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中国重汽
SINOTRUK

SINOTRUK (HONG KONG) LIMITED
中 國 重 汽 (香 港) 有 限 公 司

(incorporated in Hong Kong with limited liability)
(Stock Code: 3808)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2011
RESIGNATION AS A MEMBER OF THE AUDIT COMMITTEE

RESULTS

The board of directors (the " **Board**") is pleased to announce the consolidated results of Sinotruk (Hong Kong) Limited (the "**Company**") and its subsidiaries (together, the "**Group**") for the year ended 31 December 2011 together with the comparative figures for the previous year as follows:

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2011

	Note	2011	2010
		Audited	Audited
		RMB'000	RMB'000
Turnover	3	**36,603,546**	39,656,160
Cost of sales	4	**(30,897,814)**	(33,311,730)
Gross profit		**5,705,732**	6,344,430
Distribution costs	4	**(2,209,616)**	(2,366,026)
Administrative expenses	4	**(1,818,713)**	(1,660,789)
Other gains / (losses) – net	5	**365,902**	(24,127)
Operating profit		**2,043,305**	2,293,488
Finance income		**202,677**	211,977
Finance costs		**(780,015)**	(451,217)
Finance costs – net		**(577,338)**	(239,240)
Profit before income tax		**1,465,967**	2,054,248
Income tax expense	6	**(297,645)**	(324,733)
Profit for the year		**1,168,322**	1,729,515

Consolidated Statement of Comprehensive Income (Continued)
For the year ended 31 December 2011

	Note	2011	2010
		Audited	Audited
		RMB'000	RMB'000
Other comprehensive income:			
Gains on revaluation of own-occupied properties upon transfer to investment properties, net of tax		**62,192**	-
Losses on currency translation		**(45,409)**	(19,549)
Total comprehensive income for the year		**1,185,105**	1,709,966
Profit attributable to:			
— equity holders of the Company		**1,002,177**	1,480,745
— non-controlling interests		**166,145**	248,770
		1,168,322	1,729,515
Total comprehensive income attributable to:			
— equity holders of the Company		**1,018,960**	1,461,196
— non-controlling interests		**166,145**	248,770
		1,185,105	1,709,966
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in RMB per share)			
— basic and diluted	7	**0.36**	0.54

Consolidated Balance Sheet
As at 31 December 2011

	Note	2011	2010
		Audited	Audited
		RMB'000	RMB'000
ASSETS			
Non-current assets			
Land use rights		**1,394,774**	1,398,436
Property, plant and equipment		**11,603,387**	9,359,943
Investment properties		**266,501**	6,492
Intangible assets		**675,967**	761,093
Goodwill		**3,868**	3,868
Deferred income tax assets		**820,171**	842,264
Investment in an associate		**6,225**	6,196
Other receivables	8	**130,331**	-
		14,901,224	12,378,292
Current assets			
Inventories		**10,192,736**	13,381,835
Trade receivables, other receivables and other current assets	8	**15,543,011**	14,311,029
Financial assets at fair value through profit or loss		**5,221**	1,089
Amounts due from related parties		**19,502**	30,837
Restricted cash		**1,754,753**	2,245,064
Cash and cash equivalents		**9,576,878**	11,561,472
		37,092,101	41,531,326
Total assets		**51,993,325**	53,909,618

Consolidated Balance Sheet (continued)
As at 31 December 2011

	Note	**2011**	2010
		Audited	Audited
		RMB'000	RMB'000
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		**261,489**	261,489
Reserves		**18,488,150**	17,865,889
		18,749,639	18,127,378
Non-controlling interests		**1,818,961**	1,632,693
Total equity		**20,568,600**	19,760,071
LIABILITIES			
Non-current liabilities			
Borrowings		**2,106,800**	2,686,240
Deferred income tax liabilities		**42,688**	35,188
Termination and post-employment benefits		**30,810**	39,840
Deferred income		**605,052**	504,297
Long-term payable		**7,297**	-
Amounts due to related parties		**245,741**	380,115
		3,038,388	3,645,680
Current liabilities			
Trade payables, other payables and other current liabilities	9	**13,701,462**	17,645,026
Current income tax liabilities		**76,750**	487,038
Borrowings		**13,498,810**	11,520,934
Amounts due to related parties		**631,041**	308,714
Provisions for other liabilities		**478,274**	542,155
		28,386,337	30,503,867
Total liabilities		**31,424,725**	34,149,547
Total equity and liabilities		**51,993,325**	53,909,618
Net current assets		**8,705,764**	11,027,459
Total assets less current liabilities		**23,606,988**	23,405,751

Notes:

1. General information

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

The Group is principally engaged in the manufacturing and sales of commercial trucks including heavy duty trucks, medium heavy duty trucks, light trucks and buses, and also produces and sales key parts and components such as engines and axles, and the provision of finance services. The registered office of the Company is situated at Units 2102-2103, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong.

2. Basis of preparation

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

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

Changes in accounting policy and disclosures

(1) New and amended standards adopted by the Group

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2011 that would be expected to have a material impact on the group:

Notes:

2. Basis of preparation (Continued)

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

- HKAS 24 (Revised), "Related Party Disclosures" is effective for annual period beginning on or after 1 January 2011. It introduces an exemption from all of the disclosure requirements of HKAS 24 for transactions among government related entities and the government. Those disclosures are replaced with a requirement to disclose:

    - The name of the government and the nature of their relationship;
    - The nature and amount of any individually significant transactions; and
    - The extent of any collectively-significant transactions qualitatively or quantitatively.

It also clarifies and simplifies the definition of a related party.

(2) New and amended standards, and interpretations mandatory for the first time for the financial year beginning 1 January 2011 but have not material impact to the Group

- HKAS 32 (Amendment), 'Classification of rights issues'.
- HK(IFRIC) – Int 19 'Extinguishing financial liabilities with equity instruments'.
- Amendment to HKFRS 1, 'Limited exemption from comparative HKFRS 7 disclosures for first-time adopters'.
- Amendment to HK(IFRIC) – Int 14, 'Prepayments of a minimum funding requirement'.
- Third annual improvements project (2010) published in May 2010 by the HKICPA.

Notes:

2. Basis of preparation (Continued)

(3) New and amended standards have been issued but are not effective for the financial year beginning 1 January 2011 and have not been early adopted

- HKFRS 9 'Financial instruments' addresses the classification, measurement and recognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2015 but is available for early adoption.

- HKFRS 10 'Consolidated financial statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard is applicable for annual periods beginning on or after 1 January 2013.

- HKFRS 12 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The standard is applicable for annual periods beginning on or after 1 January 2013.

- HKFRS 13 'Fair value measurement' aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard is applicable for annual periods beginning on or after 1 January 2013.

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

Notes:

3. Turnover and segment information

The segment results for the year ended 31 December 2011 by business segment are as follows:

	Audited				
	Trucks	**Engines**	**Finance**	**Elimination**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
External segment revenue	**34,750,568**	**1,757,497**	**95,481**	**-**	**36,603,546**
Inter-segment revenue	**54,322**	**6,576,666**	**146,807**	**(6,777,795)**	**-**
Segment revenue	**34,804,890**	**8,334,163**	**242,288**	**(6,777,795)**	**36,603,546**
Operating profit before unallocated expenses	**1,253,860**	**683,717**	**201,085**	**(99,573)**	**2,039,089**
Unallocated expenses					**4,216**
Operating profit					**2,043,305**
Finance costs – net					**(577,338)**
Profit before income tax					**1,465,967**
Income tax expense					**(297,645)**
Profit for the year					**1,168,322**

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

	Audited				
	Trucks	Engines	Finance	Elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
External segment revenue	37,307,700	2,273,267	75,193	-	39,656,160
Inter-segment revenue	154,902	10,138,657	43,082	(10,336,641)	-
Segment revenue	37,462,602	12,411,924	118,275	(10,336,641)	39,656,160
Operating profit before unallocated expenses	2,033,092	1,076,736	98,129	(787,737)	2,420,220
Unallocated expenses					(126,732)
Operating profit					2,293,488
Finance costs – net					(239,240)
Profit before income tax					2,054,248
Income tax expense					(324,733)
Profit for the year					1,729,515

Notes:

3. Turnover and segment information (Continued)

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

	Audited				
	Trucks	Engines	Finance	Unallocated	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment assets	34,680,422	15,071,734	6,075,182	5,224,349	61,051,687
Elimination					(9,058,362)
Total assets					51,993,325
Segment liabilities	13,226,034	3,569,733	4,667,140	15,754,759	37,217,666
Elimination					(5,792,941)
Total liabilities					31,424,725
Segment capital expenditure	1,930,656	1,415,464	486	8	3,346,614

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

	Audited	
	Assets	Liabilities
	RMB'000	RMB'000
Segment assets/liabilities after elimination	46,768,976	15,669,966
Unallocated:		
Deferred tax assets/liabilities	820,171	42,688
Current tax assets/liabilities	147,310	76,750
Current borrowings	-	13,498,810
Non-current borrowings	-	2,106,800
Assets/liabilities of the Company	4,256,868	29,711
Total	51,993,325	31,424,725

Notes:

3. Turnover and segment information (Continued)

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

	Audited				
	Trucks	Engines	Finance	Unallocated	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment assets	33,045,591	16,504,649	3,532,112	5,964,909	59,047,261
Elimination					(5,137,643)
Total assets					53,909,618
Segment liabilities	15,566,155	5,792,489	1,951,642	14,868,180	38,178,466
Elimination					(4,028,919)
Total liabilities					34,149,547
Segment capital expenditure	1,747,201	1,457,287	1,022	-	3,205,510

Segment assets and liabilities as at 31 December 2010 are reconciled to entity assets and liabilities as follows:

	Audited	
	Assets	Liabilities
	RMB'000	RMB'000
Segment assets/liabilities after elimination	47,944,709	19,281,367
Unallocated:		
Deferred tax assets/liabilities	842,264	35,188
Current tax assets/liabilities	8,328	487,038
Current borrowings	-	11,520,934
Non-current borrowings	-	2,686,240
Assets/liabilities of the Company	5,114,317	138,780
Total	53,909,618	34,149,547

Notes:

3. Turnover and segment information (Continued)

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

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

	2011	2010
	Audited	Audited
	RMB'000	RMB'000
Turnover		
Mainland China	**32,167,042**	37,055,826
Overseas	**4,436,504**	2,600,334
	36,603,546	39,656,160

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

	2011	2010
	Audited	Audited
	RMB'000	RMB'000
Total assets		
Mainland China	**44,598,583**	48,169,960
Overseas	**7,394,742**	5,739,658
	51,993,325	53,909,618

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

	2011	2010
	Audited	Audited
	RMB'000	RMB'000
Capital expenditure		
Mainland China	**3,345,512**	3,193,789
Overseas	**1,102**	11,721
	3,346,614	3,205,510

Notes:

4. Expenses by nature

	2011	2010
	Audited	Audited
	RMB'000	RMB'000
Materials cost	**27,423,047**	30,107,853
Employee benefit expenses	**1,982,805**	1,727,836
Warranty expenses	**862,085**	1,122,707
Utilities	**616,568**	822,448
Amortisation of land use rights	**31,622**	22,274
Depreciation of property, plant and equipment	**785,892**	723,608
Amortisation of intangible assets	**132,824**	108,078
Transportation expenses	**1,049,615**	776,956
Advertising costs	**113,226**	84,240
Travel and office expenses	**247,659**	231,989
Transaction taxes	**99,051**	78,720
Write-down of inventories to net realisable value	**207,837**	93,279
Auditors' remuneration	**13,516**	14,937
(Reversal of) / provision for impairment of trade and other receivables	**(88,951)**	119,294
Other charges	**1,449,347**	1,304,326
Total	**34,926,143**	37,338,545
Representing:		
Cost of sales	**30,897,814**	33,311,730
Distribution costs	**2,209,616**	2,366,026
Administrative expenses	**1,818,713**	1,660,789
Total	**34,926,143**	37,338,545

Notes:

5. Other gains / (losses) – net

	2011 Audited RMB'000	2010 Audited RMB'000
(Losses)/gains of financial assets at fair value through profit or loss	**(188)**	195
Disposal of scraps	**204,576**	129,823
Government grants related to income	**97,354**	75,944
Fair value (losses)/gains on investment properties	**(3,729)**	883
Excess of share of acquired assets over the purchase consideration	**-**	3,743
Gains/(losses) on disposals of property, plant and equipment	**2,617**	(1,778)
Foreign exchange gains/(losses) - net	**56,120**	(262,403)
Others	**9,152**	29,466
Total	**365,902**	(24,127)

6. Taxation

The Company and Sinotruk (Hong Kong) International Investment Limited are subject to Hong Kong profits tax at the rate of 16.5% (2010: 16.5%) on their estimated assessable profit for the year. In addition, the Company is determined as a Chinese-resident enterprise and, accordingly, is subject to corporate income tax of People's Republic of China ("**PRC**"), which has been calculated based on the corporate income tax rate of 25% (2010: 25%).

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

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

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

Notes:

6. Taxation (Continued)

The remaining subsidiaries are subject to the PRC corporate income tax, which has been calculated based on the corporate income tax rate of 25% (2010: 25%).

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

	2011	2010
	Audited	Audited
	RMB'000	RMB'000
Current tax:		
- Hong Kong profits tax	**1,473**	-
- PRC corporate income tax	**278,869**	808,503
Total current tax	**280,342**	808,503
Deferred tax	**17,303**	(483,770)
Income tax expense	**297,645**	324,733

7. Earnings per share

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

	2011	2010
	Audited	Audited
Profit attributable to equity holders of the Company (RMB thousands)	**1,002,177**	1,480,745
Weighted average number of ordinary shares in issue (thousands)	**2,760,993**	2,760,993
Basic earnings per share (RMB per share)	**0.36**	0.54

Diluted earnings per share equals to basic earnings per share for the years ended 31 December 2011 and 2010 as the Company has no dilutive potential shares existed during the years.

Notes:

8. Trade receivables, other receivables and other current assets

	2011	2010
	Audited	Audited
	RMB'000	RMB'000
Non-current		
Other receivables	**131,647**	-
Less: Provision for impairment of other receivables	**(1,316)**	-
Other receivables - net	**130,331**	-
Current		
Accounts receivables	**4,604,431**	2,995,686
Less: Provision for impairment of accounts receivables	**(120,614)**	(111,399)
Accounts receivables – net	**4,483,817**	2,884,287
Notes receivables	**8,573,653**	8,028,397
Trade receivables - net	**13,057,470**	10,912,684
Other receivables	**1,019,484**	1,477,895
Less: Provision for impairment of other receivables	**(11,900)**	(118,111)
Other receivables - net	**1,007,584**	1,359,784
Interest receivables	**34,540**	30,679
Trade and other receivables before prepaid items	**14,099,594**	12,303,147
Prepayments	**876,398**	1,300,203
Prepaid taxes other than income tax	**419,709**	699,351
Prepaid income taxes	**147,310**	8,328
Trade receivables, other receivables and other current assets - net	**15,543,011**	14,311,029

As at 31 December 2011 and 2010, the carrying amounts of the Group's trade and other receivables before prepaid items approximated their fair values.

Notes:

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

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

	2011	2010
	Audited	Audited
	RMB'000	RMB'000
Less than 3 months	**7,815,859**	8,829,047
3 months to 6 months	**4,709,078**	1,736,320
6 months to 12 months	**258,114**	131,597
1 year to 2 years	**228,532**	166,361
2 years to 3 years	**43,053**	49,359
Over 3 years	**2,834**	-
	13,057,470	10,912,684

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

9. Trade payables, other payables and other current liabilities

	2011	2010
	Audited	Audited
	RMB'000	RMB'000
Trade and bills payables	**9,180,233**	12,681,568
Advances from customers	**2,452,927**	2,312,501
Accrued expenses	**573,905**	552,161
Staff welfare and salaries payable	**215,214**	196,043
Taxes liabilities other than income tax	**204,363**	80,918
Other payables	**1,074,820**	1,821,835
	13,701,462	17,645,026

Notes:

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

As at 31 December 2011 and 2010, the ageing analysis of the trade and bills payables was as follows:

	2011	2010
	Audited	Audited
	RMB'000	RMB'000
Less than 3 months	**4,830,401**	9,675,756
3 months to 6 months	**4,240,625**	2,407,597
6 months to 12 months	**92,723**	524,312
1 year to 2 years	**6,955**	51,667
2 years to 3 years	**1,618**	17,767
Over 3 years	**7,911**	4,469
	9,180,233	12,681,568

Dividends

The Directors recommend the payment of a final dividend of HKD 0.10 per share of the Company for the year ended 31 December 2011 ("**2011 Final Dividend**") with a sum of approximately HKD 276,099,000, which is subject to shareholders' approval at the forthcoming 2012 annual general meeting of the Company to be held on 16 May 2012. The 2011 Final Dividend, if approved, will be distributed on or about 15 June 2012 to shareholders of the Company whose names appear on the register of members of the Company on 24 May 2012.

The Company has been determined as a Chinese-resident enterprise. Pursuant to the "Enterprise Income Tax Law of the People's Republic of China" 《中華人民共和國企業所得稅法》 which was implemented in 2008 and the "Detailed Rules for the Implementation of the Enterprise Income Tax Law of the People's Republic of China" 《中華人民共和國企業所得稅法實施條例》, a Chinese-controlled Offshore Incorporated Enterprise shall withhold and pay enterprise income tax for its non-PRC resident enterprise shareholders. As the withholding and payment obligation lies with the Company, the Company will withhold and pay enterprise income tax for its non-PRC resident enterprise shareholders to whom the Company pays the 2011 Final Dividend.

In respect of all shareholders whose names are not registered as natural persons (including HKSCC Nominees Limited, corporate nominees or trustees such as securities companies and banks, and other entities or organisations, which are all considered as non-PRC resident enterprise shareholders), the Company will distribute the 2011 Final Dividend after deducting an enterprise income tax of 10% or other appropriate rates. The Company will not withhold and pay the income tax in respect of the 2011 Final Dividend payable to PRC resident enterprise shareholders or exempted entities. The Company will not withhold and pay the income tax in respect of the 2011 Final Dividend payable to any natural person shareholders.

CLOSURE OF REGISTER OF MEMBERS

The annual general meeting of the Company will be held on 16 May 2012 and the register of members of the Company will be closed from 11 May 2012 to 16 May 2012 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify to attend and vote in the annual general meeting, holders of the Company's shares must lodge their share certificates together with the share registrar the relevant share transfer documents with Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 10 May 2012.

For distribution of the 2011 Final Dividend, the register of members of the Company will be closed from 22 May 2012 to 24 May 2012 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify to receive the proposed 2011 Final Dividend, holders of the Company's shares must lodge their share certificates together with the share registrar the relevant share transfer documents with Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 21 May 2012.

Management Discussion and Analysis

Market Overview

In 2011, as the PRC government implemented tight monetary policies, fixed asset investment decelerated, and the growth of real estate development and investment decreased significantly. The progress of infrastructural projects such as roads and railways also slowed down which reduced the demand for heavy duty trucks used in construction. In addition, the demand for cargo transportation trucks decreased sharply due to the rising costs of fuels and labor, keen competition in cargo transportation market and the persistently low transportation fees. Furthermore, the government implemented a series of policies such as "Regulations on the Protection of Road Safety", which included strict penalties against overloaded vehicles. All of the reasons mentioned above curbed the demand for heavy duty trucks, leading to a decline in heavy duty truck sales in the domestic market. According to the China Association of Automobile Manufacturers (中國汽車工業協會, CAAM), the country's heavy duty truck (of more than 14 tons) sales decreased by 13.44% to about 880,600 units in 2011.

Review of Operations

Trucks Segment

During the period under review (the "**Period**"), the Group's heavy duty truck sales decreased by 13.4% to 130,029 units. Medium and light duty truck sales were 21,981 units.

Although the Group's sales decreased along with the decline in industry heavy duty truck demand, the Group enjoyed significant competitive edge in the segments for heavy duty trucks for construction projects and specialty vehicles, and still kept its leading position in the industry.

Domestic Business

During the Period, the Group carefully conducted research on the development trend of commercial trucks and set its strategy of expanding its product lines to cover a full range of commercial trucks including heavy duty truck, medium heavy duty truck, light duty truck and bus. The Group optimized its product mix and production mix with an aim of enhancing its overall profitability and competitiveness. The moves also lifted the technological and quality standards of the products and thus enhanced their competitiveness.

During the Period, the Group continued to expand its sales and marketing network with the focus on improving the quality of the network. As a result, the Group established a mutually beneficial operating system with distributors and refitting companies. The Group actively boosted sales with a number of truck purchase financing plans, including consumer credit and bonded sales financing. The Group also established strategic partnership with major clients in order to help boost truck sales.

During the Period, the Group has preliminarily completed its sales networks for various brands and continuously optimized the sales network for heavy duty trucks. The networks of sales, marketing and services for medium heavy duty truck and light duty truck have also been developed. As at 31 December 2011, there were 1,386 domestic distributors selling the Group’s products, including 259 4S centres and 251 stores specializing in products of the Group’s own brands. There were 1,615 services station providing quality after-sales services for users of the Group’s products and 280 refitting companies providing refitting services for the Group’s customers. In addition, there were 473 sales outlets and 353 service outlets for the Group’s Ji’nan light truck production department, 577 distributors for Sinotruk Chengdu Wangpai Commercial Vehicle Co., Ltd. (“**Sinotruk Wangpai Company**”) and 84 distributors and 89 service outlets for Sinotruk Fujian Haixi Vehicles Co., Ltd. (“**Sinotruk Fujian Haixi Company**”). The Group’s sales network was further improved.

During the Period, the Group’s bus products were launched in both domestic and overseas markets. With its proprietary technology, the Group developed a series of bus products, including diesel bus, compressed natural gas bus, liquefied natural gas bus and electric trolley bus. The Group not only developed different series of products, but also provided tailor-made products for niche markets such as group shuttle bus and school bus to meet the demand of different users. Meanwhile, the Group has set up the networks of marketing and sales of bus products. In the domestic market, the Group forms the sales network with 8 regional distribution firms, 13 distributors and 21 service stations. In the international markets, the Group has preliminarily established a comprehensive sales network which covers Europe, Americas, Africa, Central Asia, Russia, Asia-Pacific and etc. During the Period, the Group sold 356 buses.

International Business

In 2011, the global economic growth slowed down and the sovereign debts crisis in the Eurozone was spreading. To cope with the complicated global market conditions, the Group adjusted the export product mix structure and overseas market distribution, improved its brand reputation, and focused on the improvement of sales network and after-sales services. In addition, the Group further strengthened management system and improved the incentive mechanism for its overseas marketing and sales teams to boost sales. Presently, the Group has established a network of sales and after-sales services with 24 representative offices, 86 distributors, 231 sales outlets, 243 services outlets and 250 accessories and components.

During the Period, the Group consolidated and developed traditional overseas markets such as Africa, and at the same time explored emerging markets including South American countries. As a result, the Group's shares of overseas markets for heavy duty trucks in Africa, Southeast Asia and South America increased significantly. The Group exported 20,852 heavy duty trucks, representing an increase of 53.9%, and continued to rank first in heavy duty truck export in China.

Technological Upgrade and Production Capacity

During the Period, the major investment and construction projects included the introduction of the MAN engine, TGA cabin as well as the localization of the spare parts production. The construction of production facilities of the medium duty truck and light duty truck projects aims to enhance the production technology, product quality and to balance production capacities among trucks, engines and gearboxes, etc. It also aims to increase production capacity and enhance the product quality standards and research and development capabilities of the Group's forged parts production unit.

The introduction of MAN's production technology and product localization were carried out according to the agreement between the Group and MAN.

The project of light duty truck in Ji'nan, the medium and light duty truck production projects of Sinotruk Fujian Haixi Company and the cabin production project of Sinotruk Ji'ning Commercial Truck Co., Ltd. are progressing smoothly and form a solid foundation for technology upgrade and product diversification.

Presently, the Group has capacities for producing 170,000 heavy duty trucks, 40,000 medium and light duty trucks and 200,000 engines annually. The Group has research and development centres and production plants of trucks and spare parts in Ji'nan, Hangzhou, Chengdu and Fujian. It is able to meet the demand with its optimized product mix and production capacities.

New Products

The Group's research and development investment not only enhances the production technology but also steps up efforts to innovate new products and series of trucks. The moves help diversify its commercial truck products to include heavy duty trucks, medium heavy duty trucks and light duty trucks as well as buses. The Group is developing into a manufacturer of a complete range of commercial trucks.

After the Group and MAN jointly launched a model of heavy duty truck SITRAK T7H in the 14th Shanghai International Automobile Industry Exhibition, a new series of model HOWO-T5G was introduced in the Group's 2012 business conference. HOWO-T5G is a high-end medium heavy duty truck, and is in a leading position in terms of performance, reliability, accessories and appearance in China. HOWO-T5G series has a wide product range which includes tractor trucks, tippers, loaders, van and multi-purpose vehicles. It is also equipped for different loading tonnages and forms of drives as well as designed with light weight. HOWO-T5G works well for city, inter-provincial long-distance cargo transportation, multi-purposes vehicles and is able to satisfy the demand of different market segments.

The Group launches lightened HOWO tippers and HOWO-A7 tractor-trucks with upgraded structure and accessories to satisfy the market needs for lightened models.

Sinotruk Ji'nan Commercial Truck Co., Ltd. combined the advanced domestic production technology and leading foreign design concepts to develop the new medium duty truck series "New Huanghe C5B". The series are divided into four kinds of products - cargo transportation, industrial use, mining and chassis for special purpose vehicles. These products have been launched into the market.

Moreover, Sinotruk Ji'ning Commercial Truck Co., Ltd. introduced the new heavy duty truck series "Haohan" for cargo transportation so as to satisfy this niche market.

The HOWO light duty truck series was designed with Sinotruk's own truck technology and localized internationally advanced technology by Ji'nan light truck production department. It is developed to tap for domestic high-end light duty truck market. The series are applicable to various environments with high performance and efficiency as well as low cost. The presentation of HOWO light duty truck series symbolized a remarkable milestone of diversification in commercial trucks.

Engines Segment

During the Period, the Group was able to produce 200,000 units of engines which not only satisfy the demand of the Group and its connected parties but also those of manufacturers of heavy duty trucks, buses and construction machinery. The Group will raise the proportion of external sales in its engine sales and expand its domestic market share. These moves will increase its income source.

During the Period, the Engines Segment's sales volume decreased by 32.1% to 135,680 units. Revenue (including sales of components and inter-segment revenue) decreased by 32.9% to RMB 8,334 million. External sales accounted for 21.1% of the engine segment's revenue, up by 2.8 percentage points from 18.3% of the previous year.

The project of localizing MAN engine technology has been progressing on schedule. The prototypes of engines for heavy duty trucks and medium heavy duty trucks were completed. Experiments, testing and verification are being carried out.

Finance Segment

During the Period, the external revenue of the Group's finance segment increased from RMB 75 million by RMB 20 million to RMB 95 million. The increase was mainly due to the expansion of the consumer credit business, the growth in interest income from lending and the increase in bills discounting income.

During the Period, the credit availability contracted in China, making it more difficult for customers to get truck loans from banks. In order to satisfy the customers' demand for truck purchase, Sinotruk Finance Co., Ltd. continued to explore new channels for providing consumer credit by cooperating with authorized financial institutions while taking a prudent approach towards credit risk management. As at 31 December 2011, Sinotruk Finance Co., Ltd. had already set up 18 regional offices and extended its consumer credit business coverage to over 20 provinces, covering most parts of China. Thus, a vehicle consumer credit network was established. In 2011, the Group sold 3,261 trucks with these consumer credits.

Research and Development

The Group is dedicated to research and development and will increase capital expenditure in research and development. During the Period, the technology centre actively researched, developed, innovated, tested and verified products of trucks and their key parts and components. By leveraging the Group's research and development capability and strengthening the cooperation with MAN, we together with MAN co-developed high quality and high technology engines, parts and components and trucks. This enhanced the competitiveness of Sinotruk.

The engine developed under "Research and Development on Natural Gas Engine" project of the "11th Five-Year National High-tech Research and Development Plan" undertaken by the Group has been accredited in Ji'nan by an expert team organized by the National Ministry of Science and Technology. This engine achieves China IV emission standard with great breakthrough in terms of power, fuel consumption and environment protection.

As at 31 December 2011, the Group together with its Parent Company participated in the formulation of 41 industry standards for China's heavy duty trucks and had obtained 1,734 patents. We continued to rank first in the domestic heavy duty truck industry in terms of the number of patents owned.

Quality Control

The Group continued to implement lean management in order to enhance and improve quality control. It enhanced the employees' awareness of product quality, strengthened their skill set and provided quality assurance training for employees. It also improved the procedures of quality control, raised the standard of product quality assessment and increased the capabilities to meet the requirements of suppliers. Moreover, it made some improvements in product design, manufacturing and after-sale services by studying and applying the advanced quality concepts and management methods of MAN SE. Following the adoption and execution of quality enhancement policies, the quality and reliability of the Group's products were increased substantially and the frequency of after-sales services and compensation claims per truck decreased significantly. This showed that the increase in the products' quality was recognized by the customers.

Significant Investments and Cooperation

In July 2011, Sinotruk Ji'nan Power Co., Ltd. agreed the transfer of ownership in Sinotruk Mianyang Special Vehicle Co., Ltd. with Sichuan Fulin Industrial Group Co., Ltd. And Mianyang Hi-tech Zone Heping Automobile Co., Ltd. which sold 30% and 10% ownership in Sinotruk Mianyang Special Vehicle Co., Ltd. respectively. Thereafter, Sinotruk Mianyang Special Vehicle Co., Ltd. became a wholly owned subsidiary of Sinotruk Ji'nan Power Co., Ltd.

In July 2011, Sinotruk Ji'nan Commercial Truck Co., Ltd. invested RMB40 million to establish Sinotruk Xinjiang Commercial Truck Co., Ltd. which is principally engaged in the research and development, manufacturing and sales of auto parts and mechanical engineering.

In December 2011, Sinotruk Ji'nan Commercial Truck Co., Ltd. invested RMB240 million to establish Sinotruk Ji'nan Rubber & Plastic Components Co., Ltd. which is principally engaged in the research and development, manufacturing and sales of auto parts and rubber products.

In December 2011, Sinotruk Ji'nan Power Co., Ltd. invested RMB50 million to establish Sinotruk Hangzhou Engines Sales Co., Ltd. which is principally engaged in the wholesale of engines and auto parts.

Human Resources

As at 31 December 2011, the Group had a total of 22,782 employees. The Group highly values human resources and further improves staff promotion mechanism. It implements the performance assessment system and middle management promotion system so as to provide better career platform for development. In addition, the Group reforms human resources allocation system to enhance employees' enthusiasm; focuses on identifying and developing high caliber individuals; strengthen training in internationalization; hires talent for the senior management and professional technicians to support its internationalization strategy.

Prospects

For the year of 2012, the recovery of world economy will still be affected by the sovereign debt crisis in the Eurozone, turbulent situations in certain countries and regions and many other uncertainties. It is expected that the Chinese government will adopt a series of flexible and prudent macroeconomic control measures, with suitable and opportune adjustments, to maintain the country's economic growth momentum. It is believed that the implementation of infrastructure construction projects, which are part of the Chinese government's plans to revitalize provincial economy and to improve the people's livelihood, will bring new opportunities to the heavy duty truck industry. However, the market conditions are still severe for the Group in view of the macroeconomic control measures, tightened rules and regulations, and fierce competition in the truck industry. The Group will adopt various measures to ensure a stable development.

1. To continue regionalization in sales and marketing network and to achieve a breakthrough in forming the network. The Group will apply the differentiation policies in developing and running different sales and marketing networks for different products; make a breakthrough in forming mutually beneficial partnerships for sales and distribution network with an aim of enhancing market development. The Group nurtures a stronger awareness of quality services among the staff so as to build stronger brand awareness. Meanwhile, the Group will take full advantage of its financial strength by innovating more financial support services for truck purchase with a view to boost sales.

2. To improve the overall quality standards of the products. The Group will focus on the quality control to the products' reliability and customer satisfaction; implement quality management policy strictly; step up efforts in internal quality assessment; raise the employees' skills and awareness of product quality. The Group will also strengthen its cooperation and exchange activities with MAN on quality management to lift the overall quality standards.

3. To adhere to technological innovation and optimization of product mix. Capitalizing on the Group's advantages in capital, human resources, research and development equipment, we will continue to focus on innovating technology and products, optimize product mix, upgrade the truck production technology and fully develop a whole range of competitive products to satisfy the various needs of customers.

4. To continue to enhance efficiency and quality with the lean management method. The Group will improve the organizational structure of its production units to ensure operational compliance, and improve the production processes to raise efficiency. We will also establish a sound corporate risk management system and strengthen the overall management controls so as to maintain a fast development momentum.

5. To strengthen the Group's cooperation with MAN. The Group continues to localize the technology and products from MAN and will jointly develop overseas markets. We will also expand the scope and areas of the cooperation according to the needs of the market development.

6. To adhere to the international development strategy. The Group will step up efforts in expanding the global market and strengthening international cooperation. It will also raise the brand awareness, improve the quality of sales and marketing network, and focus on providing higher quality overseas after-sales services and encourage the overseas agents to sell spare parts with franchise so as to aim to boost exports.

7. To continue the reform of human resources system and to motivate the employee. The Group will attach great importance to training and developing high caliber individuals and make medium to long term talents training and development plan. It will also improve human resources allocation system and provide fair working conditions so as to ensure a sufficient supply of talent for corporate continuity development.

Financial review

Turnover, gross profit and gross profit margin

For the year ended 31 December 2011, the Group's turnover recorded RMB 36,604 million, compared with that of 2010 at RMB 39,656 million, representing a decrease of RMB 3,052 million or 7.7%. The decrease in turnover primarily resulted from the reduction in sales volume.

Gross profit for the year ended 31 December 2011 was RMB 5,706 million, representing a decrease of RMB 638 million or 10.1% compared to that of 2010 at RMB 6,344 million. Gross profit margin decreased by 0.4 percentage points from 16.0% for 2010 to 15.6% for 2011. The decrease in gross profit was due to the reduction in sales volume which led to an increase in depreciation and amortization expenses of each truck.

Distribution costs

Distribution costs decreased from RMB 2,366 million for 2010 to RMB 2,210 million for 2011, reduced by RMB 156 million or 6.6%. The decrease was mainly due to the reduction in truck sales volume and lower warranty expenses, but the growth of export volume resulting in the increase in sea freight reduced the extent of the decrease.

Administrative expenses

Administrative expenses increased from RMB 1,661 million for 2010 to RMB 1,819 million for 2011, increased by RMB 158 million or by 9.5%. The increase was mainly due to (i) the growth of the Group's operating scale by the acquisition of Sinotruk Wangpai Company and Sinotruk Fujian Haixi Company in the second half of 2010 and (ii) increase in amortization of intangible assets of the Group.

Other gains/losses – net

There was a net other gains of RMB 366 million in year 2011 against the net other losses of RMB 24 million in year 2010. The turnaround from net other losses to net other gains was mainly attributable to the realized exchange gains from the conversion of Euro funds and revaluation gain from Euro deposits as Euro against RMB was appreciated. The Group has closely monitored and analyzed the trend of the movement of Euro against RMB and take actions on a timely manner.

Financial costs – net

Net financial costs for 2011 were RMB 577 million while the net finance costs was RMB 239 million for 2010, increased by RMB 338 million or 141.4%. The net financial costs were mainly resulted by the increase in loan interest rate and increase in interest expense.

Income tax expense

Income tax expense decreased by RMB 27 million or 8.3% to RMB 298 million in year 2011 from RMB 325 million in year 2010, due to reduce in profit before tax.

Profit for the year and earnings per share

Profit for the year ended 31 December 2011 decreased by 32.5% to RMB 1,168 million from RMB 1,730 million in year 2010. The basic earnings per share attributable to the equity holders of the Company decreased from RMB 0.54 in 2010 to RMB 0.36 in year 2011.

Cash flow

During the year ended 31 December 2011, net cash outflow from operating activities was about RMB 1,426 million (with considering the bank acceptances bills amount increase by RMB 606 million, the net cash outflow from operating activities during the Period was RMB 820 million). Compared with net cash outflow from operating activities at RMB 6,380 million in year 2010, the cash outflow from operating activities decreased by RMB 4,954 million which was mainly resulted by the increase of levels of finished products and spare parts for the preparation of the peak season of first quarter of 2011 in year 2010.

Net cash outflow from investing activities in year 2011 was RMB 1,605 million, an increase of RMB 1,283 million compared with RMB 322 million of year 2010. The increase was resulted by the release of funds from maturity of fixed deposits at the end of 2009 at the amount of RMB 1,038 million in 2010.

In year 2011, net cash inflow from financing activities was RMB 1,096 million while it was RMB 6,841 million in year 2010. The cash flow from financing activities was decreased by RMB 5,745 million. The decrease was due to the reduction in new borrowings.

Liquidity and Financial Resources

At 31 December 2011, the Group had cash and cash equivalents of RMB 9,577 million, and bank acceptance bills of RMB 8,552 million. Cash and cash equivalents recorded a decrease of RMB 1,984 million and bank acceptance bills recorded an increase of RMB 606 million when compared with those of year 2010. The Group's total borrowings (including long-term and short-term borrowings) were about RMB 15,606 million. Its gearing ratio was 30.0%, which was calculated by dividing borrowings by total assets (2010: 26.4%). All of borrowings were denominated in RMB (2010: 99.0%). Most of the borrowings had preferential bank floating rates and were due within one year. The current ratio (total current assets divided by total current liabilities) as at 31 December 2011 was 1.3 (31 December 2010: 1.4).

As at 31 December 2011, the Group's total available credit facilities amounted to RMB 44,184 million of which RMB 11,159 million had been utilised. A total net book value of RMB 1,038 million of the Group's deposits and bank deposits was pledged to secure its borrowings and credit facilities. In addition, Sinotruk Finance Co., Ltd. had made mandatory deposits at RMB 714 million to People's Bank of China for its financial operations. The Group meets the daily liquidity needs by matching operating cash flow patterns with funds on hand and enhances its liquidity by way of application of longer credit periods from suppliers, utilization of banking facilities and issue of bills such as short-term commercial acceptance notes and bank acceptance notes.

Financial Management and Policy

The finance department is responsible for financial risk management of the Group. One of our key financial policies is to manage exchange rate risk. Our treasury policy prohibited the Group from participating in any speculative activities. As at 31 December 2011, most of the Group's assets and liabilities were denominated in RMB, except for restricted cash and bank deposits which in total are equivalent to approximately RMB 244 million, accounts receivable of approximately RMB 1,100 million, and accounts payable of approximately RMB 261 million, all of which were denominated in currencies other than RMB.

Capital Structure

As at 31 December 2011, owner's equity was RMB 20,569 million, representing an increase of RMB 809 million or 4.1% when compared with RMB 19,760 million at the end of the last year. As at 31 December 2011, the Company's market capitalisation was RMB 9,714 million (calculated by issued share capital: 2,760,993,339 shares, closing price: HKD 4.34 per share and at the exchange rate of 0.81070 between HKD and RMB).

Going Concern

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

Contingent Liabilities, Legal Proceedings and Potential Litigation

During the period under review, the Group was not involved in any litigation, arbitration or administrative proceedings that could have a material adverse effect on its financial condition and results of operations. The Group estimates that the total amount of claims of all lawsuits is approximately RMB 62 million. There was no provision for legal claims as at 31 December 2011.

Purchase, Sale and Redemption of Listed Securities

Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any listed securities of the Company during the year ended 31 December 2011.

Corporate Governance

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

The Company has adopted the Code on Corporate Governance Practices (the "**CG Code**") as set out in Appendix 14 to the Rules Governing of the Listing of Securities on the Stock Exchange (the "**Listing Rules**") as its own code of corporate governance and, during the year ended 31 December 2011, has been in compliance with the CG Code.

Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the code of conduct for securities transactions by the Directors of the Company (the "**Directors**"). The Company has made specific enquiries with all Directors and all Directors confirm that they have compiled with the standards required by the Model Code during the year ended 31 December 2011.

Resignation as a Member of the Audit Committee of the Company

In order to comply with the requirements under the Listing Rules, Mr. Tong Jingen has resigned from his position as a member of the audit committee of the Company (the "**Audit Committee**") with effective from 30 March 2012.

Review of Financial Statements

The Group's consolidated financial statements for the year ended 31 December 2011 have been reviewed by the Audit Committee. Also, the figures in respect of the Group's consolidated balance sheet, consolidated statement of comprehensive income and related notes as set out in this preliminary results announcement have been agreed by the Company's external auditors, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2011. The procedures performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this preliminary results announcement.

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

Beijing, PRC, 27 March 2012

As at the date of this announcement, the Board consists of the seven executive Directors, Mr. Ma Chunji, Mr.Cai Dong, Mr. Wei Zhihai, Mr. Wang Haotao, Mr. Tong Jingen, Mr. Wang Shanpo and Mr. Gao Dinggui; the three non-executive Directors, Dr. Georg Pachta-Reyhofen, Mr. Jörg Schwitalla and Mr. Lars Wrebo and the six independent non-executive Directors, Dr. Shao Qihui, Dr. Lin Zhijun, Dr. Ouyang Minggao, Dr. Hu Zhenghuan, Mr. Chen Zheng and Mr. Li Xianyun.