</u>	<u>—</u>
Dividends paid to minority interests	29	<u>—</u>	<u>—</u>	<u>(1,749)</u>	<u>(1,749)</u>	<u>(1,346)</u>

4. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(All amounts in RMB thousands unless otherwise stated)

	Note	Year ended 31 December			Nine months ended 30 September	
		2004	2005	2006	2006	2007
					<i>(Unaudited)</i>	
Total equity at the beginning of the year/period		(2,755,871)	(1,288,192)	(1,402,613)	(1,402,613)	1,585,033
Profit for the year/period		361,651	123,605	779,883	613,709	1,073,928
Exchange differences arising on translation of the accounts of a subsidiary	15	8	(244)	(2,873)	(3,088)	(998)
Dividends	29	—	—	(62,667)	(62,667)	(1,346)
Distributions	15	—	(305,292)	(30,206)	(30,206)	—
Contributions	15	<u>1,106,020</u>	<u>67,510</u>	<u>2,303,509</u>	<u>2,288,292</u>	<u>—</u>
Total equity at the end of the year/period		<u>(1,288,192)</u>	<u>(1,402,613)</u>	<u>1,585,033</u>	<u>1,403,427</u>	<u>2,656,617</u>

5. CONSOLIDATED CASH FLOW STATEMENTS

(All amounts in RMB thousands unless otherwise stated)

	Note	Year ended 31 December			Nine months ended 30 September	
		2004	2005	2006	2006	2007
<i>(Unaudited)</i>						
Cash flows from operating activities						
Cash generated from operations . . .	30	2,052,013	1,296,258	2,290,206	3,313,733	3,218,026
Interest paid		(282,295)	(173,988)	(108,662)	(86,924)	(98,153)
Income tax paid		(1,929)	(1,281)	(54,698)	(47,593)	(387,714)
Net cash generated from operating activities		<u>1,767,789</u>	<u>1,120,989</u>	<u>2,126,846</u>	<u>3,179,216</u>	<u>2,732,159</u>
Cash flows from investing activities						
Acquisition of subsidiaries, net cash acquired/(used)	15(d)	52,877	(500)	—	—	—
Purchase of property, plant and equipment		(687,045)	(794,224)	(1,345,359)	(1,011,200)	(751,027)
Proceeds from sale of property, plant and equipment	30	72,012	4,716	13,875	7,151	4,330
Purchases of intangible assets . . .		(128)	(1,608)	(97)	(97)	(154)
Loan repayment received		—	30,000	—	—	—
Prepaid operating lease payments for land use rights		(144,275)	(48,679)	(51,708)	(51,708)	(41,220)
Interest received		<u>41,771</u>	<u>70,925</u>	<u>137,985</u>	<u>123,126</u>	<u>70,377</u>
Net cash used in investing activities		<u>(664,788)</u>	<u>(739,370)</u>	<u>(1,245,304)</u>	<u>(932,728)</u>	<u>(717,694)</u>
Cash flows from financing activities						
(Increase)/decrease in restricted cash		(1,312,402)	(2,946,691)	1,206,336	1,717,268	1,162,964
Proceeds from borrowings		3,960,625	7,338,560	7,114,855	4,006,018	3,613,637
Repayments of borrowings		(3,336,330)	(4,142,291)	(8,254,283)	(7,654,646)	(6,445,343)
Capital injection by a minority shareholder		—	6,807	—	—	—
Distribution to equity holder		(338,136)	(279,013)	(71,974)	(71,974)	—
Transfer of assets and liabilities to the Parent Company	33	—	—	(58,828)	(58,828)	—
Dividends paid to minority interests	29	—	—	(1,749)	(1,749)	(1,346)
Listing fee		—	—	(18,090)	(2,270)	(16,974)
Net cash used in financing activities		<u>(1,026,243)</u>	<u>(22,628)</u>	<u>(83,733)</u>	<u>(2,066,181)</u>	<u>(1,687,062)</u>
Net increase in cash and cash equivalents						
Cash and cash equivalents at beginning of the year/period . .	14	1,093,186	1,169,967	1,527,594	1,527,594	2,321,902
Exchange gains/(losses) on cash . .		23	(1,364)	(3,501)	(1,047)	4,990
Cash and cash equivalents at end of the year/period	14	<u>1,169,967</u>	<u>1,527,594</u>	<u>2,321,902</u>	<u>1,706,854</u>	<u>2,654,295</u>

II. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB thousands unless otherwise stated)

1. Organisation and principal activities**(a) General information of the Group**

The Company was incorporated in Hong Kong on 31 January 2007 as a limited liability company in preparation for a listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited. As at the date of this report, the authorised share capital of the Company is HKD 10,000,000,000, divided into 100,000,000,000 ordinary shares of HKD 0.1 each. The issued share capital of the Company is HKD 150,000,000, divided into 1,500,000,000 ordinary shares of HKD 0.1 each. The Group is principally engaged in the manufacturing and sales of heavy duty trucks, engines, and the provision of finance services (the "Listing Business"). 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.

Prior to the incorporation of the Company, China National Heavy Duty Truck Group Company Limited ("CNHTC" or the "Parent Company"), a state-owned enterprise in Mainland China which is owned by the Shandong provincial counterpart of the State-owned Assets Supervision and Administration Commission of the State Council (the "Shandong provincial counterpart of SASAC") and its subsidiaries were engaged in the Listing Business, manufacturing and sale of special purpose vehicles and passenger cars, property development, provision of loan guarantees and other auxiliary operations (collectively, the "Predecessor Operations"). The Listing Business was carried out by the companies now comprising the Group as set out in Note 34 and operating units of CNHTC.

(b) Business reorganisation before formation of the Group

In preparing for the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited, the following business reorganisation (the "Business Reorganisation") was carried out:

- (1) Sinotruk Ji'nan Power Company Limited ("Ji'nan Power") and Sinotruk Hangzhou Engine Company Limited ("Hangzhou Auto Engine"), which was a subsidiary of Ji'nan Power, were established in the People's Republic of China on 27 April 2006 and 30 April 2006, respectively, which were wholly owned by CNHTC. On 30 June 2006, two operating units of CNHTC engaged in the Listing Business transferred their businesses and related assets and liabilities to Ji'nan Power and Hangzhou Auto Engine, respectively, as part of the Business Reorganisation.
- (2) China National Heavy Duty Truck Group Design Institute and Chongqing Oil Pumps and Nozzle Products Factory, the two then operating units of CNHTC, were restructured on 11 June 2006 and 28 June 2006, respectively, to become Sinotruk Factory Design Institute Company Limited ("Sinotruk Design Institute") and Sinotruk Chongqing Fuel System Company Limited ("Sinotruk Chongqing Fuel System"), both are limited liability companies wholly owned by CNHTC. Businesses previously carried out by these two operating units were continuously operated by Sinotruk Design Institute and Sinotruk Chongqing Fuel System, respectively.
- (3) On 30 June 2006, CNHTC transferred the equity interests in certain then subsidiary companies which are principally engaged in the Listing Business to Ji'nan Power;
- (4) Certain assets and liabilities of companies now comprising the Group were transferred to CNHTC with effect on 30 June 2006. Details of the transfer were set out in Note 33.
- (5) On 31 January 2007, Sinotruk (BVI) Limited ("Sinotruk BVI"), a company incorporated in the British Virgin Islands and wholly owned by CNHTC, acquired (i) the equity interests in Ji'nan Power and; (ii) the equity interests in other companies principally engaged in the Listing Business from CNHTC (collectively the "Operating Companies").

- (6) Other CNHTC group companies and businesses (the “Retained Operations”), which were not acquired by Sinotruk BVI and are retained by CNHTC, represented:
- (i) companies and divisions engaged in the manufacturing and sale of specialty vehicles and passenger cars, and the related assets and liabilities of the aforementioned operations.
 - (ii) equity interests in certain companies not strategically complementary to the Group’s business, which mainly represented companies engaged in property development and the provision of loan guarantee services.
 - (iii) auxiliary facilities such as schools and hospitals.

(c) Formation of the Group

Pursuant to an asset injection agreement between CNHTC and Sinotruk BVI dated 2 April 2007, the Company acquired the equity interests in the Operating Companies from Sinotruk BVI through a share swap, and became the holding company of the companies now comprising the Group.

2. Basis of preparation

- (a) The Financial Information has been prepared using the principles of merger accounting, as prescribed in Hong Kong Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

The Financial Information includes the financial position, results and cash flows of the companies comprising the Group as if the current group structure had been in existence since 1 January 2004, or since their respective dates of incorporation/establishment.

Accounting adjustments under common control combination is set out in Note 16.

The Financial Information presents the results of operations of the Group, including businesses carried out by operating units of CNHTC being injected into Ji’nan Power and Hangzhou Auto Engine (see Note 1(b)(1)) and business carried out by China National Heavy Duty Truck Group Design Institute and Chongqing Oil Pumps and Nozzle Products Factory (see Note 1(b)(2)) prior to the Business Reorganisation, as if the Group had been in existence throughout the Relevant Periods and as if the Company is the holding company of the Operating Companies as of the beginning of the periods presented.

In evaluating whether the Financial Information prior to the Reorganisation fairly presents the past performance of the Group’s businesses, the Directors consider, among others, the following:

- (i) whether other operations carried out by CNHTC group companies were in dissimilar business;
- (ii) whether other operations were and will be operated autonomously both before and after the Reorganisation; and
- (iii) whether other operations have no more than incidental common facilities and costs.

Certain assets and liabilities historically associated as part of the Predecessor Operations that did not operate autonomously and were operated by CNHTC before the Business Reorganisation (see Note 33), were included in the Financial Information up to 30 June 2006 because the Directors consider that the historical financial information should reflect all of the Group’s costs of doing business, and include all relevant activities that are not separable and have been part of the past performance of the Group’s business and operations.

The Financial Information of the Retained Operations that were strategically not complementary to the Group's business and certain auxiliary facilities have not been included in the Financial Information throughout the Relevant Periods, as they have distinct and separate management personnel, maintained separate accounting records and have been financed historically as if they were autonomous and they are in dissimilar business and operations as compared with the Operating Companies, and were not acquired by the Company pursuant to the Reorganisation.

- (b) As a result of the Business Reorganisation, with effect on 30 June 2006, certain assets and liabilities of the companies now comprising the Group (see Note 1(b)(4)), were transferred to CNHTC, and certain assets and liabilities historically associated as part of the Predecessor Operations (see Note 2(a)) were retained by CNHTC. The assets and liabilities transferred to and retained by CNHTC were recognised as a contribution from CNHTC and details are set out in Note 33 to the Financial Information.

3 Principal 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/periods presented, unless otherwise stated.

(a) *Basis of presentation*

The Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The Financial Information has been prepared under the historical cost convention.

The preparation of the Financial Information 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 Financial Information, are disclosed in Note 5 of this section.

- (i) New standards, amendments and interpretations to existing standards that are effective during the Relevant Periods have been adopted and applied by the Group consistently throughout the Relevant Periods unless prohibited by the relevant standard to apply retrospectively.
- (ii) New standards and interpretations to existing standards that are not yet effective and have not been early adopted by the Group.

As at 30 September 2007, the following new standards, amendments and interpretations had been issued by HKICPA but were not effective. The Group has not early adopted these standards, amendments and interpretations.

HKFRS 8, Operating Segments (effective for annual periods beginning on or after 1 January 2009). This standard supersedes Hong Kong Accounting Standard ("HKAS") 14 Segment Reporting, under which segments were identified and reported on risk and return analysis. Items were reported on the accounting policies used for external reporting. Under HKFRS 8, segments are components of an entity regularly reviewed by an entity's chief operating decision-maker. Items are reported based on the internal reporting. It is not expected to have material impact on the Group's financial statements;

HK(IFRIC)-Int 11, HKFRS-2 Group and Treasury Share Transactions (effective for annual periods beginning on or after 1 March 2007). This standard is not relevant to the Group's operations;

HK(IFRIC)-Int 12, Service Concession Arrangements (effective for annual periods beginning on or after 1 January 2008). This standard is not relevant to the Group's operations;

HK(IFRIC)-Int 13, Customer loyalty programmes (effective from 1 January 2008). IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement in using fair values. IFRIC 13 is not relevant to the Group's operations because none of the Group's companies operate any loyalty programmes.

HK(IFRIC)-Int 14, IAS 19 — The limit on a defined benefit asset, minimum funding requirements and their interaction (effective from 1 January 2008). IFRIC 14 provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognized as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The group will apply IFRIC 14 from 1 January 2007, but it is not expected to have any impact on the Group's financial statements.

HKAS 23(Revised), Borrowing Cost (effective for annual periods beginning on or after 1 January 2009). HKAS 23R removes the option to expense borrowing costs, and requires management to capitalise borrowing costs attributable to qualifying assets. HKAS 23R only applies to qualifying assets measured at cost and excludes inventories that are routinely manufactured, or otherwise produced in large quantities on a repetitive basis. It is not expected to have material impact on the Group's financial statements.

(b) Merger accounting and consolidation

The Financial Information incorporates the financial statements of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

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

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

The comparative amounts in the Financial Information are presented as if the entities or businesses had been combined at the previous balance sheet date or when they first came under common control, whichever is shorter.

A uniform set of accounting policies is adopted by those entities. All intra-group transactions, balances and unrealized gains on transactions between combining entities or businesses are eliminated on consolidation.

(i) Subsidiaries

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

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Except for the Reorganisation which have been accounted for as a combination of businesses under common control in a manner similar to merger accounting as explained in Note 2 of this section, the purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets

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

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses (Note 3(h)). The results of subsidiaries are accounted by the Company on the basis of dividend received and receivable.

(ii) Transactions with minority interests

The Group applies a policy of treating transactions with minority interests as transactions with equity owners of the Group. For purchases of a subsidiary company's equity interest not already owned by the Group from minority interests, the difference between any consideration paid and the relevant share of net assets of the subsidiary being acquired is recognised in equity. For disposals of a subsidiary's equity interests owned by the Group to minority interests, differences between any proceeds received and the relevant share of net assets of the subsidiary being disposed are also recognised in equity.

(c) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

(d) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation difference on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in the income statement 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 the available-for-sale reserve in equity.

(iii) Group companies

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

- (1) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (2) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- (3) all resulting exchange differences are recognised as a separate component of equity.

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

(e) Land use rights

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

(f) Property, plant and equipment

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

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

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

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

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

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

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

Gains and losses on disposals are determined by comparing proceeds with carrying amount, and are recognised within other gains-net in the income statement.

(g) Intangible assets

(i) Proprietary technology

Proprietary technology is initially recorded at cost and is amortised on a straight-line basis over its useful life of 8 years as stated in the contract.

(ii) Computer software

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

(h) Impairment of investments in subsidiaries and non-financial assets

Assets that have an indefinite useful life or have not yet available for 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). Assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(i) Loans and receivables

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

Regular purchases and sales of loans and receivables 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 loans and receivables. 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. Loans and receivables are carried at amortised cost using the effective interest method.

The Group assesses at each balance sheet date whether there is objective evidence that loans and receivables are impaired (Note 3 (k)).

(j) Inventories

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

(k) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated income statement within administrative expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against administrative expenses in the income statement.

(l) Cash and cash equivalents

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

(m) 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.

(n) Trade payables

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

(o) Borrowings

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

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

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

(p) Borrowing costs

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

(q) *Deferred income tax*

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

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

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

(r) *Employee benefits*

(i) *Pension obligations*

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

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

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

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

For defined contribution plans, employees of the Group working in Mainland China 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. 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.

(ii) *Termination benefits*

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits

when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal, or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

(iii) Other post-employment benefits

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

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

(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 certain percentages of the salaries of the employees. The Group's liability in respect of these funds is limited to the contributions payable in each period.

(s) 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.

(t) Government assistance and grants

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

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

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

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

(u) Revenue recognition

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

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

(i) Sales of goods

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

(ii) Sales of services

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

(iii) Interest income

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

(v) Operating leases

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

(a) As a lessee

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

(b) As a lessor

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

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

(w) Dividend distribution

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

(x) Sale and repurchase agreement

Loans sold subject to linked repurchase agreements with banks are retained in the financial statements as loans and receivables, as the Group retains controls of the contractual rights over these loans. The corresponding liability is included in borrowings.

(y) Research and development

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

- (a) it is technically feasible to complete the intangible asset so that it will be available for use or sale;
- (b) management intends to complete the intangible asset and use or sell it;
- (c) there is an ability to use or sell the intangible asset;
- (d) it can be demonstrated how the intangible asset will generate probable future economic benefits;
- (e) adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- (f) the expenditure attributable to the intangible asset during its development can be reliably measured.

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

Development assets are tested for impairment annually, in accordance with HKAS 36.

(z) Contingent liabilities and contingent assets

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

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

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

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

(aa) Financial guarantee liabilities

Financial guarantee liabilities are recognised initially at fair value plus transaction costs that are directly attributable to the issue of the financial guarantee contract. After initial recognition, such contracts are measured at the higher of the present value of the best estimate of the expenditure required to settle the present obligation and the amount initially recognised less cumulative amortisation.

4. Financial risk management

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: interest rate risk, credit risk, liquidity risk and foreign exchange risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group has not used derivative financial instruments to hedge interest rate risk, credit risk, liquidity risk, and foreign exchange risk.

(i) Interest rate risk

The Group's exposure to changes in interest rates is mainly attributable to its restricted cash balances, cash and cash equivalents, borrowings and amounts due to related parties. Financial assets and liabilities at variable rates expose the Group to cash flow interest-rate risk. Financial assets and liabilities at fixed rates expose the Group to fair value interest-rate risk. Details of the Group's restricted cash balances, cash and cash equivalents, borrowings and amounts due to related parties have been disclosed in Note 13, 14, 18 and 35 of this section, respectively.

During the Relevant Periods, the Group has not used any financial instrument to hedge its exposure to interest rate risk since most of the borrowings of the Group were current borrowing with maturity term within 12 months and the Directors considered there was no significant interest rate risk.

As at 31 December 2004, 2005, 2006 and 30 September 2007, if the interest rates on bank borrowings had been 17 basis points (hereafter "bps"), 18 bps, 62 bps and 73 bps higher/lower than the actual primary rate 5.58%, 5.58%, 6.12% and 7.29% announced by PBOC respectively with all other variables held constant, profit before income tax for the years and period would have been RMB 2,294,000, RMB 1,659,000, RMB 10,478,000 and RMB 7,775,000 lower/higher, respectively, mainly as a result of higher/lower interest expense on bank borrowings.

(ii) Credit risk

The Group has no significant concentrations of credit risk. The carrying amounts of restricted cash balances, cash and cash equivalents, trade receivables and other receivables represent the Group's maximum exposure to credit risk in relation to financial assets. As at 31 December 2004, 2005, 2006 and 30 September 2007, all the bank deposits are deposited in those financial institutions without significant credit risk.

The table below shows the restricted cash balances of the twelve major counterparties as at 31 December 2004, 2005, 2006 and 30 September 2007.

Counterparty	As at 31 December			As at
	2004	2005	2006	30 September
	RMB'000	RMB'000	RMB'000	2007
				RMB'000
China Citic Bank Corporation Limited	839,645	1,406,857	612,017	635,422
Weihai City Commercial Bank Co., Ltd.	317,874	954,246	300,124	365,000
China Minsheng Banking Co., Ltd.	—	505,487	100,000	210,000
China Merchants Bank Co., Ltd.	459,656	514,367	357,402	147,541
Shanghai Pudong Development Bank Co., Ltd.	359,035	156,831	301,975	100,000
Bank of Communications Co., Ltd.	35,210	311,615	251,838	60,000
Bank of China Limited	2,566	386,159	107,054	9,642
Industrial and Commercial Bank of China Limited	60,091	110,493	21,836	2,133
China Everbright Bank Co., Ltd.	193,000	375,570	250,000	—
Evergrowing Bank Co., Ltd.	—	200,000	210,537	—
Agriculture Bank of China	20,066	165,917	140,000	—
China Construction Bank Corporation	80,000	130,000	20,000	—
	2,367,143	5,217,542	2,672,783	1,529,738
Other restricted cash balance	361,408	437,700	173,591	133,672
Total restricted cash balance	<u>2,728,551</u>	<u>5,655,242</u>	<u>2,846,374</u>	<u>1,663,410</u>

Management does not expect any losses from non-performance by these counterparties.

The Group generally requires customers to pay a certain amount of deposits when orders are made and settle full purchase price to the Group before delivery. Majority of the sales transactions are settled by cash, cheque, bank draft or cashier order. The Group also accepts bank acceptance notes with maturity within 6 months, which is accepted and settled by bank.

For those long term relationship key customers, on some occasions the Group offered credit terms up to 90 days. The granting or extension of any credit period must be approved by the general manager of the Group. There is no recent history of material default in relation to those customers.

(iii) Liquidity risk

	Repayment period					
	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	Over 5 years
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 30 September 2007						
Borrowings	2,872,484	1,317,106	3,408	3,408	349,157	9,164
Interests payments on borrowings (a)	165,419	45,859	3,163	1,858	553	1,212
Trade and other payables (b).	5,107,925	93,717	33,749	5,568	535	—
	<u>8,145,828</u>	<u>1,456,682</u>	<u>40,320</u>	<u>10,834</u>	<u>350,245</u>	<u>10,376</u>

(a) The interest on borrowings is calculated based on borrowings held as at 31 December 2004, 2005, 2006 and 30 September 2007 without taking into account of future issues. Floating-rate interest is estimated using current interest rate as at 31 December 2004, 2005, 2006 and 30 September 2007 respectively.

(b) Other payables include accruals and other payables as stated in Note 17.

(iv) Foreign exchange risk

The Group mainly operates in the PRC with most of the transactions denominated and settled in RMB. However, the Group has certain trade receivables, restricted cash balance, cash and cash equivalents, trade payables and borrowings denominated in foreign currencies, mainly USD, GBP, EURO and HKD, which are exposed to foreign currency translation risk. Details of the Group's trade receivables, restricted cash balance, cash and cash equivalents, trade payables and borrowings are disclosed in Note 10, 13, 14, 17 and 18 of this section respectively.

During the Relevant Periods, the Group has not used any financial instrument to hedge the foreign exchange risk.

The Management did not foresee any foreign exchange risk arising from currency exposure towards USD until 21 July 2005, when People's Bank of China announced to the public, the RMB exchange rate regime was reformed by moving into a managed floating exchange rate regime based on market supply and demand with reference to a basket of currencies.

As at 31 December 2005, 2006 and 30 September 2007, if RMB had strengthened/weakened by 2.49%, 3.24% and 3.81% against the USD respectively with all other variables held constant, profit before income tax for the years and period would have been approximately RMB 5,037,000 higher/lower, RMB 8,397,000 lower/higher, RMB 567,000 lower/higher respectively, mainly as a result of foreign exchange gains/losses or losses/gains on translation of USD-denominated trade receivables, restricted cash balance, cash and cash equivalents, trade payables and borrowings.

As at 31 December 2004, 2005, 2006 and 30 September 2007, if RMB had strengthened/weakened by 7.99%, 14.91%, 7.17% and 3.55% against the EURO respectively with all other variables held constant, profit before income tax for the years and period would have been approximately RMB 1,922,000 higher/lower, RMB 641,000 lower/higher, RMB 5,629,000 higher/lower and RMB 42,503,000 higher/lower, respectively, mainly as a result of foreign exchange gains/losses on translation of EURO-denominated cash and cash equivalents and borrowings.

As at 31 December 2004, 2005, 2006 and 30 September 2007, if RMB had strengthened/weakened by 8.17%, 12.58%, 10.14% and 0.56% against the GBP respectively with all other variables held constant, profit before income tax for the years and period would have been approximately RMB 14,000 higher/lower, RMB 18,000 lower/higher, RMB 37,000 higher/lower and RMB 2,000 higher/lower, respectively, mainly as a result of foreign exchange gains/losses on translation of GBP-denominated cash and cash equivalents and borrowings.

As at 31 December 2004, 2005, 2006 and 30 September 2007, if RMB had strengthened/weakened by 0.18%, 2.24%, 3.42% and 3.62% against the HKD respectively with all other variables held constant, profit before income tax for the years and period would have been approximately RMB 500, RMB 22,000, RMB 269,000 and RMB 68,000 higher/lower, respectively, mainly as a result of foreign exchange gains/losses on translation of HKD-denominated cash and cash equivalents and borrowings.

4.2 Fair value estimation

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date.

The carrying amounts of the Group's financial assets including cash and cash equivalents, restricted cash balances, trade and other receivables, and financial liabilities including trade and other payables, and current borrowings, approximate their fair values due to their short maturities. The carrying values less any estimated credit adjustments for financial assets with a maturity of less than one year are a reasonable approximation of their fair values.

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

4.3 Capital risk management

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

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

Prior to the Business Reorganisation, management monitors the capital of CNHTC, including both the Listing Business and the Retained Operations, as a whole. As a result of the Business Reorganisation, the Retained Operations were not acquired by Sinotruk BVI on 30 June 2006. Net assets of the Retained Operations is not included in the Financial Information, because the Financial Information is prepared as if the Group has been in existence throughout the Relevant Periods, which led to the negative equity attributable to the Company's equity holders as at 31 December 2004 and 31 December 2005. After the Business Reorganisation, the Group only monitors the capital of the Listing Business.

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

The debt-to-equity ratios at 31 December 2004, 2005, 2006 and 30 September 2007 were as follows:

	As at 31 December			As at
	2004	2005	2006	30 September
	RMB'000	RMB'000	RMB'000	2007
Total borrowings	6,356,409	10,170,843	8,182,930	4,554,727
Equity attributable to the Company's equity holders	(1,641,626)	(1,806,179)	940,932	1,771,992
Debt-to-equity ratio	-3.87	-5.63	8.70	2.57

5. 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.

5.1 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 discussed below.

(a) Current tax and deferred tax

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

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

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

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

Key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in Note 20.

(c) *Warranty claims*

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

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

5.2 *Critical judgment in applying the Group's accounting policies*

(a) *Contingent liabilities in respect of legal claims*

The Group has been involved in certain legal claims brought against the Group. Contingent liabilities arising from these claims have been assessed by management with reference to legal advice. Provisions on the possible obligation have been made based on management's best estimates and judgments.

6. Segment information

6.1 *Primary reporting format — business segments*

The Group's turnover represents the net value (excluding value-added tax) of trucks and engines sold, and finance and other services provided after allowances for returns and discounts.

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

- (i) Trucks — Manufacture and sale of trucks;
- (ii) Engines — Manufacture and sale of engines;
- (iii) Finance — Taking deposits from member companies, facilitating borrowings for member companies, discounting notes of member companies and providing entrusted loan and entrusted investment between member companies; and
- (iv) Others — Design and research.

Inter-segment sales are conducted at prices and terms mutually agreed amongst those business segments.

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

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

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 other receivables due from related parties and deposit for issuing bank acceptance notes. Unallocated liabilities mainly represent borrowings, bills payables and other payables due to related parties.

Capital expenditure comprises mainly additions to land use rights (Note 7), property, plant and equipment (Note 8), and intangible assets (Note 9), including additions resulting from acquisitions through business combinations.

(a) As at and for the year ended 31 December 2004

The segment results for the year ended 31 December 2004 and other segment items included in the income statement are as follows:

	Trucks	Engines	Finance	Others	Elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Turnover						
External segment revenue	9,109,108	1,047,461	3,842	3,169	—	10,163,580
Inter-segment revenue	33,996	561,530	3,150	7,207	(605,883)	—
Revenue	<u>9,143,104</u>	<u>1,608,991</u>	<u>6,992</u>	<u>10,376</u>	<u>(605,883)</u>	<u>10,163,580</u>
Operating profit before unallocated corporate expenses	<u>670,790</u>	<u>193,580</u>	<u>(4,202)</u>	<u>(57,700)</u>	<u>23,014</u>	825,482
Unallocated corporate expenses						(67,740)
Operating profit						<u>757,742</u>
Finance costs — net (Note 25)						(206,141)
Profit before income tax						551,601
Income tax expense						(189,950)
Profit for the year						<u>361,651</u>
	Trucks	Engines	Finance	Others	Unallocated	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Depreciation (Note 8)	54,863	36,373	158	2,862	11,899	106,155
Amortisation of intangible assets (Note 9)	—	7	—	—	1,287	1,294
Amortisation of land use rights (Note 7)	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>228</u>	<u>228</u>

The segment assets and liabilities as at 31 December 2004 and capital expenditure for the year then ended are as follows:

	<u>Trucks</u>	<u>Engines</u>	<u>Finance</u>	<u>Others</u>	<u>Elimination</u>	<u>Total</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Segment assets	<u>7,379,110</u>	<u>1,387,655</u>	<u>946,152</u>	<u>89,114</u>	<u>(1,750,022)</u>	8,052,009
Unallocated assets						<u>3,412,039</u>
Total assets						<u>11,464,048</u>
Segment liabilities	<u>5,017,347</u>	<u>921,012</u>	<u>450,128</u>	<u>94,712</u>	<u>(2,437,543)</u>	4,045,656
Unallocated liabilities						<u>8,706,584</u>
Total liabilities						<u>12,752,240</u>
Capital expenditure	<u>386,778</u>	<u>198,148</u>	<u>14,440</u>	<u>12,472</u>	<u>—</u>	611,838
Unallocated capital expenditure . .						<u>351,222</u>
Total capital expenditure						<u>963,060</u>

The segment assets of Finance contain loans to other segments amounting to approximately RMB 317,973,000.

The segment liabilities of Finance contain deposits from other segments amounting to approximately RMB 618,000.

(b) As at and for the year ended 31 December 2005

The segment results for the year ended 31 December 2005 and other segment items included in the income statement are as follows:

	<u>Trucks</u>	<u>Engines</u>	<u>Finance</u>	<u>Others</u>	<u>Elimination</u>	<u>Total</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Turnover						
External segment revenue	8,213,714	881,845	15,951	2,927	—	9,114,437
Inter-segment revenue	<u>10,549</u>	<u>532,178</u>	<u>116,391</u>	<u>27,248</u>	<u>(686,366)</u>	—
Revenue	<u>8,224,263</u>	<u>1,414,023</u>	<u>132,342</u>	<u>30,175</u>	<u>(686,366)</u>	<u>9,114,437</u>
Operating profit before unallocated corporate expenses . .	<u>578,199</u>	<u>(55,032)</u>	<u>30,194</u>	<u>(40,234)</u>	<u>(138,786)</u>	374,341
Unallocated corporate expenses . .						<u>(79,823)</u>
Operating profit						<u>294,518</u>
Finance costs — net (Note 25) . .						<u>(58,556)</u>
Profit before income tax						235,962
Income tax expense						<u>(112,357)</u>
Profit for the year						<u>123,605</u>

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	<u>Trucks</u>	<u>Engines</u>	<u>Finance</u>	<u>Others</u>	<u>Unallocated</u>	<u>Total</u>
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Depreciation (Note 8)	61,211	39,212	1,034	6,148	17,460	125,065
Amortisation of intangible assets (Note 9)	140	14	—	—	1,395	1,549
Amortisation of land use rights (Note 7)	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>992</u>	<u>992</u>

The segment assets and liabilities as at 31 December 2005 and capital expenditure for the year then ended are as follows:

	<u>Trucks</u>	<u>Engines</u>	<u>Finance</u>	<u>Others</u>	<u>Elimination</u>	<u>Total</u>
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment assets	<u>9,319,672</u>	<u>1,772,876</u>	<u>2,575,505</u>	<u>109,186</u>	<u>(2,561,214)</u>	11,216,025
Unallocated assets						4,557,275
Total assets						<u>15,773,300</u>
Segment liabilities	<u>3,695,646</u>	<u>1,296,802</u>	<u>2,052,672</u>	<u>67,583</u>	<u>(3,274,252)</u>	3,838,451
Unallocated liabilities						13,337,462
Total liabilities						<u>17,175,913</u>
Capital expenditure	<u>195,273</u>	<u>381,943</u>	<u>686</u>	<u>21,559</u>	<u>—</u>	599,461
Unallocated capital expenditure						375,223
Total capital expenditure						<u>974,684</u>

The segment assets of Finance contain loans to other segments amounting to approximately RMB 671,351,000.

The segment liabilities of Finance contain deposits from other segments amounting to approximately RMB 657,427,000.

(c) As at and for the year ended 31 December 2006

The segment results for the year ended 31 December 2006 and other segment items included in the income statement are as follows:

	Trucks	Engines	Finance	Others	Elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Turnover						
External segment revenue	11,982,650	731,567	50,265	2,968	—	12,767,450
Inter-segment revenue	68,366	2,382,684	94,098	46,631	(2,591,779)	—
Revenue	12,051,016	3,114,251	144,363	49,599	(2,591,779)	12,767,450
Operating profit/(loss) before unallocated corporate expenses	1,359,852	244,295	44,826	(7,060)	(166,438)	1,475,475
Unallocated corporate expenses						(153,615)
Operating profit						1,321,860
Finance costs — net (Note 25)						(135,202)
Profit before income tax						1,186,658
Income tax expense						(406,775)
Profit for the year						779,883

	Trucks	Engines	Finance	Others	Unallocated	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Depreciation (Note 8)	91,160	108,346	787	13,864	11,888	226,045
Amortisation of intangible assets (Note 9)	1,406	16	—	—	414	1,836
Amortisation of land use rights (Note 7)	1,923	2,025	—	—	1,350	5,298

The segment assets and liabilities as at 31 December 2006 and capital expenditure for the year then ended are as follows:

	<u>Trucks</u>	<u>Engines</u>	<u>Finance</u>	<u>Others</u>	<u>Elimination</u>	<u>Total</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Segment assets	<u>10,443,960</u>	<u>2,903,538</u>	<u>2,359,127</u>	<u>81,651</u>	<u>(3,145,715)</u>	<u>12,642,561</u>
Unallocated assets						<u>2,895,427</u>
Total assets						<u>15,537,988</u>
Segment liabilities	<u>2,990,836</u>	<u>2,073,570</u>	<u>1,814,909</u>	<u>32,181</u>	<u>(2,259,581)</u>	<u>4,651,915</u>
Unallocated liabilities						<u>9,301,040</u>
Total liabilities						<u>13,952,955</u>
Capital expenditure	<u>237,685</u>	<u>775,807</u>	<u>358</u>	<u>23,648</u>	<u>—</u>	<u>1,037,498</u>
Unallocated capital expenditure . .						<u>125,164</u>
Total capital expenditure						<u>1,162,662</u>

The segment assets of Finance contain loans to other segments amounting to approximately RMB 1,563,454,000.

The segment liabilities of Finance contain deposits from other segments amounting to approximately RMB 231,382,000.

(d) As at and for the nine months ended 30 September 2006

The segment results for the nine months ended 30 September 2006 and other segment items included in the income statement are as follows:

	<u>Trucks</u>	<u>Engines</u>	<u>Finance</u>	<u>Others</u>	<u>Elimination</u>	<u>Total</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Turnover						
External segment revenue	8,608,044	437,822	41,901	4,446	—	9,092,213
Inter-segment revenue	<u>52,554</u>	<u>1,667,256</u>	<u>77,700</u>	<u>34,253</u>	<u>(1,831,763)</u>	<u>—</u>
Revenue	<u>8,660,598</u>	<u>2,105,078</u>	<u>119,601</u>	<u>38,699</u>	<u>(1,831,763)</u>	<u>9,092,213</u>
Operating profit before unallocated corporate expenses .	<u>1,014,803</u>	<u>172,551</u>	<u>39,419</u>	<u>3,681</u>	<u>(101,639)</u>	<u>1,128,815</u>
Unallocated corporate expenses . .						<u>(124,754)</u>
Operating profit						<u>1,004,061</u>
Finance costs — net (Note 25) . .						<u>(78,296)</u>
Profit before income tax						<u>925,765</u>
Income tax expense						<u>(312,056)</u>
Profit for the period						<u>613,709</u>

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	Trucks	Engines	Finance	Others	Unallocated	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Depreciation (Note 8)	61,419	77,267	560	10,337	10,227	159,810
Amortisation of intangible assets (Note 9)	1,189	11	—	—	133	1,333
Amortisation of land use rights (Note 7)	<u>1,291</u>	<u>1,731</u>	<u>—</u>	<u>—</u>	<u>1,191</u>	<u>4,213</u>

The segment assets and liabilities as at 30 September 2006 and capital expenditure for the nine months then ended are as follows:

	Trucks	Engines	Finance	Others	Elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Segment assets	<u>9,860,267</u>	<u>2,394,095</u>	<u>2,527,477</u>	<u>78,833</u>	<u>(2,630,609)</u>	12,230,063
Unallocated assets						<u>167,976</u>
Total assets						<u>12,398,039</u>
Segment liabilities	<u>3,117,477</u>	<u>1,907,499</u>	<u>91,092</u>	<u>17,784</u>	<u>(840,121)</u>	4,293,731
Unallocated liabilities						<u>7,026,925</u>
Total liabilities						<u>11,320,656</u>
Capital expenditure	<u>147,056</u>	<u>454,148</u>	<u>294</u>	<u>6,277</u>	<u>—</u>	607,775
Unallocated capital expenditure . .						<u>178,256</u>
Total capital expenditure						<u>786,031</u>

The segment assets of Finance contain loans to other segments amounting to approximately RMB 1,157,700,000.

The segment liabilities of Finance contain deposits from other segments amounting to approximately RMB 68,093,000.

(e) As at and for the nine months ended 30 September 2007

The segment results for the nine months ended 30 September 2007 and other segment items included in the income statement are as follows:

	<u>Trucks</u>	<u>Engines</u>	<u>Finance</u>	<u>Others</u>	<u>Elimination</u>	<u>Total</u>
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Turnover						
External segment revenue	15,174,066	952,216	11,488	3,600	—	16,141,370
Inter-segment revenue	28,353	3,104,550	71,080	45,321	(3,249,304)	—
Revenue	<u>15,202,419</u>	<u>4,056,766</u>	<u>82,568</u>	<u>48,921</u>	<u>(3,249,304)</u>	<u>16,141,370</u>
Operating profit before unallocated corporate expenses	<u>1,443,029</u>	<u>513,119</u>	<u>32,569</u>	<u>(30,746)</u>	<u>(183,957)</u>	1,774,014
Unallocated corporate expenses						(85,614)
Operating profit						<u>1,688,400</u>
Finance costs — net (Note 25)						(73,492)
Profit before income tax						1,614,908
Income tax expense						(540,980)
Profit for the period						<u>1,073,928</u>
	<u>Trucks</u>	<u>Engines</u>	<u>Finance</u>	<u>Others</u>	<u>Unallocated</u>	<u>Total</u>
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Depreciation (Note 8)	86,634	98,419	354	9,259	3,604	198,270
Amortisation of intangible assets (Note 9)	1,033	111	—	—	221	1,365
Amortisation of land use rights (Note 7)	<u>1,175</u>	<u>2,779</u>	<u>—</u>	<u>—</u>	<u>476</u>	<u>4,430</u>

The segment assets and liabilities as at 30 September 2007 and capital expenditure for the nine months then ended are as follows:

	Trucks	Engines	Finance	Others	Elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment assets	<u>13,513,992</u>	<u>3,678,833</u>	<u>1,307,121</u>	<u>87,191</u>	<u>(4,151,062)</u>	14,436,075
Unallocated assets						<u>520,624</u>
Total assets						<u>14,956,699</u>
Segment liabilities	<u>6,798,203</u>	<u>2,733,074</u>	<u>743,227</u>	<u>72,605</u>	<u>(2,345,831)</u>	8,001,278
Unallocated liabilities						<u>4,298,804</u>
Total liabilities						<u>12,300,082</u>
Capital expenditure	<u>292,470</u>	<u>471,096</u>	<u>202</u>	<u>12,431</u>	<u>—</u>	776,199
Unallocated capital expenditure . .						<u>53,829</u>
Total capital expenditure						<u>830,028</u>

The segment assets of Finance contain loans to other segments amounting to approximately RMB 1,119,558,000.

The segment liabilities of Finance contain deposits from other segments amounting to approximately RMB 111,868,000.

6.2 Secondary reporting format — geographical segments

(a) Turnover

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

Except for some segment assets which are located in Hong Kong with amount less than 10% of total assets of all geographical segments, all of the segment assets are located in Mainland China.

Meanwhile the total cost incurred during the Relevant Periods to acquire segment assets occurred in Mainland China, except that the segment assets, less than 10% of total segment assets, acquired in Hong Kong.

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

	Year ended 31 December			Nine months ended 30 September	
	2004	2005	2006	2006	2007
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Turnover					
Mainland China	10,067,086	8,062,585	11,204,734	7,842,534	13,449,722
Overseas	<u>96,494</u>	<u>1,051,852</u>	<u>1,562,716</u>	<u>1,249,679</u>	<u>2,691,648</u>
	<u>10,163,580</u>	<u>9,114,437</u>	<u>12,767,450</u>	<u>9,092,213</u>	<u>16,141,370</u>

7. Land use rights

Land in the PRC mainland is state-owned or collectively-owned and no individual land ownership right exists. The Group has acquired the right to use certain land. Land use rights in the PRC mainland represent the Group's interests in land which are held on leases between 30 to 50 years.

Land use rights in Hong Kong represent the Group's interests in land which are held on leases over 50 years.

The location is as follows:

	As at 31 December			As at
	2004	2005	2006	30 September
	RMB'000	RMB'000	RMB'000	2007
In Hong Kong	—	—	—	41,220
Outside Hong Kong	48,872	193,677	240,087	235,657
	<u>48,872</u>	<u>193,677</u>	<u>240,087</u>	<u>276,877</u>

The movement is as follows:

	As at 31 December			As at
	2004	2005	2006	30 September
	RMB'000	RMB'000	RMB'000	2007
Opening net book amount	—	48,872	193,677	240,087
Additions	49,100	145,797	51,708	41,220
Amortisation charge (Note 23)	(228)	(992)	(5,298)	(4,430)
Closing net book amount	<u>48,872</u>	<u>193,677</u>	<u>240,087</u>	<u>276,877</u>
Cost	49,100	194,897	246,605	287,825
Accumulated amortisation	(228)	(1,220)	(6,518)	(10,948)
Net book amount	<u>48,872</u>	<u>193,677</u>	<u>240,087</u>	<u>276,877</u>

(a) Amortisation of the Group's land use rights has been charged to the income statements as follows:

	Year ended 31 December			Nine months ended 30	
	2004	2005	2006	2006	2007
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Administrative expenses	<u>228</u>	<u>992</u>	<u>5,298</u>	<u>4,213</u>	<u>4,430</u>

(Unaudited)

- (b) Before the acquisition of certain land use rights, the Group used the land without a charge from government. In the opinion of the Directors, free-use land was a form of government assistance which could not reasonably have a value placed upon them.
- (c) As part of the procedures for Reorganisation, as at the date of this report, the Group is in the process of applying for or changing registration of the title certificate of certain of its land use right, which is included in the land use rights described in above Note 7(b), as at 30 September 2007. The directors of the Company are of the opinion that the Group is entitled to lawfully and validly occupy or use the land use right.
- (d) The net book value of land use rights pledged as security for the Group's current borrowings as at the end of the period were as follows (Note 18).

	As at 31 December			As at
	2004	2005	2006	30 September
	RMB'000	RMB'000	RMB'000	RMB'000
The carrying amount of the land use rights pledged	—	19,219	—	41,220

8. Property, plant and equipment

	Buildings	Machinery	Furniture, fittings & equipment	Vehicles	Construction- in-progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2004						
Cost	586,261	924,962	119,849	97,587	178,170	1,906,829
Accumulated depreciation	(204,087)	(681,201)	(75,865)	(58,462)	—	(1,019,615)
Net book amount	<u>382,174</u>	<u>243,761</u>	<u>43,984</u>	<u>39,125</u>	<u>178,170</u>	<u>887,214</u>
Year ended 31 December 2004						
Opening net book amount	382,174	243,761	43,984	39,125	178,170	887,214
Additions	48,564	161,664	19,986	42,271	641,347	913,832
Transfers	211,346	92,728	6,874	8,845	(319,793)	—
Disposals	(69,864)	(1,977)	(3,096)	(12,473)	—	(87,410)
Depreciation charge (Note 23)	(31,460)	(56,722)	(8,881)	(9,092)	—	(106,155)
Closing net book amount	<u>540,760</u>	<u>439,454</u>	<u>58,867</u>	<u>68,676</u>	<u>499,724</u>	<u>1,607,481</u>
At 31 December 2004						
Cost	742,119	1,122,484	136,779	122,766	499,724	2,623,872
Accumulated depreciation	(201,359)	(683,030)	(77,912)	(54,090)	—	(1,016,391)
Net book amount	<u>540,760</u>	<u>439,454</u>	<u>58,867</u>	<u>68,676</u>	<u>499,724</u>	<u>1,607,481</u>
Year ended 31 December 2005						
Opening net book amount	540,760	439,454	58,867	68,676	499,724	1,607,481
Additions	14,947	41,750	9,855	1,852	758,875	827,279
Transfers	393,274	291,202	9,925	5,373	(699,774)	—
Disposals	(7,926)	(2,257)	(3,247)	(6,810)	—	(20,240)
Depreciation charge (Note 23)	(28,422)	(74,490)	(13,680)	(8,473)	—	(125,065)
Closing net book amount	<u>912,633</u>	<u>695,659</u>	<u>61,720</u>	<u>60,618</u>	<u>558,825</u>	<u>2,289,455</u>
At 31 December 2005						
Cost	1,136,896	1,396,661	139,979	122,323	558,825	3,354,684
Accumulated depreciation	(224,263)	(701,002)	(78,259)	(61,705)	—	(1,065,229)
Net book amount	<u>912,633</u>	<u>695,659</u>	<u>61,720</u>	<u>60,618</u>	<u>558,825</u>	<u>2,289,455</u>
Year ended 31 December 2006						
Opening net book amount	912,633	695,659	61,720	60,618	558,825	2,289,455
Additions	49,432	70,775	10,159	10,101	970,390	1,110,857
Transfers	49,189	561,899	8,721	8,062	(627,871)	—
Disposals	(54,418)	(8,195)	(1,199)	(2,214)	—	(66,026)
Transfer to CNHTC resulting from the Reorganisation (Note 33)	(189,498)	(24,626)	—	(447)	(245,936)	(460,507)
Depreciation charge (Note 23)	(41,957)	(169,327)	(8,743)	(6,018)	—	(226,045)
Closing net book amount	<u>725,381</u>	<u>1,126,185</u>	<u>70,658</u>	<u>70,102</u>	<u>655,408</u>	<u>2,647,734</u>
At 31 December 2006						
Cost	872,635	2,010,379	108,823	130,399	655,408	3,777,644
Accumulated depreciation	(147,254)	(884,194)	(38,165)	(60,297)	—	(1,129,910)
Net book amount	<u>725,381</u>	<u>1,126,185</u>	<u>70,658</u>	<u>70,102</u>	<u>655,408</u>	<u>2,647,734</u>
Nine months ended 30 September 2007						
Opening net book amount	725,381	1,126,185	70,658	70,102	655,408	2,647,734
Additions	9,236	172,014	9,305	5,362	592,737	788,654
Transfers	201,664	257,212	4,869	7,508	(471,253)	—
Disposals	(645)	(4,032)	(361)	(1,987)	—	(7,025)
Depreciation charge (Note 23)	(26,369)	(157,481)	(7,656)	(6,764)	—	(198,270)
Closing net book amount	<u>909,267</u>	<u>1,393,898</u>	<u>76,815</u>	<u>74,221</u>	<u>776,892</u>	<u>3,231,093</u>
At 30 September 2007						
Cost	1,065,413	2,433,563	118,427	130,956	776,892	4,525,251
Accumulated depreciation	(156,146)	(1,039,665)	(41,612)	(56,735)	—	(1,294,158)
Net book amount	<u>909,267</u>	<u>1,393,898</u>	<u>76,815</u>	<u>74,221</u>	<u>776,892</u>	<u>3,231,093</u>

- (a) Depreciation of the Group's property, plant and equipment has been charged to the income statement as follows:

	Year ended 31 December			Nine months ended 30 September	
	2004	2005	2006	2006	2007
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
Cost of sales	81,956	88,494	186,220	127,325	165,181
Distribution costs	368	462	1,029	315	347
Administrative expenses . . .	23,831	36,109	38,796	32,170	32,742
	<u>106,155</u>	<u>125,065</u>	<u>226,045</u>	<u>159,810</u>	<u>198,270</u>

- (b) Bank borrowings are secured by certain property, plant and equipment with an aggregate carrying value of approximately RMB 31,892,000, RMB 33,855,000, and RMB 4,553,000, and RMB 7,798,000 as at 31 December 2004, 2005, 2006 and 30 September 2007, respectively (Note 18).
- (c) As part of the procedures for Reorganisation, as at the date of this report, the Group is in the process of applying for or changing registration of the title certificates of certain of its properties with an aggregate carrying value of approximately RMB 3,170,000 as at 30 September 2007. The directors of the Company are of the opinion that the Group is entitled to lawfully and validly occupy or use these properties.
- (d) The borrowing costs capitalised into the cost of property, plant and equipment are as follows:

	Year ended 31 December			Nine months ended 30 September	
	2004	2005	2006	2006	2007
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
Borrowing cost capitalised . .	<u>15,147</u>	<u>21,008</u>	<u>7,869</u>	<u>4,800</u>	<u>5,970</u>
Average capitalisation rate . .	<u>5.18%</u>	<u>5.32%</u>	<u>5.30%</u>	<u>4.92%</u>	<u>5.64%</u>

9. Intangible assets

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

	Proprietary technology	Computer software	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2004			
Cost	10,982	—	10,982
Accumulated amortisation	(1,029)	—	(1,029)
Net book amount	<u>9,953</u>	<u>—</u>	<u>9,953</u>
Year ended 31 December 2004			
Opening net book amount	9,953	—	9,953
Additions	—	128	128
Amortisation charge (Note 23)	(1,287)	(7)	(1,294)
Closing net book amount	<u>8,666</u>	<u>121</u>	<u>8,787</u>
At 31 December 2004			
Cost	10,982	128	11,110
Accumulated amortisation	(2,316)	(7)	(2,323)
Net book amount	<u>8,666</u>	<u>121</u>	<u>8,787</u>
Year ended 31 December 2005			
Opening net book amount	8,666	121	8,787
Additions	—	1,608	1,608
Amortisation charge (Note 23)	(1,395)	(154)	(1,549)
Closing net book amount	<u>7,271</u>	<u>1,575</u>	<u>8,846</u>
At 31 December 2005			
Cost	10,982	1,736	12,718
Accumulated amortisation	(3,711)	(161)	(3,872)
Net book amount	<u>7,271</u>	<u>1,575</u>	<u>8,846</u>
Year ended 31 December 2006			
Opening net book amount	7,271	1,575	8,846
Additions	—	97	97
Amortisation charge (Note 23)	(1,437)	(399)	(1,836)
Closing net book amount	<u>5,834</u>	<u>1,273</u>	<u>7,107</u>
At 31 December 2006			
Cost	10,982	1,833	12,815
Accumulated amortisation	(5,148)	(560)	(5,708)
Net book amount	<u>5,834</u>	<u>1,273</u>	<u>7,107</u>
Nine months ended 30 September 2007			
Opening net book amount	5,834	1,273	7,107
Additions	—	154	154
Amortisation charge (Note 23)	(1,030)	(335)	(1,365)
Closing net book amount	<u>4,804</u>	<u>1,092</u>	<u>5,896</u>
At 30 September 2007			
Cost	10,982	1,987	12,969
Accumulated amortisation	(6,178)	(895)	(7,073)
Net book amount	<u>4,804</u>	<u>1,092</u>	<u>5,896</u>

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

	Year ended 31 December			Nine months ended 30 September	
	2004	2005	2006	2006	2007
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
Cost of sales	1,287	1,395	1,437	1,094	1,030
Administrative expenses . . .	7	154	399	239	335
	<u>1,294</u>	<u>1,549</u>	<u>1,836</u>	<u>1,333</u>	<u>1,365</u>

- (b) Research expenditures and development expenditures that do not meet criteria for capitalisation are recognised as an expense as incurred. The total amount of expenses charged into the consolidated income statements is approximately RMB 87,435,000, RMB 78,447,000, RMB 93,679,000, RMB 59,429,000 and RMB 95,050,000 for the three years ended 31 December 2004, 2005 and 2006 and nine months ended 30 September 2006 and 2007, respectively. No capitalised development costs are recorded as intangible assets during the Relevant Periods.

10. Trade and other receivables

	As at 31 December			As at 30 September
	2004	2005	2006	2007
	RMB'000	RMB'000	RMB'000	RMB'000
Accounts receivables	560,880	428,725	441,541	1,107,689
Less: Provision for impairment of accounts receivables	<u>(78,523)</u>	<u>(62,649)</u>	<u>(23,949)</u>	<u>(25,839)</u>
Accounts receivables — net	482,357	366,076	417,592	1,081,850
Notes receivables	<u>587,931</u>	<u>174,850</u>	<u>3,325,306</u>	<u>978,594</u>
Trade receivables-net	<u>1,070,288</u>	<u>540,926</u>	<u>3,742,898</u>	<u>2,060,444</u>
Other receivables	461,404	248,069	113,221	200,080
Less: Provision for impairment of other receivables	<u>(26,075)</u>	<u>(36,118)</u>	<u>(5,574)</u>	<u>(4,887)</u>
Other receivables-net	<u>435,329</u>	<u>211,951</u>	<u>107,647</u>	<u>195,193</u>
Prepayments	82,539	111,275	146,662	301,642
Interest receivables	11,611	33,482	21,696	16,449
Prepaid taxes other than income tax	<u>66,895</u>	<u>97,970</u>	<u>78,666</u>	<u>171,635</u>
Trade and other receivables	<u><u>1,666,662</u></u>	<u><u>995,604</u></u>	<u><u>4,097,569</u></u>	<u><u>2,745,363</u></u>

- (a) As at 30 September 2007, 31 December 2006, 2005 and 2004, the carrying amount of the Group's trade and other receivables approximated their fair value.

As at 30 September 2007, 31 December 2006, 2005 and 2004, accounts receivables of approximately RMB 795,055,000, RMB 251,108,000, RMB 98,945,000 and RMB 7,659,000 are secured by certain letters of credit issued by overseas third parties. No provision is provided against these receivables as at 30 September 2007, 31 December 2006, 2005 and 2004.

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

	As at 31 December			As at
	2004	2005	2006	30 September
	RMB'000	RMB'000	RMB'000	2007
Opening amount	140,484	104,598	98,767	29,523
Provision for/(reversal of) receivable impairment (Note 23)	29,359	(936)	896	4,936
Receivables written off during the year/period as uncollectible	(65,245)	(4,895)	(70,140)	(3,733)
Closing amount	<u>104,598</u>	<u>98,767</u>	<u>29,523</u>	<u>30,726</u>

Provision for impairment is included in administrative expenses (Note 23) in the consolidated income statements as follows:

	Year ended 31 December			Nine months ended	
	2004	2005	2006	2006	2007
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Administrative expenses	<u>29,359</u>	<u>(936)</u>	<u>896</u>	<u>(7,739)</u>	<u>4,936</u>

(Unaudited)

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

	As at 31 December			As at
	2004	2005	2006	30 September
	RMB'000	RMB'000	RMB'000	2007
Less than 3 months	383,886	222,149	2,481,588	919,840
3 months to 6 months	666,288	218,212	1,249,635	370,088
6 months to 12 months	12,190	3,979	9,484	779,437
1 year to 2 years	44,616	120,019	23,453	14,101
2 years to 3 years	21,815	12,285	2,465	2,463
Over 3 years	20,016	26,931	222	354
	<u>1,148,811</u>	<u>603,575</u>	<u>3,766,847</u>	<u>2,086,283</u>

As of 31 December 2004, 2005 and 2006, trade receivables of RMB 25,930,000, RMB 22,170,000 and RMB 740,000 were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	As at 31 December			As at
	2004	2005	2006	30 September
	RMB'000	RMB'000	RMB'000	2007
3 months to 6 months	3,637	—	—	—
6 months to 9 months	2,803	—	—	—
9 months to 12 months	1,090	—	—	—
1 year to 2 years	18,400	5,531	—	—
2 years to 3 years	—	16,639	740	—
	<u>25,930</u>	<u>22,170</u>	<u>740</u>	<u>—</u>

- (d) There is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers.
- (e) Notes receivables are analysed as follows:

	As at 31 December			As at
	2004	2005	2006	30 September
	RMB'000	RMB'000	RMB'000	2007
Bank acceptance notes issued by related parties	26,957	—	263,800	80
Bank acceptance notes issued by third parties	560,974	174,200	858,723	918,834
Commercial acceptance notes issued by related parties	—	650	2,202,783	59,430
Commercial acceptance notes issued by third parties	—	—	—	250
	<u>587,931</u>	<u>174,850</u>	<u>3,325,306</u>	<u>978,594</u>

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

	As at 31 December			As at
	2004	2005	2006	30 September
	RMB'000	RMB'000	RMB'000	2007
Bank acceptance notes				
CNHTC	—	—	90,000	—
CNHTC Ji'nan Investment Co., Ltd.	—	—	143,600	30
CNHTC Special Vehicle Company	11,113	—	30,000	—
CNHTC Ji'ning Commercial Truck Co., Ltd.	—	—	200	—
CNHTC Taian Wuyue Special Truck Co., Ltd.	4,203	—	—	—
Weichai Power Co., Ltd.	11,641	—	—	—
CNHTC Ji'nan Bus Co., Ltd.	—	—	—	50
	<u>26,957</u>	<u>—</u>	<u>263,800</u>	<u>80</u>
Commercial acceptance notes				
CNHTC	—	—	1,920,000	500
CNHTC Lease Firm	—	—	102,783	—
CNHTC Ji'ning Commercial Truck Co., Ltd.	—	650	100,000	—
CNHTC Special Vehicle Company	—	—	80,000	43,500
CNHTC Ji'nan Investment Co.,Ltd	—	—	—	15,430
	<u>—</u>	<u>650</u>	<u>2,202,783</u>	<u>59,430</u>

Included in notes receivables listed above, notes receivables pledged and endorsed are as follows:

	As at 31 December			As at
	2004	2005	2006	30 September
	RMB'000	RMB'000	RMB'000	2007
Commercial acceptance notes pledged as security for short-term borrowings				
- issued by related parties	<u>—</u>	<u>—</u>	<u>1,409,931</u>	<u>8,000</u>
Commercial acceptance notes endorsed				
- issued by related parties	<u>—</u>	<u>200</u>	<u>741,052</u>	<u>42,230</u>

11. Inventories

	As at 31 December			As at
	2004	2005	2006	30 September
	RMB'000	RMB'000	RMB'000	2007
Raw materials	610,081	796,151	804,436	793,049
Work in progress	300,292	219,253	287,833	258,304
Finished goods - parts and components	420,025	261,124	294,977	187,906
Finished goods - trucks	925,194	1,385,019	1,308,020	2,895,243
	2,255,592	2,661,547	2,695,266	4,134,502
Less: Provision for write-down of inventories	(112,655)	(140,015)	(84,868)	(72,540)
	<u>2,142,937</u>	<u>2,521,532</u>	<u>2,610,398</u>	<u>4,061,962</u>

The cost of inventories recognised as expense and included in cost of sales are as follows:

	Year ended 31 December			Nine months ended	
	2004	2005	2006	30 September	
	RMB'000	RMB'000	RMB'000	2006	2007
				RMB'000	RMB'000
				<i>(Unaudited)</i>	
Distribution costs	353	207	174	132	1,626
Administrative expenses	15,004	9,889	12,512	9,119	7,514
Cost of sales	<u>7,798,098</u>	<u>6,893,985</u>	<u>9,161,667</u>	<u>6,509,000</u>	<u>11,623,324</u>
	<u>7,813,455</u>	<u>6,904,081</u>	<u>9,174,353</u>	<u>6,518,251</u>	<u>11,632,464</u>

The increase and reversal of provision for write-down of inventories have been included in cost of sales in the consolidated income statement (Note 23).

12. Loan and receivables

	As at 31 December			As at
	2004	2005	2006	30 September
	RMB'000	RMB'000	RMB'000	2007
Loan	30,000	—	—	—
Discounted bills (a)	—	592,730	474,700	—
Total	<u>30,000</u>	<u>592,730</u>	<u>474,700</u>	<u>—</u>

- (a) These bills were received by Sinotruk Finance Company Limited (Sinotruk Finance Company) from certain suppliers of the Group, and were discounted to other financial institutions at an interest rate with reference to the re-discount rates as established by People's Bank of China ("PBOC"). Because the other financial institutions had rights of recourse claim on these bills against Sinotruk Finance Company according to the agreements between Sinotruk Finance Company and the other financial institutions, the related discounted bills were not de-recognised and recorded as "Loan and receivables".

13. Restricted cash

	As at 31 December			As at
	2004	2005	2006	30 September
	RMB'000	RMB'000	RMB'000	2007
Restricted cash denominated in RMB	<u>2,728,551</u>	<u>5,655,242</u>	<u>2,846,374</u>	<u>1,663,410</u>

The breakdown of restricted cash in nature as at 31 December 2004, 2005, and 2006 and 30 September 2007 was as follows:

	As at 31 December			As at
	2004	2005	2006	30 September
	RMB'000	RMB'000	RMB'000	2007
Deposits for issuing bank acceptance notes	2,562,825	4,991,061	2,313,782	1,435,000
Deposits pledged as security for CNHTC issuing notes payables (Note 35(a)(i))	—	—	375,000	—
Deposits for issuing letters of credit	61,384	181,532	70,848	124,739
Security for bank borrowings	—	366,150	40,000	60,000
Security for bill financing	104,340	84,340	20,000	—
Mandatory reserve deposits (a)	<u>2</u>	<u>32,159</u>	<u>26,744</u>	<u>43,671</u>
	<u>2,728,551</u>	<u>5,655,242</u>	<u>2,846,374</u>	<u>1,663,410</u>

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

14. Cash and cash equivalents

	As at 31 December			As at
	2004	2005	2006	30 September
	RMB'000	RMB'000	RMB'000	2007
Cash at bank and in hand	922	620	659	279
Time deposits with initial term of over				
three months (a)	316,388	621,009	1,352,102	1,581,549
Short-term bank deposits (b)	<u>852,657</u>	<u>905,965</u>	<u>969,141</u>	<u>1,072,467</u>
Cash and cash equivalents	<u>1,169,967</u>	<u>1,527,594</u>	<u>2,321,902</u>	<u>2,654,295</u>
Denominated in:				
- RMB	1,160,531	1,482,322	2,255,923	2,159,592
- HKD	455	295	489	1,019
- USD	8,760	38,006	51,331	33,806
- GBP	167	6,962	368	368
- EUR	<u>54</u>	<u>9</u>	<u>13,791</u>	<u>459,510</u>
	<u>1,169,967</u>	<u>1,527,594</u>	<u>2,321,902</u>	<u>2,654,295</u>

- (a) The weighted average effective interest rates on time deposits, with maturities over 3 months, were 2.08%, 2.30%, 2.26%, and 2.74% per annum for the three years ended 31 December 2004, 2005 and 2006 and nine months ended 30 September 2007, respectively.
- (b) The weighted average effective interest rate on short-term bank deposits, with maturities ranging from one to three months, was 0.72% per annum for the three years ended 31 December 2004, 2005 and 2006 and was 0.77% per annum for the nine months ended 30 September 2007.

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.

15. Equity

As described in Note 2 above, the Financial Information has been prepared as if the current group structure had been in existence throughout the Relevant Periods. Equity during the Relevant Periods represents the consolidated equities of the business owned and operated by the Group, after eliminating inter-company transactions and balances.

	Attributable to equity holder of the Group							
	Share capital	Statutory reserves	Capital reserves	Merger reserve	(Accumulated losses)/ Retained earnings	Total	Minority interests	Total equity
	(h)	(a)	(b)	(i)				
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2004	146,154	12,529	(713,577)	830,426	(3,095,067)	(2,819,535)	63,664	(2,755,871)
Profit for the year	—	—	—	—	301,323	301,323	60,328	361,651
Appropriation	—	89	—	—	(89)	—	—	—
Exchange differences arising on translation of the financial statements of a subsidiary	—	—	8	—	—	8	—	8
Income tax borne by equity holder (c)	—	—	—	—	47,043	47,043	—	47,043
Acquisition of a subsidiary (d)	—	—	—	—	—	—	227,899	227,899
Contributions from equity holder (g)	—	—	829,535	—	—	829,535	1,543	831,078
Balance at 31 December 2004.	<u>146,154</u>	<u>12,618</u>	<u>115,966</u>	<u>830,426</u>	<u>(2,746,790)</u>	<u>(1,641,626)</u>	<u>353,434</u>	<u>(1,288,192)</u>
Profit for the year	—	—	—	—	77,869	77,869	45,736	123,605
Appropriation	—	9,863	—	—	(9,863)	—	—	—
Income tax borne by equity holder (c)	—	—	—	—	60,703	60,703	—	60,703
Exchange differences arising on translation of the financial statements of a subsidiary	—	—	(196)	—	—	(196)	(48)	(244)
Capital injected by minority shareholders	—	—	—	—	—	—	6,807	6,807
Acquisition of shares from minority shareholders	—	—	—	—	—	—	(868)	(868)
Distributions to equity holder (g)	—	—	(302,929)	—	—	(302,929)	(1,495)	(304,424)
Balance at 31 December 2005.	<u>146,154</u>	<u>22,481</u>	<u>(187,159)</u>	<u>830,426</u>	<u>(2,618,081)</u>	<u>(1,806,179)</u>	<u>403,566</u>	<u>(1,402,613)</u>
Profit for the year	—	—	—	—	638,465	638,465	141,418	779,883
Appropriation	—	60,149	—	—	(60,149)	—	—	—
Exchange differences arising on translation of the financial statements of a subsidiary	—	—	(2,271)	—	—	(2,271)	(602)	(2,873)
Income tax borne by equity holder (c)	—	—	—	—	183,871	183,871	—	183,871
Dividends (Note 29)	—	—	—	—	(60,918)	(60,918)	(1,749)	(62,667)
Transfer of assets and liabilities to CNHTC (Note 33)	—	—	2,101,732	—	—	2,101,732	17,906	2,119,638
Effect of the establishment of Ji'nan Power and Hangzhou Auto Engine and transfer of business and related assets of CNHTC to Ji'nan Power and Hangzhou Auto Engine (Note 1(b)(1)).	—	(14,810)	(2,568,222)	120,297	2,462,735	—	—	—
Shares surrendered to minority shareholders (e)	—	—	(45,026)	—	—	(45,026)	45,026	—
Capital injections to a subsidiary (f)	—	—	(36,583)	—	—	(36,583)	36,583	—
Distributions to equity holder (g)	—	—	(32,159)	—	—	(32,159)	1,953	(30,206)
Balance at 31 December 2006.	<u>146,154</u>	<u>67,820</u>	<u>(769,688)</u>	<u>950,723</u>	<u>545,923</u>	<u>940,932</u>	<u>644,101</u>	<u>1,585,033</u>

	Attributable to equity holder of the Group							
	Share	Statutory	Capital	Merger	(Accumulated		Minority	Total
	capital	reserves (a)	reserves (b)	reserve (i)	losses)/	Total	interests	equity
(h)				Retained				
	RMB'000	RMB'000	RMB'000	RMB'000	earnings	RMB'000	RMB'000	RMB'000
Balance at 31 December 2006.	146,154	67,820	(769,688)	950,723	545,923	940,932	644,101	1,585,033
Profit for the period.	—	—	—	—	831,568	831,568	242,360	1,073,928
Appropriation	—	1,926	—	—	(1,926)	—	—	—
Exchange differences arising on translation of the financial statements of a subsidiary	—	—	(508)	—	—	(508)	(490)	(998)
Change of registered capital of a subsidiary	—	—	(94,750)	94,750	—	—	—	—
Dividends (Note 29).	—	—	—	—	—	—	(1,346)	(1,346)
Balance at 30 September 2007	<u>146,154</u>	<u>69,746</u>	<u>(864,946)</u>	<u>1,045,473</u>	<u>1,375,565</u>	<u>1,771,992</u>	<u>884,625</u>	<u>2,656,617</u>
Balance at 31 December 2005.	146,154	22,481	(187,159)	830,426	(2,618,081)	(1,806,179)	403,566	(1,402,613)
Profit for the period.	—	—	—	—	523,470	523,470	90,239	613,709
Appropriation	—	13,272	—	—	(13,272)	—	—	—
Income tax borne by equity holder (c) . .	—	—	—	—	168,654	168,654	—	168,654
Exchange differences arising on translation of the financial statements of a subsidiary	—	—	(1,861)	—	—	(1,861)	(1,227)	(3,088)
Dividends (Note 29).	—	—	—	—	(60,918)	(60,918)	(1,749)	(62,667)
Transfer of assets and liabilities to CNHTC (Note 33)	—	—	2,101,732	—	—	2,101,732	17,906	2,119,638
Effect of the establishment of Ji'nan Power and Hangzhou Auto Engine and transfer of business and related assets of CNHTC to Ji'nan Power and Hangzhou Auto Engine (Note 1(b)(1)).	—	(14,810)	(2,568,222)	120,297	2,462,735	—	—	—
Shares surrendered to minority shareholders(e)	—	—	(45,026)	—	—	(45,026)	45,026	—
Capital injections to a subsidiary(f). . . .	—	—	(36,583)	—	—	(36,583)	36,583	—
Distribution of equity holder (g)	—	—	(32,159)	—	—	(32,159)	1,953	(30,206)
Balance at 30 September 2006 (unaudited)	<u>146,154</u>	<u>20,943</u>	<u>(769,278)</u>	<u>950,723</u>	<u>462,588</u>	<u>811,130</u>	<u>592,297</u>	<u>1,403,427</u>

- (a) According to the articles of association of Sinotruk Ji'nan Truck Company, Sinotruk Finance Company Limited, Sinotruk Chongqing Fuel System Company Limited, Sinotruk Hangzhou Engine Company Limited, Sinotruk Ji'nan Commercial Truck Company Limited, Sinotruk Shandong Import & Export Company Limited, Shandong Da Di Construction Supervision Company Limited, and Sinotruk Ji'nan Axle & Transmission Company Limited and the Mainland China rules and regulations, these companies are required to transfer not less than 10% of their net profit as stated in the statutory financial statements prepared under Mainland Chinese accounting regulations to the statutory reserves before these companies can distribute any dividend. Such a transfer is not required when the amount of the statutory reserves reaches 50% of the companies' registered capital.

The statutory reserves shall only be used to make up losses of the companies, to expand the companies' production operations, or to increase the capital of the companies. Upon approval by a resolution of the companies' shareholders in a general meeting, the companies may convert their statutory reserves into registered capital.

- (b) Capital reserves include capital premium and reserves arising from asset donations, translation differences of foreign currency and transactions with CNHTC as a result of carving out the Retained Operations.

- (c) Certain of companies now comprising the Group have obtained approvals from relevant tax authorities in Mainland China for their entitlement to be consolidated by CNHTC to calculate enterprise income tax ("EIT") before 31 December 2006. CNHTC has deductible tax losses carry forward from the previous years, which can offset all the assessable profit of those companies under consolidated tax return by 31 December 2006. As a result, these companies under consolidated tax return are not required to pay EIT to tax authorities until 31 December 2006.

In accordance with relevant tax regulation that entitlement of being under consolidated tax return will be ceased from the year when the Company becomes listed, all of these companies will be subject to EIT at an applicable rate of their own taxable profit after being listed. To give a comparative presentation of EIT during the Relevant Periods, EIT of these companies under consolidated tax return were calculated at a rate of 33% of assessable without consideration of the deductible tax losses of CNHTC, and were charged to the consolidated income statement. Consequently, such EIT that not be paid to tax bureaus were also deemed as contribution from CNHTC in the consolidated statement of changes in equity.

- (d) On 28 October 2004, the Group acquired a 54.42% equity interest in Sinotruk Finance Company Limited. The assets and liabilities acquired through the acquisition of Sinotruk Finance Company Limited as of 28 October 2004 were as follows:

	<u>Fair value</u>
	<u>RMB'000</u>
Cash and cash equivalents	301,532
Other current assets	608,205
Property, plant and equipment	9,424
Trade payables	(960)
Other current liabilities	(14,495)
Short-term Borrowings	<u>(427,150)</u>
Net assets	<u>476,556</u>
Fair value of acquired net assets	476,556
Increase in minority interests	<u>(227,901)</u>
Cash paid	<u>248,655</u>
Cash and cash equivalents acquired	<u>301,532</u>
Net cash inflow on acquisition	<u>52,877</u>

- (e) During the year of 2006, pursuant to the Guiding Opinion Concerning the Share Reform of Listed Companies jointly published by CSRC, SASAC, Ministry of Finance, the PBOC and MOFCOM and a series of documents published by other authorities, and approved by the shareholders' meeting of Sinotruk Ji'nan Truck Company, CNHTC, together with other shareholders of the unlisted and non-circulating share, surrendered 2.8 ordinary shares to each circulating A shares shareholders for every 10 A shares they held, converting all the Sinotruk Ji'nan Truck Company's unlisted and non-circulating shares to listed and circulating A shares. The total consideration surrendered by CNHTC amounted to 24,896,478 ordinary shares, composing 9.80% of total issued shares of Sinotruk Ji'nan Truck Company.
- (f) Pursuant to the agreement signed by CNHTC and Sinotruk Ji'nan Truck Company on 11 April 2006, Sinotruk Ji'nan Truck Company issued 68,660,000 shares to CNHTC in exchange for (i) 51% equity interests of Sinotruk Ji'nan Axle & Transmission Company Limited and (ii) certain assets and liabilities which are relevant to the Operating Companies. Consequently, CNHTC's equity shares in Sinotruk Ji'nan Truck Company increased by 9.8%, from 53.98% (137,103,522 shares) to 63.78% (205,763,522 shares).

- (g) Contributions from/Distributions to equity holder represent the net of:
- (i) cash received/receivable, net of cash paid/payable by CNHTC from disposal of/additional investments in companies within the Retained Operations (the "Retained Companies");
 - (ii) cash received/paid by CNHTC for tax payments in relation to the operations of the Retained Companies; and
 - (iii) cash injected by CNHTC/Retained Operations to the Listing Business.

The net cash contributions from equity holder during the year ended 31 December 2004 were mainly attributable to cash injection by the Retained Operations to the Listing Business, amounting to approximately RMB916.3 million. Such net cash received from the Retained Operations was reflected as contributions from equity holder as such cash received form an integral part of the working capital of the Listing Business, and the companies which operate the Listing Business has no obligation to repay the amount back to the Retained Companies.

Net cash paid to the Retained Operations was reflected as distributions to the equity holder. The net distributions to equity holder during the year ended 31 December 2005 were mainly attributable to additional investments in companies within the Retained Operations of approximately RMB338.6 million.

The above transactions with the Retained Operations have ceased upon formation of the Group.

- (h) The Company was incorporated in Hong Kong on 31 January 2007 as a limited liability company in preparation for a listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited.

As of the date of incorporation of the Company, the authorised share capital was HK\$10,000 divided into 10,000 shares of HK\$1.00 each, of which one share of HK\$1.00 was allotted, issued and credited as fully paid to the subscriber.

On 12 February 2007, the subscriber transferred the one share of HK\$1.00 each in issue in the Company to Sinotruk (BVI), which is wholly owned by CNHTC, for cash at par.

On 27 June 2007, (1) every one share of HK\$1.00 each in share capital of the Company was subdivided into ten shares; and (2) the authorised share capital was increased to HK\$10,000,000,000 by the creation of an additional 99,999,900,000 shares which rank pari passu with the existing shares. On 30 June 2007, 99,990 shares were allotted and issued to Sinotruk (BVI) for cash at par.

On 30 June 2007, the Company acquired the entire equity interests in the Operating Companies from Sinotruk BVI through a share swap, and became the holding company of the companies now comprising the Group. As at 30 June 2007, 1,499,900,000 ordinary shares of HK\$0.10 (equivalent to approximately RMB 146,144,000) were allotted and issued to Sinotruk BVI for the purpose of acquiring the Operating Companies.

Cost of investment in subsidiaries in the Company balance sheet is recognised at RMB3,006,299,056 on a deemed cost basis pursuant to the Asset Injection Agreement, dated 2 April 2007, among CNHTC, Sinotruk BVI and the Company, which has been approved by the Shandong provincial counterpart of SASAC.

The share premium of the Company represents the difference between the share capital of the Company and the cost of investment in subsidiaries.

- (i) 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.

16. Accounting adjustments under common control combination

The following is a reconciliation of the effect arising from the common control combination on the consolidated balance sheets.

The consolidated balance sheet as at 30 September 2007:

	<u>The Company</u>	<u>The Operating Companies</u>	<u>Adjustments (Note)</u>	<u>Consolidated</u>
	RMB'000	RMB'000	RMB'000	RMB'000
Investment in the Operating Companies	3,006,299	—	(3,006,299)	—
Other assets — net.	(726)	2,657,343	—	2,656,617
Net assets	<u>3,005,573</u>	<u>2,657,343</u>		<u>2,656,617</u>
Share capital	146,154	—	—	146,154
Statutory reserves	—	69,746	—	69,746
Share premium	2,860,145	—	(2,860,145)	—
Capital reserves	—	(864,946)	—	(864,946)
Merger reserve	—	1,191,627	(146,154)	1,045,473
(Accumulated losses)/retained earnings	(726)	1,376,291	—	1,375,565
Minority Interests	—	884,625	—	884,625
	<u>3,005,573</u>	<u>2,657,343</u>		<u>2,656,617</u>

The consolidated balance sheet as at 31 December 2006:

	<u>The Operating Companies</u>	<u>Adjustments</u>	<u>Consolidated</u>
	RMB'000	RMB'000	RMB'000
Investment in the Operating Companies	—	—	—
Other assets — net.	1,585,033	—	1,585,033
Net assets	<u>1,585,033</u>		<u>1,585,033</u>
Share capital	—	146,154	146,154
Statutory reserves	67,820	—	67,820
Capital reserves	(769,688)	—	(769,688)
Merger reserve	1,096,877	(146,154)	950,723
Retained earnings	545,923	—	545,923
Minority interests	644,101	—	644,101
	<u>1,585,033</u>		<u>1,585,033</u>

The consolidated balance sheet as at 31 December 2005:

	The Operating Companies	Adjustments	Consolidated
	RMB'000	RMB'000	RMB'000
Investment in the Operating Companies	—	—	—
Other liabilities — net	<u>(1,402,613)</u>	—	<u>(1,402,613)</u>
Net liabilities	<u>(1,402,613)</u>		<u>(1,402,613)</u>
Share capital	—	146,154	146,154
Statutory reserves	22,481	—	22,481
Capital reserves	(187,159)	—	(187,159)
Merger reserve	976,580	(146,154)	830,426
Retained earnings	(2,618,081)	—	(2,618,081)
Minority interests	<u>403,566</u>	—	<u>403,566</u>
	<u>(1,402,613)</u>		<u>(1,402,613)</u>

The consolidated balance sheet as at 31 December 2004:

	The Operating Companies	Adjustments	Consolidated
	RMB'000	RMB'000	RMB'000
Investment in the Operating Companies	—	—	—
Other liabilities — net	<u>(1,288,192)</u>	—	<u>(1,288,192)</u>
Net liabilities	<u>(1,288,192)</u>		<u>(1,288,192)</u>
Share capital	—	146,154	146,154
Statutory reserves	12,618	—	12,618
Capital reserves	115,966	—	115,966
Merger reserve	976,580	(146,154)	830,426
Retained earnings	(2,746,790)	—	(2,746,790)
Minority interests	<u>353,434</u>	—	<u>353,434</u>
	<u>(1,288,192)</u>		<u>(1,288,192)</u>

Note: The above adjustments represent adjustments to eliminate the share capital of the combining entities against the investment costs. The difference of approximately RMB 1,045,473,000 has been taken to the merger reserve in the consolidated financial statements.

No other significant adjustments were made to the net assets and net profit or loss of any entities or businesses as a result of the common control combination to achieve consistency of accounting policies.

17. Trade and other payables

	As at 31 December			As at
	2004	2005	2006	30 September
	RMB'000	RMB'000	RMB'000	2007
Trade and bills payables	3,281,194	3,960,201	3,023,345	5,932,941
Advances from customers	345,849	415,418	251,238	482,286
Staff welfare and salary payable	119,190	130,638	40,065	106,612
Taxes liabilities other than income tax	132,516	81,297	30,253	23,444
Accrued expenses	105,794	40,126	91,130	176,459
Other payables	920,189	796,664	237,766	338,594
	<u>4,904,732</u>	<u>5,424,344</u>	<u>3,673,797</u>	<u>7,060,336</u>

As at 31 December 2004, 2005, 2006 and 30 September 2007, the ageing analysis of the trade and bills payable were as follows:

	As at 31 December			As at
	2004	2005	2006	30 September
	RMB'000	RMB'000	RMB'000	2007
Less than 3 months	108,317	49,972	2,538,736	4,603,975
3 months to 6 months	3,029,365	3,868,609	56,714	497,327
6 months to 12 months	66,700	801	368,696	793,560
1 year to 2 years	52,298	15,783	42,995	19,164
2 years to 3 years	10,732	4,151	14,717	14,155
Over 3 years	13,782	20,885	1,487	4,760
	<u>3,281,194</u>	<u>3,960,201</u>	<u>3,023,345</u>	<u>5,932,941</u>

18. Borrowings

	As at 31 December			As at
	2004	2005	2006	30 September
	RMB'000	RMB'000	RMB'000	2007
				RMB'000
The Group				
Non-current				
Long-term bank borrowings				
- guaranteed (a)	1,130,167	633,750	405,750	—
- secured (b)	2,879	2,397	1,623	422,795
- unsecured	—	340,000	—	1,259,448
	<u>1,133,046</u>	<u>976,147</u>	<u>407,373</u>	<u>1,682,243</u>
Current				
Long-term bank borrowings, current portion				
- guaranteed (a)	78,870	19,156	—	—
- secured (b)	140,585	140,568	423	3,408
- unsecured	348,968	8,968	—	—
	<u>568,423</u>	<u>168,692</u>	<u>423</u>	<u>3,408</u>
Short-term bank borrowings				
- guaranteed (a)	495,889	685,847	830,000	—
- secured (b)	3,978,151	6,453,352	5,947,131	765,076
- unsecured	180,900	908,769	998,003	2,104,000
	<u>4,654,940</u>	<u>8,047,968</u>	<u>7,775,134</u>	<u>2,869,076</u>
Short-term bonds (c)	—	978,036	—	—
	<u>5,223,363</u>	<u>9,194,696</u>	<u>7,775,557</u>	<u>2,872,484</u>
Total borrowings	<u>6,356,409</u>	<u>10,170,843</u>	<u>8,182,930</u>	<u>4,554,727</u>

	As at 31 December			As at
	2004	2005	2006	30 September
	RMB'000	RMB'000	RMB'000	2007
				RMB'000
The Company				
Non-current				
Long-term bank borrowings				
- secured (b)	—	—	—	9,907
Current				
Long-term bank borrowings, current portion				
- secured (b)	—	—	—	1,468
Short-term bank borrowings				
- secured (b)	—	—	—	610
	—	—	—	2,077
Total borrowings	<u>—</u>	<u>—</u>	<u>—</u>	<u>11,985</u>

- (a) As at 31 December 2006, bank borrowings of approximately RMB 1,235,750,000 are guaranteed by CNHTC.

As at 31 December 2005, bank borrowings of approximately RMB 532,906,000 are guaranteed by CNHTC and bank borrowings of approximately RMB 805,847,000 are guaranteed by third parties.

As at 31 December 2004, bank borrowings of approximately RMB 696,269,000 are guaranteed by CNHTC and bank borrowings of approximately RMB 1,008,657,000 are guaranteed by third parties.

- (b) As at 30 September 2007, bank borrowings of approximately RMB 42,279,000 are secured by certain land use rights (Note 7) and property, plant and equipment (Note 8). Bank borrowings of approximately RMB 8,000,000 are secured by certain commercial acceptance notes (Note 10). Bank borrowings of approximately RMB 1,141,000,000 are secured by certain bank balances (Note 13).

As at 31 December 2006, bank borrowings of approximately RMB 2,046,000 are secured by certain property, plant and equipment (Note 8). Bank borrowings of approximately RMB 474,700,000 are secured by certain discounted bills (Note 12). Bank borrowings of approximately RMB 1,409,931,000 are secured by certain commercial acceptance notes (Note 10). Bank borrowings of approximately RMB 4,062,500,000 are secured by certain bank balances (Note 13).

As at 31 December 2005, bank borrowings of approximately RMB 261,995,000 are secured by certain land use rights (Note 7) and property, plant and equipment (Note 8). Bank borrowings of approximately RMB 200,000,000 are secured by certain letters of credit from Bank Tejarat, Tehran, Iran, of approximately USD 34,125,000. Bank borrowings of approximately RMB 356,641,000 are secured by certain time deposits (Note 13). Bank borrowings of approximately RMB 592,730,000 are secured by certain discounted bills (Note 12). Bank borrowings of approximately RMB 5,184,951,000 are secured by certain bank balances (Note 13).

As at 31 December 2004, bank borrowings of approximately RMB 170,594,000 are secured by certain property, plant and equipment (Note 8) and land use right (Note 7). Bank borrowings of approximately RMB 3,951,021,000 are secured by certain bank balances (Note 13).

- (c) On 31 October and 30 November 2005, the Group issued short-term bonds with a total fair value of RMB 1,000,000,000 and maturity of nine months for working capital. As at 31 December 2005, the short-term bonds were stated at net of discounts of approximately RMB 21,964,000.

The maturities of the Group's total borrowings at respective balance sheet dates are set out as follows:

	As at 31 December			As at
	2004	2005	2006	30 September 2007
	RMB'000	RMB'000	RMB'000	RMB'000
The Group				
Within 1 year	5,223,363	9,194,696	7,775,557	2,872,484
Between 1 and 2 years	402	600,404	60,416	1,317,106
Between 2 and 5 years	279,250	1,643	1,205	355,973
Wholly repayable within 5 years	5,503,015	9,796,743	7,837,178	4,545,563
Over 5 years	853,394	374,100	345,752	9,164
	<u>6,356,409</u>	<u>10,170,843</u>	<u>8,182,930</u>	<u>4,554,727</u>

The maturities of the Company's total borrowings at respective balance sheet dates are set out as follows:

	As at 31 December			As at
	2004	2005	2006	30 September 2007
	RMB'000	RMB'000	RMB'000	RMB'000
The Company				
Within 1 year	—	—	—	2,078
Between 1 and 2 years	—	—	—	1,467
Between 2 and 5 years	—	—	—	4,401
Wholly repayable within 5 years	—	—	—	7,946
Over 5 years	—	—	—	4,039
	<u>—</u>	<u>—</u>	<u>—</u>	<u>11,985</u>

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	As at 31 December			As at
	2004	2005	2006	30 September
	RMB'000	RMB'000	RMB'000	2007
The Group				RMB'000
Total borrowings				
- RMB	5,847,752	9,733,355	8,182,930	4,512,448
- USD	82,889	437,488	—	—
- HKD	—	—	—	42,279
- EUR	425,768	—	—	—
	<u>6,356,409</u>	<u>10,170,843</u>	<u>8,182,930</u>	<u>4,554,727</u>

The carrying amounts of the Company's borrowings are denominated in the following currencies:

	As at 31 December			As at
	2004	2005	2006	30 September
	RMB'000	RMB'000	RMB'000	2007
The Company				RMB'000
Total borrowings				
- HKD	<u>—</u>	<u>—</u>	<u>—</u>	<u>11,985</u>

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

	As at 31 December			As at
	2004	2005	2006	30 September
				2007
Bank borrowings				
- RMB	4.57%	5.07%	4.55%	5.65%
- USD	2.93%	4.72%	—	—
- HKD	—	—	—	5.01%
- EUR	4.50%	—	—	—
Short-term bonds				
- RMB	<u>—</u>	<u>3.62%</u>	<u>—</u>	<u>—</u>

Interest rates of the bank borrowings denominated in RMB are reset periodically according to the primary rate announced by PBOC. The interest rates of short-term bonds are fixed.

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

	As at 31 December			As at
	2004	2005	2006	30 September
	RMB'000	RMB'000	RMB'000	2007
Within 6 months	—	80,847	—	16,076
Between 7 and 12 months	82,889	356,641	—	3,408
Between 1 and 5 years	—	—	—	13,632
Over 5 years	425,768	—	—	9,163
	<u>508,657</u>	<u>437,488</u>	<u>—</u>	<u>42,279</u>

The carrying amounts of current borrowings approximate their fair values.

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

	As at 31 December			As at
	2004	2005	2006	30 September
	RMB'000	RMB'000	RMB'000	2007
The Group				
Carrying amount	<u>1,133,046</u>	<u>976,147</u>	<u>407,373</u>	<u>1,682,243</u>
Fair value	<u>1,050,585</u>	<u>913,606</u>	<u>357,817</u>	<u>1,588,068</u>

	As at 31 December			As at
	2004	2005	2006	30 September
	RMB'000	RMB'000	RMB'000	2007
The Company				
Carrying amount	<u>—</u>	<u>—</u>	<u>—</u>	<u>9,907</u>
Fair value	<u>—</u>	<u>—</u>	<u>—</u>	<u>9,907</u>

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

19. Deferred income tax

(a) The details of deferred tax assets are as follows:

	As at 31 December			As at
	2004	2005	2006	30 September
	RMB'000	RMB'000	RMB'000	2007
Deferred tax assets				RMB'000
- Deferred tax asset to be recovered after more than 12 months	338,161	304,500	34,481	88,622
- Deferred tax asset to be recovered within 12 months	152,759	155,715	161,325	140,489
	<u>490,920</u>	<u>460,215</u>	<u>195,806</u>	<u>229,111</u>

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

	Year ended 31 December			Nine months
	2004	2005	2006	ended
	RMB'000	RMB'000	RMB'000	30 September
Beginning of the year/period	633,828	490,920	460,215	195,806
Charge to consolidated income statement (Note 26(a))	(142,908)	(30,705)	(56,346)	150,838
Transfer to CNHTC resulting from the Reorganisation (Note 33)	—	—	(208,063)	—
Effect of Income tax rate changed in 2007	—	—	—	(89,174)
Effect of Income tax rate changed from 1 January 2008	—	—	—	(28,359)
End of the year/period	<u>490,920</u>	<u>460,215</u>	<u>195,806</u>	<u>229,111</u>

(b) The movement in deferred tax assets is as follows:

Deferred tax assets	Impairment of assets	Pensions and other post- retirement benefits	Tax losses	Unrealised profit	Accrued expenses & contingencies	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2004	70,529	351,166	120,432	12,570	79,131	633,828
Credit/(Charge) to income statement	<u>2,616</u>	<u>(16,067)</u>	<u>(107,046)</u>	<u>4,249</u>	<u>(26,660)</u>	<u>(142,908)</u>
As at 31 December 2004	<u>73,145</u>	<u>335,099</u>	<u>13,386</u>	<u>16,819</u>	<u>52,471</u>	<u>490,920</u>
Credit/(Charge) to income statement	<u>7,765</u>	<u>(19,602)</u>	<u>(12,700)</u>	<u>19,664</u>	<u>(25,832)</u>	<u>(30,705)</u>
As at 31 December 2005	<u>80,910</u>	<u>315,497</u>	<u>686</u>	<u>36,483</u>	<u>26,639</u>	<u>460,215</u>
Credit/(Charge) to income statement	(12,095)	(107,138)	(686)	24,235	39,338	(56,346)
Transfer to CNHTC resulting from the Reorganisation (Note 33)	<u>(29,779)</u>	<u>(175,659)</u>	<u>—</u>	<u>—</u>	<u>(2,625)</u>	<u>(208,063)</u>
As at 31 December 2006	<u>39,036</u>	<u>32,700</u>	<u>—</u>	<u>60,718</u>	<u>63,352</u>	<u>195,806</u>
Credit/(Charge) to income statement	(1,242)	(4,373)	4,002	61,584	90,867	150,838
Effect of Income tax rate changed in 2007 (ii)	(29,919)	—	—	—	(59,255)	(89,174)
Effect of Income tax rate changed from 1 January 2008 (iii)	<u>—</u>	<u>(6,867)</u>	<u>—</u>	<u>—</u>	<u>(21,492)</u>	<u>(28,359)</u>
As at 30 September 2007	<u>7,875</u>	<u>21,460</u>	<u>4,002</u>	<u>122,302</u>	<u>73,472</u>	<u>229,111</u>

- (i) In September 2003, CNHTC entered into agreements to transfer certain operations and related assets and liabilities in relation to the manufacture and sales of heavy duty truck (the "Injected Business") to Sinotruk Ji'nan Truck Company (formerly known as Shandong Xiaoya Electrical Appliance Co., Ltd.), a joint stock company with limited liability listed on the Shenzhen Stock Exchange.

Pursuant to the agreements, tax losses of approximately RMB 364,944,000 from Shandong Xiaoya Electrical Appliance Co., Ltd. were acquired by Sinotruk Ji'nan Company who is entitled to utilize the tax loss against the taxable profit in the following 5 years under the PRC tax law. Hence, deferred tax assets of approximately RMB 120,432,000 are recognised.

- (ii) Sinotruk Ji'nan Power, Sinotruk Ji'nan Truck and Sinotruk Ji'nan Commercial Truck, were granted with preferential tax rate of 24% by relevant local tax authorities in June 2007 and were exempted from corporate income tax from 1 June 2007 to 31 December 2007. The tax rate reduction in the remaining period of year 2007 will impact the carrying value of deferred tax assets. The Group wrote down deferred tax assets of approximately RMB 89,174,000 as a result affected by the change of the tax rate.
- (iii) On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the "new CIT Law"). The new CIT Law reduces (increases) the corporate income tax rate for domestic enterprises (foreign invested enterprises) from 33% (15% or 24%) to 25% with effect from 1 January 2008. The tax rate reduction (increase) will also impact the carrying value of deferred tax assets as a result of the new tax rate. Subject to detailed measures and other related regulations that would provide guidance on the determination of taxable profit, tax incentives and grandfathering provisions, the Group wrote down approximately RMB 28,359,000 deferred tax assets affected by the change of the tax rate.

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

	As at 31 December			As at
	2004	2005	2006	30 September 2007
	RMB'000	RMB'000	RMB'000	RMB'000
Termination benefits (a)	382,130	334,420	84,040	71,700
Post-employment benefits (b)	318,560	300,410	9,960	9,390
Medical insurance plan (c)	314,760	321,220	5,090	4,750
	<u>1,015,450</u>	<u>956,050</u>	<u>99,090</u>	<u>85,840</u>

- (a) The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal, or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

The termination benefits recognised in the income statement are as follows:

	Year ended 31 December			Nine months ended 30 September	
	2004	2005	2006	2006	2007
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
Termination benefits, included in staff costs . . .	<u>13,980</u>	<u>15,560</u>	<u>6,600</u>	<u>5,900</u>	<u>1,780</u>

As a result of the Business Reorganisation, with effect on 30 June 2006, termination benefits of approximately RMB 228,830,000 were transferred to the CNHTC (see Note 33).

- (b) For employees who formally retired before 1 May 2002, the Group is committed to pay fixed contributions 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 it by using the accounting basis similar to a defined benefit plan.

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

	As at 31 December			As at 30 September
	2004	2005	2006	2007
	RMB'000	RMB'000	RMB'000	RMB'000
Present value of benefit plans	273,860	296,690	10,120	8,520
Unrecognised actuarial gains/(losses). .	<u>44,700</u>	<u>3,720</u>	<u>(160)</u>	<u>870</u>
Liability in the balance sheet	<u>318,560</u>	<u>300,410</u>	<u>9,960</u>	<u>9,390</u>

The post-employment benefits recognised in the income statement are as follows:

	Year ended 31 December			Nine months ended 30 September	
	2004	2005	2006	2006	2007
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
Post-employment benefits . .	10,870	12,490	5,170	5,090	240
Amortisation of net actuarial gains	<u>—</u>	<u>(880)</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total expenses, included in staff costs	<u>10,870</u>	<u>11,610</u>	<u>5,170</u>	<u>5,090</u>	<u>240</u>
Gain on settlements, included in other gains, net (Note 22)	<u>—</u>	<u>(3,060)</u>	<u>—</u>	<u>—</u>	<u>—</u>

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

	Year ended 31 December			Nine months ended 30 September 2007
	2004	2005	2006	
	RMB'000	RMB'000	RMB'000	RMB'000
Beginning of the year/period	329,460	318,560	300,410	9,960
Total expenses, included in staff costs as shown above	10,870	11,610	5,170	240
Transfer to CNHTC resulting from the Reorganisation (Note 33)	—	—	(287,410)	—
Gain on settlements, included in other gains, net.	—	(3,060)	—	—
Contributions paid	(21,770)	(26,700)	(8,210)	(810)
End of the year/period	<u>318,560</u>	<u>300,410</u>	<u>9,960</u>	<u>9,390</u>

- (c) The Group entities operating in Ji'nan City provide post-retirement healthcare benefit to their retirees retiring before 1 March 2006. The entitlement to these benefits is usually conditional on the employee remaining in service up to the pre-defined retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using an accounting methodology similar to that for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions, are recognised in the income statement over the expected average remaining working lives of the related employees. These obligations are valued annually by independent qualified actuaries.

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

Gains from above settlement are recorded in other gains — net in the income statement on 1 March 2006.

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

	As at 31 December			As at 30 September 2007
	2004	2005	2006	
	RMB'000	RMB'000	RMB'000	RMB'000
Present value of benefit plans	235,730	336,020	5,610	4,980
Unrecognised actuarial gains/(losses).	79,030	(14,800)	(520)	(230)
Liability in the balance sheet	<u>314,760</u>	<u>321,220</u>	<u>5,090</u>	<u>4,750</u>

The medical insurance plan recognised in the income statement is as follows:

	Year ended 31 December			Nine months ended 30 September	
	2004	2005	2006	2006	2007
	RMB'000	RMB'000	RMB'000	RMB'000 <i>(Unaudited)</i>	RMB'000
Current service cost	4,820	3,490	1,120	1,110	40
Interest cost	10,240	11,230	2,280	2,250	90
Amortisation of net actuarial gains	—	(2,740)	—	—	—
Total expenses, included in staff costs	<u>15,060</u>	<u>11,980</u>	<u>3,400</u>	<u>3,360</u>	<u>130</u>
Gain on settlements, included in other gains, net (Note 22(c)).	<u>—</u>	<u>—</u>	<u>(301,220)</u>	<u>(301,220)</u>	<u>—</u>

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

	Year ended 31 December			Nine months ended 30 September 2007
	2004	2005	2006	2007
	RMB'000	RMB'000	RMB'000	RMB'000
Beginning of the year/period	303,300	314,760	321,220	5,090
Total expenses, included in staff costs as shown above	15,060	11,980	3,400	130
Transfer to CNHTC resulting from the Reorganisation (Note 33)	—	—	(16,060)	—
Gain on settlements, included in other gains, net.	—	—	(301,220)	—
Contributions paid	<u>(3,600)</u>	<u>(5,520)</u>	<u>(2,250)</u>	<u>(470)</u>
End of the year/period	<u>314,760</u>	<u>321,220</u>	<u>5,090</u>	<u>4,750</u>

- (d) The above obligations were actuarially determined by an independent actuarial firm using the projected unit credit method.

The material actuarial assumptions used in valuing these obligations are as follows:

- (i) Discount rates adopted and salary increase rate adopted:

	Year ended 31 December			Nine months ended 30 September	
	2004	2005	2006	2006	2007
Post-employment benefits and medical insurance plan discount rate	4.75%	3.50%	3.25%	3.25%	4.50%
Average salary increase rate	5% to 12%	5% to 12%	5% to 12%	5% to 12%	5% to 12%
Pooling allowance inflation rate for old civil retirees	5%	5%	5%	5%	N/A
Health care cost inflation rate in Ji'nan	<u>5%</u>	<u>5%</u>	<u>5%</u>	<u>5%</u>	<u>N/A</u>

The effect of above changes in discount rates was reflected as actuarial gains and losses and charged to the consolidated income statement in the period of change.

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

21. Provisions for other liabilities

	Legal claims	Products warranties	Total
	RMB'000	RMB'000	RMB'000
As at 1 January 2004	4,969	34,691	39,660
Additional provision	3,591	127,969	131,560
Utilised during the year	—	(108,129)	(108,129)
As at 31 December 2004	<u>8,560</u>	<u>54,531</u>	<u>63,091</u>
Additional provision	3,199	89,914	93,113
Utilised during the year	—	(104,743)	(104,743)
As at 31 December 2005	<u>11,759</u>	<u>39,702</u>	<u>51,461</u>
Additional provision	51	169,900	169,951
Utilised during the year	—	(143,064)	(143,064)
Transfer to CNHTC resulting from the Reorganisation (Note 33)	(7,953)	—	(7,953)
As at 31 December 2006	<u>3,857</u>	<u>66,538</u>	<u>70,395</u>
Additional provision	436	197,128	197,564
Utilised during the period	—	(54,454)	(54,454)
As at 30 September 2007	<u>4,293</u>	<u>209,212</u>	<u>213,505</u>

22. Other gains — net

	Year ended 31 December			Nine months ended 30 September	
	2004	2005	2006	2006	2007
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
Sales of by-products	54,687	89,166	111,001	72,632	68,077
Losses on disposals of property, plant and equipment	(15,398)	(15,525)	(52,151)	(29,245)	(2,694)
Gains on waiver of debts	33,994	1,073	382	6	234
Government grants (a)	69,662	2,877	5,970	1,120	4,869
Rental income (b)	15,219	10,938	6,414	6,273	5,713
Gains from settlement of post- employment benefits	—	3,060	—	—	—
Gains from settlement of medical insurance plans (c)	—	—	301,220	301,220	—
Foreign exchange (losses)/gains . . .	—	9	(2,143)	(1,161)	38,674
Others	(4,846)	(3,109)	1,862	(3,171)	(649)
	<u>153,318</u>	<u>88,489</u>	<u>372,555</u>	<u>347,674</u>	<u>114,224</u>

- (a) The Group obtained government grants of approximately RMB 60,000,000 in 2004 as a compensation of the cost which already incurred for laid-off employees in the previous years, and recognised it as income. The Group has no further contingent obligation under the terms of this government grant.
- (b) Before 30 June 2006, rental income arose from lease out of a parcel of allocated free-use land, which was transferred to the Parent Company resulted from the Reorganisation (Note 33).

From 1 July 2006 to 30 September 2007, rental income mainly arose from lease out of certain buildings to the Parent Company.

- (c) The Group entities operating in Ji'nan City provide medical benefits to their employees retiring before 1 March 2006. On 1 March 2006, with the approval of governmental authorities, the Group entities operating in Ji'nan participated the social medical security plan.

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

Gains from above settlement are recorded in other gains — net in the income statement on 1 March 2006.

23. Expenses by nature

	Year ended 31 December			Nine months ended 30 September	
	2004	2005	2006	2006	2007
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Auditors' remuneration	2,537	721	2,241	1,901	2,307
Amortisation of land use rights (Note 7)	228	992	5,298	4,213	4,430
Amortisation of intangible assets (Note 9)	1,294	1,549	1,836	1,333	1,365
Depreciation of property, plant and equipment (Note 8)	106,155	125,065	226,045	159,810	198,270
Provision for (written-back of) write-down of inventories	42,374	40,645	(27,601)	(1,597)	(12,934)
Provision for (written-back of) impairment of trade and other receivables (Note 10)	29,359	(936)	896	(7,739)	4,936
Employee benefit expense (Note 24)	575,607	565,086	749,543	566,465	813,025
Material cost (Note 11)	7,813,455	6,904,081	9,174,353	6,518,251	11,632,464
Transportation expenses	122,512	243,000	259,776	173,305	279,836
Advertising costs	40,101	53,104	90,936	66,489	88,595
Warranty expenses	127,969	89,914	169,900	112,544	197,128
Travel and office expenses	55,322	55,227	95,828	64,636	89,074
Transaction taxes	41,380	32,500	35,265	27,610	36,630
Utilities	176,987	171,496	291,502	201,810	370,370
Other expenses	423,876	625,964	742,327	546,795	861,698
Total cost of sales, distribution costs and administrative expenses	<u>9,559,156</u>	<u>8,908,408</u>	<u>11,818,145</u>	<u>8,435,826</u>	<u>14,567,194</u>

24. Employee benefit expenses

	Year ended 31 December			Nine months ended 30 September	
	2004	2005	2006	2006	2007
	RMB'000	RMB'000	RMB'000	RMB'000 <i>(Unaudited)</i>	RMB'000
Salaries, wages and bonuses	407,127	417,654	562,695	424,964	619,711
Contributions to pension plans (a)	30,126	22,312	56,132	36,450	69,966
Termination benefits (Note 20)	13,980	15,560	6,600	5,900	1,780
Post-employment benefits					
(Note 20).	10,870	11,610	5,170	5,090	240
Medical insurance plan(Note 20)	15,060	11,980	3,400	3,360	130
Housing benefits (b).	15,614	15,593	22,516	14,134	22,854
Other welfare expenses	82,830	70,377	93,030	76,567	98,344
	<u>575,607</u>	<u>565,086</u>	<u>749,543</u>	<u>566,465</u>	<u>813,025</u>

- (a) The employees of the subsidiaries in the Mainland China participate in various retirement benefit plans organised by the relevant municipal and provincial government in Mainland China under which the Group was required to make monthly contributions to these plans at rates ranging from 20% to 23%, dependent on the applicable local regulations, of the employees' basic salary for the Relevant Periods.

In addition, the Group participates in various defined contribution retirement schemes for its qualified employees in certain countries outside Mainland China. Employees' and employers' contributions are calculated based on various percentages of employees' gross salaries or fixed sums and length of service. The assets of the schemes are held separately from those of the administered funds independently.

- (b) Housing benefits include the government-supervised housing funds (at rates ranging from 5% to 12% of the employees' basic salary) in Mainland China during the Relevant Periods (see to Note 3(r)(iv) for the details).

25. Finance income and costs

	Year ended 31 December			Nine months ended 30 September	
	2004	2005	2006	2006	2007
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
Interest expense:					
- Bank borrowings	115,921	132,514	118,559	95,662	77,418
- Discount of notes receivable . .	108,822	59,593	143,881	93,055	61,424
Finance income — Net foreign exchange losses/(gains) on financing activities	20,978	(37,372)	(3,005)	(4,976)	26
Finance costs	245,721	154,735	259,435	183,741	138,868
Finance income:					
- Interest income on bank deposits	(36,580)	(92,796)	(124,164)	(105,376)	(65,130)
- Interest income from loan and receivables	(3,000)	(3,383)	(69)	(69)	(246)
	(39,580)	(96,179)	(124,233)	(105,445)	(65,376)
Net finance costs	206,141	58,556	135,202	78,296	73,492

26. Taxation

(a) Income tax expense

Sinotruk (Hong Kong) International Investment Limited, one of the subsidiaries, and the Company are subject to Hong Kong profits tax at the rate of 17.5% on its estimated taxable profit during the Relevant Periods.

According to the Income Tax Law for Foreign Investment Enterprises and Foreign Enterprises and other policies related to income tax relief, Ji'nan Fuqiang Power Company Limited is subject to a corporate income tax rate of 24%. It is exempted from corporate income tax for two years, starting from its first profitable year, which is 2002, and is then entitled to a 50% reduction in corporate income tax for three years thereafter until 2007.

Sinotruk Ji'nan Power, Sinotruk Ji'nan Truck and Sinotruk Ji'nan Commercial Truck were subjected to the PRC enterprise income tax, which had been provided based on the statutory income tax rate of 33% of the taxable income, before they were transformed from domestic companies to Foreign Investment Enterprises in May 2007. They were granted with preferential tax rate of 24% by local tax authorities and were exempted from corporate income tax from 1 June 2007 to 31 December 2007.

Remaining subsidiaries are subject to the PRC enterprise income tax, which has been provided based on the statutory income tax rate of 33% of the assessable income of each of the companies now comprising the Group during the Relevant Periods as determined in accordance with the relevant PRC income tax rules and regulations.

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the "new CIT Law"). The new CIT Law reduces (increases) the corporate income tax rate for domestic enterprises (foreign invested enterprises) from 33% (15% or 24%) to 25% with effect from 1 January 2008.

The new CIT Law provides that further detailed measures and regulations on the determination of taxable profit, tax incentives and grandfathering provisions will be issued by the State Council in due course. As and when the State Council announces the additional regulations, the Company will assess their impact, if any, and this change in accounting estimate will be accounted for prospectively.

The amount of income tax expense charged to the income statements represents:

	Year ended 31 December			Nine months ended 30 September	
	2004	2005	2006	2006	2007
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
Current income tax:					
- Hong Kong profits tax	—	865	—	1,081	1,046
- PRC enterprise income tax	47,042	80,787	350,429	281,808	573,239
	47,042	81,652	350,429	282,889	574,285
Deferred tax (Note 19(a)).	142,908	30,705	56,346	29,167	(33,305)
	<u>189,950</u>	<u>112,357</u>	<u>406,775</u>	<u>312,056</u>	<u>540,980</u>

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

	Year ended 31 December			Nine months ended 30 September	
	2004	2005	2006	2006	2007
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
Profit before tax	551,601	235,962	1,186,658	925,765	1,614,908
Tax calculated at tax rates applicable to profits in the respective regions.	182,028	77,126	390,728	304,545	532,130
Income not subject to tax.	(22,162)	—	—	—	—
Expenses not deductible for tax purposes	30,701	35,231	16,508	8,788	24,510
Effect of Income tax rate changed in 2007 (Note 19).	—	—	—	—	89,174
Effect of Income tax rate changed from 1 January 2008 (Note 19)	—	—	—	—	28,359
Effect of tax exemption of subsidiaries	(617)	—	(461)	(1,277)	(133,193)
Income tax expense	<u>189,950</u>	<u>112,357</u>	<u>406,775</u>	<u>312,056</u>	<u>540,980</u>

The weighted average applicable tax rate was 33.0%, 32.7%, 32.9% and 33.0% per annum for the three years ended 31 December 2004, 2005, 2006 and nine months period ended 30 September 2007, respectively.

Non-deductible expenses primarily include staff salary costs in excess of those permitted to be deducted.

Sinotruk Ji'nan Power, Sinotruk Ji'nan Truck and Sinotruk Ji'nan Commercial Truck were transformed from domestic company in to Foreign Investment Enterprises in May 2007 and were granted with preferential tax rate of 24% by local tax authorities. They were exempted from corporate income tax from 1 June 2007 to 31 December 2007. The aggregate amount of exemption from corporate income tax is approximately RMB 133,193,000.

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

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

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

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

27. Directors', supervisors' and senior management's emoluments

(a) Directors', supervisors' and senior management's emoluments

(i) The remuneration of every Director for the year ended 31 December 2004 is set out below:

Name of Director	Salary & bonuses	Other benefits	Employer's contribution to pension scheme	Compensation for loss of office as director	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Mr. Ma Chun Ji	713	3	11	—	727
Mr. Cai Dong	656	5	9	—	670
Mr. Wang Dong Hui	570	4	9	—	583
Mr. Wang Hao Tao	570	4	9	—	583
Mr. Wei Zhi Hai	570	2	12	—	584
Mr. Wang Guang Xi	570	4	9	—	583
Mr. Li Guo Xian	499	4	9	—	512
Mr. Yan Jia Zhi	360	3	9	—	372
Mr. Liu Pei Ming	60	19	9	—	88

(ii) The remuneration of every Director for the year ended 31 December 2005 is set out below:

Name of Director	Salary & bonuses	Other benefits	Employer's contribution to pension scheme	Compensation for loss of office as director	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Mr. Ma Chun Ji	570	3	15	—	588
Mr. Cai Dong	524	6	10	—	540
Mr. Wang Dong Hui	456	5	10	—	471
Mr. Wang Hao Tao	456	5	10	—	471
Mr. Wei Zhi Hai	456	2	12	—	470
Mr. Wang Guang Xi	456	5	10	—	471
Mr. Li Guo Xian	399	5	10	—	414
Mr. Yan Jia Zhi	228	4	10	—	242
Mr. Liu Pei Ming	165	20	10	—	195

(iii) The remuneration of every Director for the year ended 31 December 2006 is set out below:

Name of Director	Salary & bonuses	Other benefits	Employer's contribution to pension scheme	Compensation for loss of office as director	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Mr. Ma Chun Ji	601	22	19	—	642
Mr. Cai Dong	551	7	11	—	569
Mr. Wang Dong Hui	480	5	11	—	496
Mr. Wang Hao Tao	480	5	11	—	496
Mr. Wei Zhi Hai	480	14	12	—	506
Mr. Wang Guang Xi	480	5	11	—	496
Mr. Li Guo Xian	420	5	11	—	436
Mr. Yan Jia Zhi	230	5	11	—	246
Mr. Liu Pei Ming	170	20	11	—	201

(iv) For the remuneration of every Director for the year ended 30 September 2006 is set out below:

Name of Director	Salary & bonuses	Other benefits	Employer's contribution to pension scheme	Compensation for loss of office as director	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Mr. Ma Chun Ji	450	17	14	—	481
Mr. Cai Dong	414	4	8	—	426
Mr. Wang Dong Hui	360	4	8	—	372
Mr. Wang Hao Tao	360	3	8	—	371
Mr. Wei Zhi Hai	360	10	9	—	379
Mr. Wang Guang Xi	360	4	8	—	372
Mr. Li Guo Xian	315	4	8	—	327
Mr. Yan Jia Zhi	173	3	8	—	184
Mr. Liu Pei Ming	128	14	8	—	150

(v) The remuneration of every Director for the year ended 30 September 2007 is set out below:

Name of Director	Salary & bonuses	Other benefits	Employer's contribution to pension scheme	Compensation for loss of office as director	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Mr. Ma Chun Ji	525	3	16	—	544
Mr. Cai Dong	483	8	9	—	500
Mr. Wang Hao Tao	420	7	9	—	436
Mr. Wei Zhi Hai	420	2	9	—	431
Mr. Wang Guang Xi	420	7	9	—	436
Mr. Tong Jin Gen	420	7	9	—	436
Mr. Wang Shan Po	420	7	9	—	436

During the Relevant Periods, no directors, supervisors or senior management of the Company waived any emoluments and no emoluments were paid by the Group to any of the directors, supervisors or senior management as an inducement to join or upon joining the Group or as compensation for loss of office.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group during the Relevant Periods are all directors whose emoluments during the Relevant Periods have been included in Note (a) above. The emoluments payable to these five individuals during the Relevant Periods are as follows:

	Year ended 31 December			Nine months ended 30 September	
	2004	2005	2006	2006	2007
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
Basic salaries, housing allowances, share options, other allowances and benefits in kind & bonuses .	<u>3,147</u>	<u>2,541</u>	<u>2,709</u>	<u>2,030</u>	<u>2,352</u>

The emoluments fell within the following bands:

	Year ended 31 December			Nine months ended 30 September	
	2004	2005	2006	2006	2007
				<i>(Unaudited)</i>	
Emolument bands (in HK dollars)					
HK\$0 — HK\$500,000	—	3	2	5	3
HK\$500,001 — HK\$1,000,000 . . .	<u>5</u>	<u>2</u>	<u>3</u>	<u>—</u>	<u>2</u>

28. Earnings per share

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

	Year ended 31 December			Nine months ended 30 September	
	2004	2005	2006	2006	2007
				<i>(Unaudited)</i>	
Profit attributable to equity holders of the Company (RMB thousands)	<u>301,323</u>	<u>77,869</u>	<u>638,465</u>	<u>523,470</u>	<u>831,568</u>
Weighted average number of ordinary shares in issue (thousands)	<u>1,500,000</u>	<u>1,500,000</u>	<u>1,500,000</u>	<u>1,500,000</u>	<u>1,500,000</u>
Basic earnings per share (RMB per share)	<u>0.20</u>	<u>0.05</u>	<u>0.43</u>	<u>0.35</u>	<u>0.55</u>

Diluted earnings per share is not presented for the years ended 2004, 2005, 2006, and the periods ended 30 September 2006 and 2007 as the Company has no dilutive potential shares existed during the years/periods.

29. Dividends

During the year ended 31 December 2006, certain of the Group's non-wholly owned subsidiaries have paid dividends to equity holder and minority shareholders of approximately RMB 60.9 million and RMB 1.7 million, respectively.

During the nine months ended 30 September 2007, one of the Group's non-wholly owned subsidiaries has paid dividends to minority shareholders of approximately RMB 1.3 million.

The rates of above dividend and number of shares ranking for dividends are not presented as such information is not meaningful for the purpose of this report.

The Company has not declared any dividends since the incorporation.

30. Cash generated from operations

	Year ended 31 December			Nine months ended 30 September	
	2004	2005	2006	2006	2007
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Profit before income tax	551,601	235,962	1,186,658	925,765	1,614,908
Adjustments for:					
- Depreciation (Note 8)	106,155	125,065	226,045	159,810	198,270
- Amortisation (Notes 7 & 9)	1,522	2,541	7,134	5,546	5,795
- Loss on disposals of property, plant and equipment (see below)	15,398	15,524	52,151	29,244	2,695
- Gains from settlement of medical insurance plans (Note 22(c))	—	—	(301,220)	(301,220)	—
- Interest income (Note 25)	(39,580)	(96,179)	(124,233)	(105,445)	(65,376)
- Interest expense (Note 25)	224,743	192,107	262,440	188,717	138,842
- Foreign exchange (gains)/ losses on financing activities (Note 25)	20,978	(37,372)	(3,005)	(4,976)	26
	880,817	437,648	1,305,970	897,441	1,895,160
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation):					
- Inventories	(870,167)	(405,955)	(90,990)	167,654	(1,439,236)
- Trade and other receivables and amounts due from related parties	475,919	639,801	(1,476,784)	(734,264)	19,039
- Restricted cash	(104,340)	20,000	64,340	64,340	20,000
- Receivables due from discounted bills	—	(592,730)	118,030	(550,410)	474,700
- Trade and other payables and amounts due to related parties	1,695,043	1,268,524	2,366,193	3,423,368	2,118,503
- Provisions for other liabilities and charges	23,431	(11,630)	26,887	64,484	143,110
- Termination benefits, post- employment benefits and medical insurance plan	(48,690)	(59,400)	(23,440)	(18,880)	(13,250)
Cash generated from operations	<u>2,052,013</u>	<u>1,296,258</u>	<u>2,290,206</u>	<u>3,313,733</u>	<u>3,218,026</u>

(a) In the cash flow statement, proceeds from sale of property, plant and equipment comprise:

	Year ended 31 December			Nine months ended 30 September	
	2004	2005	2006	2006	2007
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
Net book amount (Note 8)	87,410	20,240	66,026	36,395	7,025
Loss on disposals of property, plant and equipment.	<u>(15,398)</u>	<u>(15,524)</u>	<u>(52,151)</u>	<u>(29,244)</u>	<u>(2,695)</u>
Proceeds from disposal of property, plant and equipment	<u>72,012</u>	<u>4,716</u>	<u>13,875</u>	<u>7,151</u>	<u>4,330</u>

(b) In addition to the non-cash transactions shown in Note 15, Note 20 and Note 22 in the financial statements, the principal non-cash transaction is as follows:

	Year ended 31 December			Nine months ended 30 September	
	2004	2005	2006	2006	2007
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
Gains from settlement of medical insurance plans (Note 22(c)) . . .	—	—	301,220	301,220	—
Non-cash contribution from/(distribution to) equity holder.	<u>1,167,671</u>	<u>(23,916)</u>	<u>57,905</u>	<u>39,815</u>	<u>—</u>

31. Contingencies and guarantees*(a) Contingencies*

The Group has contingent liabilities in respect of legal claims arising in the ordinary course of business. It is not anticipated that any material liabilities will arise from the contingent liabilities other than those provided for (Note 21).

(b) Outstanding loan guarantees

	As at 31 December			As at
	2004	2005	2006	30 September 2007
	RMB'000	RMB'000	RMB'000	RMB'000
Outstanding loan guarantees provided to related parties (Note 35(a))	232,254	200,890	390,000	—
Outstanding loan guarantees provided to third parties	150,000	210,000	—	—
	<u>382,254</u>	<u>410,890</u>	<u>390,000</u>	<u>—</u>

The Group has acted as the guarantor for various external borrowings made by certain related parties and third parties. All above guarantees have been released as at 30 September 2007. Settlement of these guarantees did not cause an outflow of resources embodying economic benefits.

32. Commitments*(a) Capital commitments*

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

	As at 31 December			As at
	2004	2005	2006	30 September 2007
	RMB'000	RMB'000	RMB'000	RMB'000
Property, plant and equipment	<u>331,946</u>	<u>66,909</u>	<u>250,456</u>	<u>947,346</u>

(b) Operating lease commitments

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

	As at 31 December			As at
	2004	2005	2006	30 September 2007
	RMB'000	RMB'000	RMB'000	RMB'000
No later than 1 year	1,628	8,423	32,782	26,506
Later than 1 year and no later than 2 years . .	769	8,598	14,795	11,265
Later than 2 year and no later than 5 years . .	708	16,032	14,319	10,671
Later than 5 years	229	361	2,972	—
	<u>3,334</u>	<u>33,414</u>	<u>64,868</u>	<u>48,442</u>

(c) Lease payments receivable

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

	As at 31 December			As at
	2004	2005	2006	30 September 2007
	RMB'000	RMB'000	RMB'000	RMB'000
No later than 1 year	8,697	5,781	3,767	3,817
Later than 1 year and no later than 2 years . .	5,781	3,043	2,659	3,829
Later than 2 year and no later than 5 years . .	8,368	5,325	315	13,143
	<u>22,846</u>	<u>14,149</u>	<u>6,741</u>	<u>20,789</u>

33. Transfer of assets and liabilities to CNHTC

As a result of the Business Reorganisation set out in Note 1, with effect on 30 June 2006, certain assets and liabilities of the companies now comprising the Group were transferred to CNHTC, and certain assets and liabilities historically associated as part of the Predecessor Operations were retained by CNHTC. The assets and liabilities transferred to and retained by CNHTC were reflected as a contribution from CNHTC, and details are set out below:

	Assets and liabilities transferred to CNHTC (Note 1(b)(4))	Assets and liabilities retained by CNHTC (Note 2(b))	Total
	RMB'000	RMB'000	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment (Note 8)	48,159	412,348	460,507
Deferred income tax assets (Note 19(a))	88,624	119,439	208,063
	<u>136,783</u>	<u>531,787</u>	<u>668,570</u>
Current assets			
Inventories	—	34,842	34,842
Trade and other receivables	—	121,722	121,722
Amounts due from related parties	—	1,157,475	1,157,475
Restricted cash	—	1,538,192	1,538,192
Cash and cash equivalents	—	58,828	58,828
	<u>—</u>	<u>2,911,059</u>	<u>2,911,059</u>
LIABILITIES			
Non-current liabilities			
Borrowings	—	600,000	600,000
Other long-term payables	—	20,000	20,000
Termination benefits, post-employment benefits and medical insurance plan (Note 20)	477,810	54,490	532,300
	<u>477,810</u>	<u>674,490</u>	<u>1,152,300</u>
Current liabilities			
Trade and other payables	—	3,372,058	3,372,058
Borrowings	—	888,738	888,738
Amounts due to related parties	—	278,218	278,218
Provisions for other liabilities and charges (Note 21)	—	7,953	7,953
	<u>—</u>	<u>4,546,967</u>	<u>4,546,967</u>
MINORITY INTERESTS	17,906	—	17,906
Net contributions from CNHTC (Note 15)	<u>323,121</u>	<u>1,778,611</u>	<u>2,101,732</u>

34. Details of subsidiaries now comprising the Group

Investments in subsidiaries — the Company

	<u>As at 30 September 2007</u>
	RMB'000
Investments, at cost:	
Listed investments	1,926,283
Unlisted investments	<u>1,080,016</u>
	<u>3,006,299</u>
Market value of listed investments	<u>10,474,029</u>

On 30 June 2007, the Company acquired the equity interests in the Operating Companies from Sinotruk BVI through a share swap, and became the holding company of the companies now comprising the Group.

As at the date of this report, the Company had direct or indirect interest in the following subsidiaries:

Company Name	Country/Place and date of incorporation	Type of Legal entity	Issued/Paid in capital (in million)	Attributable equity interest	Auditors	Year of audit	Principal activities
Listed -							
Sinotruk Ji'nan Truck Co., Ltd. (中國重汽集團濟南卡車股份有限公司)	PRC/ 28 September 1998	Joint stock company with limited liability	RMB 322.6	63.78% (Directly held)	ZhongHeZhengXin CPA (中和正信會計師事務所)	Years ended 2004, 2005 and 2006	Manufacture and sales of trucks and spare parts
Unlisted -							
Sinotruk Ji'nan Power Co., Ltd. (中國重汽集團濟南動力有限公司)	PRC/ 27 April 2006	Limited liability company	RMB 494.75	100% (Directly held)	ShineWing CPA (信永中和會計師事務所)	Year ended 2006	Manufacture and reproduction of engines
Sinotruk Ji'nan Commercial Truck Co., Ltd. (中國重汽集團濟南商用車有限公司)	PRC/ 17 January 2001	Limited liability company	RMB 98	100% (Directly held)	Shandong Zhenghua CPA Co., Ltd. (山東正華會計師事務所有限公司) Yuehua CPA Co., Ltd. (北京岳華會計師事務所有限責任公司) ShineWing CPA (信永中和會計師事務所)	Year ended 2004 Year ended 2005 Year ended 2006	Manufacture and sales of trucks and spare parts
Sinotruk Shandong Import & Export Co., Ltd. (中國重汽集團山東進出口有限公司)	PRC/ 9 November 2001	Limited liability company	RMB 55	100% (Directly held)	Shandong Zhenghua CPA Co., Ltd. (山東正華會計師事務所有限公司) Yuehua CPA Co., Ltd. (北京岳華會計師事務所有限責任公司) ShineWing CPA (信永中和會計師事務所)	Year ended 2004 Year ended 2005 Year ended 2006	Import and export of trucks and spare parts
Sinotruk Ji'nan Ganghua Import & Export Co., Ltd. (中國重汽集團濟南港華進出口有限公司)	PRC/ 23 December 2005	Limited liability company	RMB 6	100% (Directly held)	Shandong Shuntian Xincheng CPA Co., Ltd. (山東舜天信誠會計師事務所有限公司) ShineWing CPA (信永中和會計師事務所)	Year ended 2005 Year ended 2006	Import and export of heavy duty trucks

Company Name	Country/Place and date of incorporation	Type of Legal entity	Issued/Paid in capital (in million)	Attributable equity interest	Auditors	Year of audit	Principal activities
Sinotruk Ji'nan Technical Center Co., Ltd. (中國重汽集團濟南技術中心有限公司)	PRC/ 26 December 2005	Limited liability company	RMB 50	100% (Directly held)	Shandong Zhenghua CPA Co., Ltd. (山東正華會計師事務所有限公司) Yuehua CPA Co., Ltd. (北京岳華會計師事務所有限責任公司) ShineWing CPA (信永中和會計師事務所)	Year ended 2004 Year ended 2005 Year ended 2006	Research service of truck production techniques
Sinotruk Factory Design Institute Co., Ltd. (中國重汽集團設計研究院有限公司) (Formerly known as China National Heavy Duty Truck Group Design Institute(中國重汽集團設計研究院), which was restructured to limited liability company on 11 June 2006)	PRC/ 6 July 1993	Limited liability company	RMB 10	100% (Directly held)	Shandong Zhenghua CPA Co., Ltd. (山東正華會計師事務所有限公司) Yuehua CPA Co., Ltd. (北京岳華會計師事務所有限責任公司) ShineWing CPA (信永中和會計師事務所)	Year ended 2004 Year ended 2005 Year ended 2006	consulting service of truck production techniques
Sinotruk (Hong Kong) International Investment Limited (中國重汽(香港)國際資本有限公司)	Hong Kong PRC/ 6 August 2004	Limited liability company	HK\$0.0028	85.71% (Directly held) 14.29% (Indirectly held)	CCIF CPA Co., Ltd. (陳業馮會計師事務所有限公司) Ronald W. F. KO & CO. (高雄峰會計師事務所)	Years ended 2004 and 2005 Year ended 2006	consulting service and import and export tradings and asset operations
Sinotruk Finance Co., Ltd. (中國重汽財務有限公司)	PRC/ 4 October 1987	Limited liability company	RMB 500	54.42% (Directly held)	Shandong Tongyi CPA Co., Ltd. (山東統一會計師事務所有限公司) Yuehua CPA Co., Ltd. (北京岳華會計師事務所有限責任公司) ShineWing CPA (信永中和會計師事務所)	Year ended 2004 Year ended 2005 Year ended 2006	Taking deposits, facilitating borrowings, discounting notes and providing entrusted loan and entrusted investment

Company Name	Country/Place and date of incorporation	Type of Legal entity	Issued/Paid in capital (in million)	Attributable equity interest		Auditors	Year of audit	Principal activities
Sinotruk Chongqing Fuel System Co., Ltd. (中國重汽集團重慶燃油噴射系統有限公司) (Formerly known as Chongqing Oil Pumps and Nozzle Products Factory (重慶油泵油咀廠), which was restructured to limited liability company on 28 June 2006)	PRC/ 1 June 1973	Limited liability company	RMB 188.49	100% (Indirectly held)	ChongQing YuZi CPA Co., Ltd. (重慶諭咨會計師事務所有限責任公司) Yuehua CPA Co., Ltd. (北京岳華會計師事務所有限責任公司) ShineWing CPA (信永中和會計師事務所)	Year ended 2004 Year ended 2005 Year ended 2006	Manufacture and sales of oil pump and nozzle	
Sinotruk Hangzhou Engine Co., Ltd. (中國重汽集團杭州發動機有限公司)	PRC/ 30 April 2006	Limited liability company	RMB 180	100% (Indirectly held)	ShineWing CPA (信永中和會計師事務所)	Year ended 2006	Manufacture and reproduction of engines	
Hangzhou Automobile Engine Foundry Co., Ltd. (杭州汽發鑄造有限公司)	PRC/ 8 December 2000	Limited liability company	RMB 60	100% (Indirectly held)	Shandong Zhengyuan Hexin CPA Co., Ltd. Weifang Office (山東正源和信會計師事務所濰坊分所) Yuehua CPA Co., Ltd. (北京岳華會計師事務所有限責任公司) ShineWing CPA (信永中和會計師事務所)	Year ended 2004 Year ended 2005 Year ended 2006	Manufacture of castings	
Ji'nan Fuqiang Power Co., Ltd. (濟南復強動力有限公司)	PRC/ 14 January 1995	Sino-foreign joint venture	USD 3.84	51% (Indirectly held)	Shandong Zhengyuan Hexin CPA Co., Ltd. Weifang Office (山東正源和信會計師事務所濰坊分所) Yuehua CPA Co., Ltd. (北京岳華會計師事務所有限責任公司) ShineWing CPA (信永中和會計師事務所)	Year ended 2004 Year ended 2005 Year ended 2006	Manufacture and reproduction of engines	

Company Name	Country/Place and date of incorporation	Type of Legal entity	Issued/Paid in capital (in million)	Attributable equity interest		Auditors	Year of audit	Principal activities
Sinotruk Ji'nan Axle & Transmission Co., Ltd. (中國重汽集團濟南橋箱有限公司)	PRC/ 26 December 2005	Limited liability company	RMB 450	81.53% (Indirectly held)	Yuehua CPA Co., Ltd. (北京岳華會計師事務所有限責任公司) ZhongHe/ZhengXin CPA (中和正信會計師事務所)	Year ended 2005 Year ended 2006	Manufacture and sales of trucks and axle and transmission parts	
Shandong Dadi Construction Supervision Co., Ltd. (山東大地建設監理有限責任公司)	PRC/ 18 December 1996	Limited liability company	RMB 0.5	60% (Indirectly held)	Shandong Zhenghua CPA Co., Ltd. (山東正華會計師事務所有限公司) Yuehua CPA Co., Ltd. (北京岳華會計師事務所有限責任公司) ShineWing CPA (信永中和會計師事務所)	Year ended 2004 Year ended 2005 Year ended 2006	Construction project and technical consulting service	

35. Related party transactions

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

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

In addition to the related party information shown elsewhere in the financial statements, the following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties, including other state-owned enterprises, during the years/periods and balances arising from related party transactions for the three years ended 31 December 2004, 2005 and 2006 and the nine months ended 30 September 2006 and 2007.

The directors were of the view that the following entities and person are related parties of the Group.

Name of related party	Nature of relationship
CNHTC (中國重型汽車集團有限公司)	The Parent Company
CNHTC Special Vehicle Company (重汽集團專用汽車公司)	Subsidiary of CNHTC
CNHTC Ji'nan Bus Co., Ltd. (重汽集團濟南客車有限責任公司)	Subsidiary of CNHTC
CNHTC Taian Wuyue Special Truck Co., Ltd. (中國重型汽車集團泰安五嶽專用汽車有限公司)	Subsidiary of CNHTC
CNHTC Lease Firm (中國重型汽車集團租賃商社)	Subsidiary of CNHTC
CNHTC Sales Company (中國重型汽車銷售公司)	Subsidiary of CNHTC
CNHTC Ji'ning Commercial Truck Co., Ltd. (中國重汽集團濟寧商用車有限公司)	Subsidiary of CNHTC
CNHTC Ji'nan Investment Co., Ltd. (中國重汽集團濟南投資有限公司)	Subsidiary of CNHTC
CNHTC Real Estates Company (中國重汽集團房地產開發公司)	Subsidiary of CNHTC
Shandong Xin Hai Guarantee Co., Ltd. (山東鑫海擔保有限公司)	One of the senior management of CNHTC is Chairman of Shandong Xin Hai Guarantee Co., Ltd.
Weifang Diesel Engine Plant (濰坊柴油機廠)	A company formerly owned by CNHTC
Weichai Power Co., Ltd. (濰柴動力股份有限公司)	Weifang Diesel Engine Plant is the controlling shareholder of Weichai Power Co., Ltd. Some directors of Weichai Power Co., Ltd. are also directors of Weifang Diesel Engine Plant.
CNHTC Ji'nan Realty Management Co., Ltd. (中國重汽集團濟南物業有限公司)	Subsidiary of CNHTC
CNHTC Ji'nan Construction Project Management Co., Ltd. (中國重汽集團濟南工程項目管理有限公司)	Subsidiary of CNHTC
Hangzhou Engine Factory (杭州汽車發動機廠)	Subsidiary of CNHTC
Ji'nan Automobile Test Center (濟南汽車檢測中心)	Subsidiary of CNHTC

(a) Significant related party transactions

(i) Significant transactions with related parties except for other state-owned enterprises

During the Relevant Periods, the Group had the following significant transactions with related parties, which will continue after the listing of shares of the Company on the Main Board of the Stock Exchange of Hong Kong Limited.

	Year ended 31 December			Nine months ended 30 September	
	2004	2005	2006	2006	2007
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
Sale of trucks					
CNHTC Special Vehicle Company	120,070	97,531	178,907	132,636	89,537
CNHTC Ji'nan Bus Co., Ltd.	3,498	4,885	—	—	—
CNHTC Taian Wuyue Special Truck Co., Ltd.	120,556	52,795	24,980	20,495	20,507
CNHTC Lease Firm	36,081	—	—	—	2,690
CNHTC Sales Company	7,215	9,106	—	—	—
CNHTC Ji'ning Commercial Truck Co., Ltd.	—	10,376	—	—	—
CNHTC Ji'nan Investment Co., Ltd.	3,038	—	50,577	169	6,372
	<u>290,458</u>	<u>174,693</u>	<u>254,464</u>	<u>153,300</u>	<u>119,106</u>

	Year ended 31 December			Nine months ended 30 September	
	2004	2005	2006	2006	2007
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
Sale of spare parts					
CNHTC Ji'nan Bus Co., Ltd.	156	15,749	8,396	4,355	5,155
CNHTC Taian Wuyue Special Truck Co., Ltd.	19,371	8,765	1,785	1,768	2,261
CNHTC Ji'ning Commercial Truck Co., Ltd.	—	15,780	171,858	122,765	271,016
CNHTC	10,517	16,386	4,335	2,726	2,765
CNHTC Ji'nan Investment Co., Ltd.	59,729	162,801	243,829	113,252	314,712
CNHTC Special Vehicle Company	—	—	—	—	665
Weichai Power Co., Ltd.	151,069	547,929	—	—	—
	<u>240,842</u>	<u>767,410</u>	<u>430,203</u>	<u>244,866</u>	<u>596,574</u>

	Year ended 31 December			Nine months ended 30 September	
	2004	2005	2006	2006	2007
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
Purchases of trucks					
CNHTC Special Vehicle Company	297,904	123,289	261,144	195,338	180,830
CNHTC Ji'nan Bus Co., Ltd.	—	1,311	450	450	—
CNHTC Taian Wuyue Special Truck Co., Ltd.	3,631	125,466	93,815	66,081	71,638
CNHTC Sales Company	18,857	1,325	—	—	—
CNHTC Ji'nan Investment Co., Ltd.	56,209	147,209	114,752	36,579	134,191
CNHTC Ji'ning Commercial Truck Co., Ltd.	—	—	196	—	1,092
	<u>376,601</u>	<u>398,600</u>	<u>470,357</u>	<u>298,448</u>	<u>387,751</u>

	Year ended 31 December			Nine months ended 30 September	
	2004	2005	2006	2006	2007
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
Purchases of spare parts					
CNHTC Ji'nan Bus Co., Ltd.	11,638	4,051	13,923	6,301	41,768
CNHTC Taian Wuyue Special Truck Co., Ltd.	119	—	257	—	126
CNHTC Ji'nan Investment Co., Ltd.	24,719	13,316	19,004	9,842	54,100
Weichai Power Co., Ltd.	1,641,380	1,372,180	—	—	—
Hangzhou Engine Factory	—	—	—	—	14,700
CNHTC	—	—	—	—	104
CNHTC Ji'ning Commercial Truck Co., Ltd.	—	—	—	—	125
CNHTC Real Estates Company	—	—	—	—	4,259
CNHTC Special Vehicle Company	—	—	—	—	66
	<u>1,677,856</u>	<u>1,389,547</u>	<u>33,184</u>	<u>16,143</u>	<u>115,248</u>

	Year ended 31 December			Nine months ended 30 September	
	2004	2005	2006	2006	2007
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
Sales of services					
CNHTC Special Vehicle Company	1,158	828	1,104	828	1,102
CNHTC Ji'nan Investment Co., Ltd.	13	116	155	116	90
Shandong Xin Hai Guarantee Co., Ltd.	—	—	—	—	115
CHNTC Ji'nan Bus Co., Ltd.	—	—	—	—	26
Ji'nan Automobile Test Center.	—	—	—	—	236
	<u>1,171</u>	<u>944</u>	<u>1,259</u>	<u>944</u>	<u>1,569</u>

	Year ended 31 December			Nine months ended 30 September	
	2004	2005	2006	2006	2007
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
Purchases of services					
CNHTC Ji'nan Realty Management Co., Ltd.	—	—	20,444	11,925	6,461
CNHTC Ji'nan Bus Co., Ltd.	97	4,782	2,680	982	2,515
Ji'nan Automobile Test Center.	—	3,002	7,735	1,712	1,208
CNHTC	20,851	28,888	66,356	26,147	55,491
Hangzhou Engine Factory	—	—	4,026	—	10,076
	<u>20,948</u>	<u>36,672</u>	<u>101,241</u>	<u>40,766</u>	<u>75,751</u>

	Year ended 31 December			Nine months ended 30 September	
	2004	2005	2006	2006	2007
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
Interest income					
CNHTC Special Vehicle Company	—	2,032	2,551	2,352	—
CNHTC Ji'nan Bus Co., Ltd.	—	18	26	26	—
CNHTC Taian Wuyue Special Truck Co., Ltd.	—	834	1,407	1,407	—
CNHTC Sales Company	3,128	1,620	—	—	—
CNHTC Ji'ning Commercial Truck Co., Ltd.	—	—	796	796	—
CNHTC Ji'nan Investment Co., Ltd.	—	—	1,423	1,423	—
CNHTC Lease Firm	—	1,212	—	—	—
CNHTC Real Estates Company	—	4,362	20,196	20,196	—
Shandong Xin Hai Guarantee Co., Ltd.	—	—	150	150	—
CNHTC	—	—	11,116	—	—
Hangzhou Engine Factory	—	—	5,437	—	—
	<u>3,128</u>	<u>10,078</u>	<u>43,102</u>	<u>26,350</u>	<u>—</u>

	Year ended 31 December			Nine months ended 30 September	
	2004	2005	2006	2006	2007
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
Deposits pledged as security for CNHTC issuing notes payables (note 13)	—	—	375,000	20,400	—

	Year ended 31 December			Nine months ended 30 September	
	2004	2005	2006	2006	2007
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
Outstanding loan guarantees					
CNHTC Special Vehicle Company	52,940	60,890	—	—	—
CNHTC Real Estates Company	59,314	—	—	—	—
CNHTC	—	—	390,000	390,000	—
CNHTC Ji'nan Construction Project Management Co., Ltd.	—	20,000	—	—	—
Weifang Diesel Engine Plant	120,000	120,000	—	—	—
	<u>232,254</u>	<u>200,890</u>	<u>390,000</u>	<u>390,000</u>	<u>—</u>

These transactions are carried out on normal commercial terms that are consistently applied to all counter parties.

(ii) *Significant transactions with other state-owned enterprises*

	Year ended 31 December			Nine months ended 30 September	
	2004	2005	2006	2006	2007
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
Sale of trucks	1,279,784	184,455	193,768	93,745	138,844
Purchases of spare parts	3,762,180	3,151,978	2,674,402	1,505,873	3,485,536
Purchases of services	30,799	4,370	727	709	1,283
Interest expense on bank borrowings	113,095	130,607	117,715	76,574	77,418
Interest income from bank deposits	36,580	92,796	124,164	105,376	65,130
Outstanding loan guarantees	<u>150,000</u>	<u>210,000</u>	<u>—</u>	<u>—</u>	<u>—</u>

These transactions are carried out on normal commercial terms that are consistently applied to all counter parties.

(iii) Key management compensation

	Year ended 31 December			Nine months ended 30 September	
	2004	2005	2006	2006	2007
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
Key management compensation					
Directors and supervisors					
- Basic salaries, housing allowances, other allowances and benefits-in-kind	6,046	4,332	4,584	3,433	4,137
Senior management					
- Basic salaries, housing allowances, other allowances and benefits-in-kind	1,094	883	932	698	482
	<u>7,140</u>	<u>5,215</u>	<u>5,516</u>	<u>4,131</u>	<u>4,619</u>

(b) Balances with related parties

(i) Balances with related parties except for other state-owned enterprises

	As at 31 December			As at 30 September
	2004	2005	2006	2007
	RMB'000	RMB'000	RMB'000	RMB'000
Trade and other receivables				
Trade receivables due from				
CNHTC Special Vehicle Company	14,340	273	445	—
CNHTC Ji'nan Realty Management Co., Ltd..	267	—	—	—
CNHTC Ji'nan Bus Co., Ltd.	1,082	500	5,403	760
CNHTC Taian Wuyue Special Truck Co., Ltd.	7,362	—	4,123	177
CNHTC Ji'ning Commercial Truck Co., Ltd. .	—	9,131	55,892	35,548
CNHTC Ji'nan Investment Co., Ltd.	5	211	—	50,958
CNHTC Ji'nan Construction Project Management Co., Ltd.	300	—	—	—
Weifang Diesel Engine Plant.	34	—	—	—
Weichai Power Co., Ltd.	20,076	14,156	—	—
CNHTC Sales Company	19,897	20,071	1,185	445
CNHTC	—	2,630	—	158
CNHTC Lease Firm	—	—	—	—
	<u>63,363</u>	<u>46,972</u>	<u>67,048</u>	<u>88,046</u>

Ageing analysis of trade receivables at respective balance sheet dates are as follows:

	As at 31 December			As at
	2004	2005	2006	30 September
	RMB'000	RMB'000	RMB'000	2007
				RMB'000
Trade receivables due from				
Less than 1 year	34,936	22,897	66,308	88,046
1 year to 2 years	27,114	5,531	—	—
2 years to 3 years	1,313	18,432	740	—
Over 3 years	—	112	—	—
	<u>63,363</u>	<u>46,972</u>	<u>67,048</u>	<u>88,046</u>
Other receivables due from				
CNHTC Special Vehicle Company	—	1,817	—	—
CNHTC Ji'nan Realty Management Co., Ltd..	34	—	—	—
CNHTC Ji'nan Bus Co., Ltd.	3,857	—	—	—
CNHTC Taian Wuyue Special Truck Co., Ltd.	5,000	813	—	—
CNHTC Ji'ning Commercial Truck Co., Ltd. .	500	—	—	—
CNHTC Ji'nan Investment Co., Ltd.	109,630	—	—	—
CNHTC Lease Firm	2,748	—	—	—
CNHTC Ji'nan Construction Project Management Co., Ltd.	2,244	—	—	—
CNHTC Real Estates Company	811,934	788,010	—	—
CNHTC Sales Company	31,048	19,782	3,679	—
Shandong Xin Hai Guarantee Co., Ltd.	—	3,000	—	—
CNHTC ⁽¹⁾	<u>48,047</u>	<u>25,391</u>	<u>7,121</u>	<u>646</u>
	<u>1,015,042</u>	<u>838,813</u>	<u>10,800</u>	<u>646</u>

⁽¹⁾ Other receivables due from CNHTC as at 30 September 2007 included interesting bearing loan with amount of US\$50,000. On 21 September 2007, CNHTC had borrowed from Sinotruk (Hong Kong) International Investment Limited for the amount of US\$50,000 which is interest bearing. The rate is same as that of short-term bank loan of the corresponding period.

	As at 31 December			As at
	2004	2005	2006	30 September
	RMB'000	RMB'000	RMB'000	2007
Trade and other payables				
Trade payables due to				
CNHTC Special Vehicle Company	—	—	206	836
CNHTC Ji'nan Realty Management Co., Ltd..	358	—	—	—
CNHTC Ji'nan Bus Co., Ltd.	61	9,092	—	—
CNHTC Taian Wuyue Special Truck Co., Ltd.	—	10,421	3,003	329
CNHTC Ji'ning Commercial Truck Co., Ltd. .	—	—	3,729	—
CNHTC Ji'nan Investment Co., Ltd.	3,990	2,647	—	—
CNHTC Ji'nan Construction Project Management Co., Ltd.	152	161	—	—
Weifang Diesel Engine Plant.	52,675	1,335	—	—
Weichai Power Co., Ltd.	5,647	116,873	—	—
CNHTC Sales Company	46,939	3,174	948	—
Hangzhou Engine Factory	—	—	3,108	—
CNHTC	—	399	—	—
Ji'nan Automobile Test Center.	—	—	—	31
	<u>109,822</u>	<u>144,102</u>	<u>10,994</u>	<u>1,196</u>

Ageing analysis of trade payables at respective balance sheet dates are as follows:

	As at 31 December			As at
	2004	2005	2006	30 September
	RMB'000	RMB'000	RMB'000	2007
Trade payables due to				
Less than 1 year	101,850	138,053	6,913	1,196
1 year to 2 years	2,208	255	4,081	—
2 years to 3 years	5,626	254	—	—
Over 3 years	<u>138</u>	<u>5,540</u>	<u>—</u>	<u>—</u>
	<u>109,822</u>	<u>144,102</u>	<u>10,994</u>	<u>1,196</u>

	As at 31 December			As at
	2004	2005	2006	30 September
	RMB'000	RMB'000	RMB'000	2007
Other payables due to				
CNHTC Ji'nan Realty Management Co., Ltd..	1,131	—	—	—
CNHTC Ji'nan Bus Co., Ltd.	1,561	3,252	—	—
CNHTC Taian Wuyue Special Truck Co., Ltd.	—	—	529	1,000
CNHTC Ji'ning Commercial Truck Co., Ltd. .	—	5,946	—	—
CNHTC Ji'nan Investment Co., Ltd.	—	10,000	—	—
CNHTC Lease Firm	—	2,510	—	—
CNHTC Ji'nan Construction Project Management Co., Ltd.	—	22,680	—	—
Ji'nan Automobile Test Center.	651	16,630	—	—
Weifang Diesel Engine Plant.	250,968	250,854	—	—
CNHTC Sales Company	6,617	710	—	—
Hangzhou Engine Factory	—	—	163,704	3,936
CNHTC	—	23	1,580,261	60,920
	<u>260,928</u>	<u>312,605</u>	<u>1,744,494</u>	<u>65,856</u>

	As at 31 December			As at
	2004	2005	2006	30 September
	RMB'000	RMB'000	RMB'000	2007
Prepayments				
CNHTC Special Vehicle Company	—	1,395	5,929	—
CNHTC Ji'nan Bus Co., Ltd.	1,725	—	3,813	—
CNHTC Taian Wuyue Special Truck Co., Ltd.	120	—	287	—
CNHTC Ji'ning Commercial Truck Co., Ltd. .	—	7,225	3,512	—
CNHTC Ji'nan Investment Co., Ltd.	766	—	—	—
CNHTC Ji'nan Construction Project Management Co., Ltd.	405	—	—	—
CNHTC Sales Company	2,490	—	—	—
CNHTC	—	—	4,922	—
	<u>5,506</u>	<u>8,620</u>	<u>18,463</u>	<u>—</u>
Advances from customers				
CNHTC Special Vehicle Company	—	—	366	623
CNHTC Taian Wuyue Special Truck Co., Ltd.	230	402	—	—
CNHTC Ji'nan Investment Co., Ltd.	255	—	17,654	—
CNHTC Lease Firm	1,580	—	2,716	335
CNHTC Sales Company	6,503	—	706	424
CNHTC Real Estates Company	—	—	—	120
	<u>8,568</u>	<u>402</u>	<u>21,442</u>	<u>1,502</u>

	As at 31 December			As at
	2004	2005	2006	30 September
	RMB'000	RMB'000	RMB'000	2007
Loans to related parties				
CNHTC Special Vehicle Company	—	45,000	—	—
CNHTC Ji'nan Bus Co., Ltd.	—	3,000	—	—
CNHTC Taian Wuyue Special Truck Co., Ltd.	—	36,000	—	—
CNHTC Lease Firm	62,836	—	—	—
CNHTC Real Estates Company	59,314	550,000	—	—
CNHTC Sales Company	363,810	—	—	—
	<u>485,960</u>	<u>634,000</u>	<u>—</u>	<u>—</u>

All loans to related parties are due within one year from the balance sheet date. The weighted average effective interest rates were 4.8%, 5.1% per annum for the two years ended 31 December 2004, 2005 respectively.

No provision has been required for the loans made to related parties during the Relevant Periods.

	As at 31 December			As at
	2004	2005	2006	30 September
	RMB'000	RMB'000	RMB'000	2007
Deposits from related parties				
CNHTC Special Vehicle Company	—	3,090	12,475	—
CNHTC Ji'nan Realty Management Co., Ltd..	—	23	—	—
CNHTC Ji'nan Bus Co., Ltd.	—	10	—	—
CNHTC Taian Wuyue Special Truck Co., Ltd.	—	1,119	414	—
CNHTC Ji'nan Investment Co., Ltd.	—	10	—	—
CNHTC Lease Firm	7,666	8	—	—
CNHTC Ji'nan Construction Project Management Co., Ltd.	—	24	—	—
CNHTC Real Estates Company	—	5	16	—
Shandong Xin Hai Guarantee Co., Ltd.	—	66,528	376	—
CNHTC Sales Company	—	—	10	—
Hangzhou Engine Factory	—	—	3,896	—
CNHTC	—	47	493	—
	<u>7,666</u>	<u>70,864</u>	<u>17,680</u>	<u>—</u>

The weighted average effective interest rate on deposits from related parties was 0.72% per annum for the three years ended 31 December 2004, 2005 and 2006 and nine months ended 30 September 2007.

Non-trade balances with related parties as at 30 September 2007 will be settled prior to listing of the Company's shares.

(ii) *Balances with other state-owned enterprises*

	As at 31 December			As at
	2004	2005	2006	30 September
	RMB'000	RMB'000	RMB'000	2007
				RMB'000
Balances with other state-owned enterprises				
Trade receivables	396,793	285,778	35,471	22,450
Other receivables	107	91	55,697	48,997
Trade payables	94,999	206,196	111,857	428,314
Other payables	15,410	4,920	108,946	2,423
Prepayments	2,897	39,497	45,308	71,258
Advances from customers	18,749	4,048	996	974
Restricted cash	2,728,551	5,655,242	2,846,374	1,663,410
Cash and cash equivalents	1,166,552	1,526,974	2,321,258	2,654,016
Borrowings	<u>6,560,069</u>	<u>10,393,473</u>	<u>7,295,799</u>	<u>4,554,727</u>

36. Ultimate holding company

The Directors regard CNHTC as being the ultimate holding company of the Company.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 30 September 2007. Save as disclosed in this report, no dividend has been declared, made or paid by the Company or any of the companies now comprising the Group in respect of any period subsequent to 30 September 2007.

Yours faithfully,

PricewaterhouseCoopers
Certified Public Accountants
 Hong Kong