WEICHAI

濰柴動力股份有限公司
WEICHAI POWER CO., LTD.

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 2338)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2012

Pursuant to the Consultation Conclusions on Acceptance of Mainland Accounting and Auditing Standards and Mainland Audit Firms for Mainland Incorporated Companies Listed in Hong Kong published by The Stock Exchange of Hong Kong Limited ("Hong Kong Stock Exchange") in December 2010, Mainland incorporated issuers listed in Hong Kong shall be allowed to prepare their financial statements using China Accounting Standards for Business Enterprises. As such, in the annual general meeting 2010 of the Company held on 18 May 2011, it was resolved that with effect from 2011, the Company would only adopt Mainland accounting standards in its preparation of financial statements and would no longer use Hong Kong accounting standards at the same time in preparing financial statements.

(Important notice: This announcement is published in Chinese and English versions. In case of inconsistency, the Chinese version shall prevail.)

FINANCIAL HIGHLIGHTS

- Revenue was approximately RMB48,165 million, representing a decrease of approximately 19.75%.
- Net Profit Attributable to the Shareholders of the Parent was approximately RMB2,991 million, representing a decrease of approximately 46.56%.
- Basic Earnings Per Share was approximately RMB1.50, representing a decrease of approximately 46.43%.

The board of directors (the "Board") of Weichai Power Co., Ltd. (the "Company") is pleased to announce the audited consolidated financial statements of the Company and its subsidiaries (the "Group") prepared in accordance with the Mainland Accounting Standards for the year ended 31 December 2012 (the "Year"), together with comparative figures for the corresponding period of 2011 as follows:

CONSOLIDATED INCOME STATEMENT

January to December 2012 (Expressed in Renminbi Yuan)

	Notes	**2012**	2011
Revenue	*7*	**48,165,394,849.63**	60,019,265,103.58
Less: Cost of sales	*7*	**38,775,044,121.79**	46,806,606,604.13
Taxes and surcharges	*8*	**187,228,738.22**	222,009,260.83
Distribution and selling expenses		**2,433,478,520.89**	2,906,855,606.90
General and administrative expenses		**3,232,666,367.18**	3,022,275,680.02
Finance expenses		**(9,844,442.01)**	30,780,700.73
Impairment loss of assets		**79,464,267.64**	18,599,453.24
Add: Investment income		**251,508,306.03**	157,770,576.61
Incl: Share of profit of associates and jointly controlled enterprises		**29,987,138.09**	118,940,019.23
Operating profit		**3,718,865,581.95**	7,169,908,374.34
Add: Non-operating income		**278,554,862.32**	288,970,341.49
Less: Non-operating expenses		**37,606,655.54**	40,372,441.85
Incl: Loss on disposal of non-current assets		**18,350,863.77**	24,318,163.27
Total profit		**3,959,813,788.73**	7,418,506,273.98
Less: Income tax expenses	*9*	**725,547,240.05**	1,098,510,615.05
Net profit		**3,234,266,548.68**	6,319,995,658.93
Net profit attributable to the shareholders of the parent		**2,990,996,934.91**	5,596,927,166.88
Minority interests		**243,269,613.77**	723,068,492.05
Earnings per share			
Basic earnings per share	*10*	**1.50**	2.80
Other comprehensive income	*11*	**(10,329,365.78)**	(487,719,868.08)
Total comprehensive income		**3,223,937,182.90**	5,832,275,790.85
Incl:			
Total comprehensive income attributable to the shareholders of the parent		**2,980,668,778.14**	5,109,242,298.64
Total comprehensive income attributable to minority owners		**243,268,404.76**	723,033,492.21

CONSOLIDATED BALANCE SHEET
31 December 2012 (Expressed in Renminbi Yuan)

ASSETS	*Notes*	**2012**	2011
Current assets			
Cash and cash equivalents		**16,726,970,096.00**	16,612,740,784.48
Financial assets held for trading		**137,050,693.51**	–
Notes receivable	*3*	**9,242,232,142.39**	9,551,350,772.66
Accounts receivable	*4*	**4,168,525,397.14**	4,737,509,830.84
Prepayments		**365,397,070.50**	431,537,902.92
Dividends receivable		**70,540,000.00**	39,529,218.53
Interests receivable		**7,418,831.76**	300,495.58
Other receivables		**444,105,891.14**	240,646,814.45
Inventories		**7,509,902,216.33**	10,357,553,534.02
Other current assets		**487,991,597.21**	737,579,223.78
Total current assets		**39,160,133,935.98**	42,708,748,577.26
Non-current assets			
Available-for-sale financial assets		**269,200,000.00**	234,011,928.12
Long-term receivables		**–**	27,720,035.60
Long-term equity investments		**4,951,543,932.62**	955,698,174.11
Investment property		**329,994,770.86**	250,328,337.12
Fixed assets		**11,526,489,430.20**	9,653,054,092.86
Construction in progress		**5,175,099,417.99**	5,103,645,581.44
Materials used in construction		**–**	10,275,638.26
Disposal of fixed assets		**3,493,436.95**	2,837,542.66
Intangible assets		**2,160,257,108.86**	1,155,490,455.27
Development expenditure		**431,692,444.28**	2,994,232.00
Goodwill		**1,443,114,787.31**	538,016,278.33
Long-term prepaid expenses		**169,123,071.48**	160,574,819.39
Deferred tax assets		**700,119,807.88**	741,151,727.82
Other non-current assets		**100,706.28**	–
Total non-current assets		**27,160,228,914.71**	18,835,798,842.98
Total assets		**66,320,362,850.69**	61,544,547,420.24

LIABILITIES AND EQUITY	*Notes*	**2012**	2011
Current liabilities			
Short-term loans		**2,742,091,634.05**	1,541,238,008.87
Notes payable	*5*	**5,244,310,106.70**	5,965,759,459.51
Accounts payable	*6*	**9,962,420,973.54**	13,078,975,509.97
Advances from customers		**872,835,717.97**	882,764,570.36
Payroll payable		**1,026,722,757.02**	1,134,476,103.29
Taxes payable		**239,380,723.63**	2,004,611,473.20
Interests payable		**61,680,626.43**	57,505,831.82
Dividends payable		**33,103,222.12**	59,135,231.94
Other payables		**2,535,764,374.58**	2,990,669,199.84
Non-current liabilities due within one year		**352,604,906.92**	700,000,000.00
Other current liabilities		**852,860,219.00**	998,201,870.63
Total current liabilities		**23,923,775,261.96**	29,413,337,259.43
Non-current liabilities			
Long-term borrowings		**6,344,249,958.75**	352,254,546.00
Bonds payable		**2,691,489,273.21**	2,687,471,069.22
Long-term payables		**5,500,000.00**	36,377,700.00
Special payables		**43,000,000.00**	23,000,000.00
Deferred tax liabilities		**168,154,335.44**	50,837,782.39
Other non-current liabilities		**1,744,958,243.83**	78,506,251.10
Total non-current liabilities		**10,997,351,811.23**	3,228,447,348.71
Total liabilities		**34,921,127,073.19**	32,641,784,608.14
Shareholders' equity			
Share capital		**1,999,309,639.00**	1,666,091,366.00
Capital reserve		**842,375,982.05**	1,520,836,404.54
Special reserve		**23,089,542.52**	–
Surplus reserve		**2,300,128,466.82**	1,935,774,543.04
Retained earnings		**19,737,619,540.81**	17,813,666,654.13
Exchange differences on foreign currency translation		**(33,171,947.25)**	(32,925,707.62)
Total equity attributable to the shareholders of the parent		**24,869,351,223.95**	22,903,443,260.09
Minority interests		**6,529,884,553.55**	5,999,319,552.01
Total shareholders' equity		**31,399,235,777.50**	28,902,762,812.10
Total liabilities and shareholders' equity		**66,320,362,850.69**	61,544,547,420.24

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2012

1. SIGNIFICANT ACCOUNTING POLICIES

1. Preparation basis of the financial statements

The financial statements have been prepared in accordance with the Accounting Standards for Business Enterprises-Basic Standard and 38 specific accounting standards issued in February 2006, and the implementation guidance, interpretations and other relevant provisions issued subsequently by MOF (collectively referred to as "Accounting Standards for Business Enterprises").

The financial statements are presented on a going concern basis.

In preparing these financial statements, all the assets (other than certain financial instruments) are carried at historical cost. If the assets are impaired, corresponding provisions for impairment shall be made according to relevant provisions.

2. Statement of compliance with Accounting Standards for Business Enterprises

The financial statements present, fairly and fully, the financial position of the Company and the Group as at 31 December 2012 and the results of operations and the cash flows for the year ended 2012 in accordance with Accounting Standards for Business Enterprises.

3. Business combination

A business combination is a transaction or event that brings together two or more separate entities into one reporting entity. Business combinations are classified into business combinations involving entities under common control and business combinations not involving entities under common control.

Business combinations involving entities under common control

A business combination involving entities under common control is a business combination in which all of the combining entities are ultimately controlled by the same party or parties both before and after the combination, and that control is not transitory. For a business combination involving entities under common control, the party that, on the combination date, obtains control of another entity participating in the combination is the absorbing party, while that other entity participating in the combination is a party being absorbed. Combination date is the date on which the absorbing party effectively obtains control of the party being absorbed.

Assets and liabilities that are obtained by the absorbing party in a business combination shall be measured at their carrying amounts at the combination date as recorded by the party being absorbed. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination (or the aggregate face value of shares issued as consideration) shall be adjusted to share premium under capital reserve. If the capital reserve is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

Business combinations not involving entities under common control

A business combination not involving entities under common control is a business combination in which all of the combining entities are not ultimately controlled by the same party or parties both before and after the combination. For a business combination not involving entities under common control, the party that, on the acquisition date, obtains control of another entity participating in the combination is the acquirer, while that other entity participating in the combination is the acquiree. Acquisition date refers to the date on which the acquirer effectively obtains control of the acquiree.

The acquirer shall measure the acquiree's identifiable assets, liabilities and contingent liabilities acquired in the business combination not involving entities under common control at their fair values on the acquisition date.

The excess of the sum of the consideration paid (or equity securities issued) for business combination and equity interests in the acquiree held prior to the date of acquisition over the share of the attributable net identifiable assets of the acquiree obtained in the business combination, measured at fair value, was recognized as goodwill, which is subsequently measured at cost less cumulative impairment loss. In case the fair value of the sum of the consideration paid (or equity securities issued) and equity interests in the acquiree held prior to the date of acquisition is less than the fair value of the share of the attributable net identifiable assets of the acquiree, a review of the measurement of the fair values of the identifiable assets, liabilities and contingent liabilities, the consideration paid for the combination (or equity securities issued) and the equity interests in the acquiree held prior to the date of acquisition is conducted. If the review indicates that the fair value of the sum of the consideration paid for business combination (or equity securities issued) and equity interests in the acquiree held prior to the date of acquisition is indeed less than the fair value of the share of the attributable net identifiable assets of the acquiree obtained in the business combination, the difference is recognized in current profit or loss.

4. Consolidated financial statements

The consolidation scope of consolidated financial statements is determined on the basis of control, including the financial statements for the year ended 31 December 2012 of the Company and all of its subsidiaries. A subsidiary is an enterprise or entity that is controlled by the Company.

In preparation of consolidated financial statements, the subsidiaries use the same accounting period as those of the Company. When the accounting policies of a subsidiary are different from those of the Company, the Company shall make adjustments to the financial statements of the subsidiary based on its own accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Where the amount of losses of a subsidiary attributable to the minority shareholders in the current period exceeds their share of the opening balance of owner's equity of the subsidiary, the excess shall be allocated against minority interests. A change in the minority interests, without a loss of control, is accounted for as an equity transaction.

For subsidiaries acquired through business combinations not involving entities under common control, the operating results and cash flows of the acquiree shall be included in the consolidated financial statements, from the day on which the Group gains control, till the Group ceases the control of it. While preparing the consolidated financial statements, the acquirer shall adjust the subsidiary's financial statements, on the basis of the fair values of the identifiable assets, liabilities and contingent liabilities recognized on the acquisition date.

For subsidiaries acquired through business combinations involving entities under common control, the operating results and cash flows of the acquiree shall be included in the consolidated financial statements from the beginning of the period in which the combination occurs. While preparing the comparative consolidated financial statements, adjustments are made to related items in the financial statements for the prior period as if the reporting entity established through combination has been existing since the ultimate controller begins to exercise control.

2. SEGMENT REPORTING

Operating segments

The Group organizes and manages its operating business in accordance with the nature of business and provision of products and services. Each operating segment of the Group is one operating group, providing products and services with risks and rewards different from those of other operating segments.

The details of operating segments are as follows:

(a) manufacturing and sale of diesel engines and related parts ("Diesel engines");

(b) manufacturing and sale of automobiles and major automobile components other than diesel engines ("Automobiles and other major automobile components");

(c) manufacturing and sale of other components ("Other components");

(d) provision of import and export services ("Import & export services").

Management monitors the results of operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted total profits. The adjusted total profits are measured consistently with the Group's total profits, except that interest income, finance expenses, dividend income, gains from changes in fair value of financial instruments as well as head office expenses are excluded from such measurement.

Segment assets exclude equity investments at fair value through profit or loss for the current period, derivative instruments, dividends receivable, interests receivable, available-for-sale financial assets, long-term equity investments, goodwill, deferred tax assets and other unallocated head office assets as these assets are managed on a group basis.

Segment liabilities exclude derivative instruments, borrowings, income tax payable, deferred tax liabilities and other unallocated head office liabilities as these liabilities are managed on a group basis.

Inter-segment transfers are transacted with reference to the prices used in the transactions carried out with third parties.

2012

	Diesel engines	Automobiles and other major automobile components	Other components	Import & export services	Total
Segment revenue:					
Sale to external customers	17,480,516,202.63	29,566,074,014.52	1,061,931,478.89	56,873,153.59	48,165,394,849.63
Inter-segment sale	3,724,332,429.85	363,369.79	70,303,393.45	16,981,132.12	3,811,980,325.21
Total	21,204,848,632.48	29,566,437,384.31	1,132,234,872.34	73,854,285.71	51,977,375,174.84
Adjustment:					
Elimination of inter-segment sale					(3,811,980,325.21)
Revenue					48,165,394,849.63
Segment results	2,927,882,421.47	932,042,415.11	57,753,434.26	(225,985,957.51)	3,691,692,313.33
Adjustment:					
Elimination of inter-segment results					(234,179,940.09)
Interest income					340,047,429.55
Dividend income and unallocated income					530,063,629.02
Corporate and other unallocated expenses					(37,606,655.54)
Finance expenses					(330,202,987.54)
Profit before tax					3,959,813,788.73
31 December 2012					
Segment assets	19,919,255,144.62	21,002,990,818.11	8,835,477,497.68	6,395,999,165.88	56,153,722,626.29
Adjustment:					
Elimination of inter-segment receivables					(7,597,274,404.97)
Corporate and other unallocated assets					17,763,914,629.37
Total assets					66,320,362,850.69
Segment liabilities	10,500,167,195.06	11,419,252,703.59	8,248,373,872.44	35,405,087.52	30,203,198,858.61
Adjustment:					
Elimination of inter-segment payables					(7,623,734,586.90)
Corporate and other unallocated liabilities					12,341,662,801.48
Total liabilities					34,921,127,073.19
2012					
Other segment information:					
Share of profit and loss from:					
Gain/(loss) from associates	53,592,927.19	(23,727,713.56)	–	121,924.46	29,987,138.09
Impairment gain/(loss) of inventories	(16,100,137.45)	(85,867,360.28)	(608,429.76)	–	(102,575,927.49)
Impairment reversal/(loss) of accounts receivable and other receivables	906,771.82	10,712,333.02	(1,131,336.47)	13,675,034.47	24,162,802.84
Depreciation and amortization	(595,186,023.21)	(910,615,137.49)	(32,845,069.10)	(19,790,219.02)	(1,559,154,853.58)
Gain/(loss) from disposal of fixed assets	(299,222.43)	5,860,097.84	(2,850,362.50)	–	2,710,512.91
Gain from disposal of intangible assets	–	1,912,519.00	–	–	1,912,519.00
Product warranty fees	(646,432,208.99)	(405,025,476.04)	(3,099,326.62)	–	(1,054,577,011.65)
Investment in associates	662,759,388.84	267,315,445.84	3,884,319,200.00	71,832,271.42	4,886,226,306.10
Capital expenditure	(1,590,980,558.72)	(2,195,069,864.40)	(1,707,805,778.53)	(153,050,238.73)	(5,646,906,440.38)

2011

	Diesel engines	Automobiles and other major automobile components	Other components	Import & export services	Total
Segment revenue:					
Sale to external customers	24,395,968,527.76	33,908,776,948.53	1,540,979,572.86	173,540,054.43	60,019,265,103.58
Inter-segment sale	4,460,028,701.02	615,699.32	172,565,906.84	–	4,633,210,307.18
Total	28,855,997,228.78	33,909,392,647.85	1,713,545,479.70	173,540,054.43	64,652,475,410.76
Adjustment:					
Elimination of inter-segment sale					(4,633,210,307.18)
Revenue					60,019,265,103.58
Segment results	5,612,203,964.50	1,689,982,887.50	122,279,324.95	(19,874,524.77)	7,404,591,652.18
Adjustment:					
Elimination of inter-segment results					(361,673,153.72)
Interest income					212,115,787.51
Dividend income and unallocated income					446,740,918.10
Corporate and other unallocated expenses					(40,372,441.85)
Finance expenses					(242,896,488.24)
Profit before tax					7,418,506,273.98
31 December 2011					
Segment assets	20,395,172,153.98	23,155,033,858.92	1,335,817,706.65	666,318,120.09	45,552,341,839.64
Adjustment:					
Elimination of inter-segment receivables					(1,655,244,665.81)
Corporate and other unallocated assets					17,647,450,246.41
Total assets					61,544,547,420.24
Segment liabilities	12,639,396,308.66	13,683,690,256.90	564,768,086.61	245,648,027.91	27,133,502,680.08
Adjustment:					
Elimination of inter-segment payables					(1,699,381,896.45)
Corporate and other unallocated liabilities					7,207,663,824.51
Total liabilities					32,641,784,608.14
2011					
Other segment information:					
Share of profit and loss from:					
Gain/(loss) from associates	128,897,916.48	(11,052,293.55)	–	1,094,396.30	118,940,019.23
Impairment gain/(loss) of inventories	1,693,972.73	(91,768,801.80)	(3,803,946.92)	–	(93,878,775.99)
Impairment reversal/(loss) of accounts receivable and other receivables	25,989,352.41	56,977,020.38	(2,080,810.89)	(1,906,336.62)	78,979,225.28
Depreciation and amortization	(634,286,709.52)	(775,687,569.62)	(38,607,356.20)	(12,699,747.68)	(1,461,281,383.02)
Gain/(loss) from disposal of fixed assets	4,494,922.16	(4,373,202.34)	(5,493,514.65)	–	(5,371,794.83)
Gain from disposal of intangible assets	19,990,251.31	–	–	–	19,990,251.31
Product warranty fees	(938,362,121.89)	(436,920,392.77)	–	–	(1,375,282,514.66)
Investment in associates	584,959,883.74	267,535,254.47	–	41,612,709.35	894,107,847.56
Capital expenditure	(3,264,221,948.15)	(3,451,531,296.17)	(219,162,699.46)	(56,991,100.40)	(6,991,907,044.18)

Group information

Information about products and services

Revenue from external transactions

	2012	2011
Diesel engines	**17,480,516,202.63**	24,395,968,527.76
Automobiles and other major automobile components	**29,566,074,014.52**	33,908,776,948.53
Other components	**1,061,931,478.89**	1,540,979,572.86
Import & export services	**56,873,153.59**	173,540,054.43
	48,165,394,849.63	60,019,265,103.58

Geographic information

Revenue from external transactions

	2012	2011
Mainland China	**47,951,438,155.70**	59,715,239,695.76
Other countries and regions	**213,956,693.93**	304,025,407.82
	48,165,394,849.63	60,019,265,103.58

Revenue from external transactions is attributable to the areas where customers are located.

Total non-current assets

	31 December 2012	31 December 2011
Mainland China	**19,269,480,687.65**	17,711,809,904.30
Other countries and regions	**6,917,880,832.49**	148,825,282.74
	26,187,361,520.14	17,860,635,187.04

Non-current assets are attributable to the areas where the assets are located, excluding financial assets and deferred tax assets.

Information about major customers

Revenue of RMB3,436,822,767.12 (2011: RMB5,715,414,615.50) was derived from sales by Diesel engines segment and Automobiles and other major automobile components segment to a single customer, including sales to a group of entities which are known to be under common control by that customer.

3. NOTES RECEIVABLE

	31 December 2012	31 December 2011
Bank acceptance bills	**9,218,491,108.06**	9,537,263,772.66
Commercial acceptance bills	**23,741,034.33**	14,087,000.00
	9,242,232,142.39	9,551,350,772.66

As at 31 December 2012, top five notes receivable that were pledged are presented as follows:

Issuer	**Issuing date**	**Expiry date**	**Amount**	**Issued by**
Dongfeng Motor Co., Ltd (Commercial Vehicle Company)	2012.9.17	2013.3.17	20,000,000.00	Industrial Bank
Dongfeng Motor Co., Ltd (Commercial Vehicle Company)	2012.9.17	2012.3.17	20,000,000.00	Industrial Bank
Dongfeng Motor Co., Ltd (Commercial Vehicle Company)	2012.7.17	2013.1.17	10,000,000.00	China Construction Bank
Dongfeng Motor Co., Ltd (Commercial Vehicle Company)	2012.7.17	2013.1.17	10,000,000.00	China Construction Bank
Dongfeng Motor Co., Ltd (Commercial Vehicle Company)	2012.7.17	2013.1.17	10,000,000.00	China Construction Bank
			70,000,000.00	

As at 31 December 2011, top five notes receivable that were pledged are presented as follows:

Issuer	**Issuing date**	**Expiry date**	**Amount**	**Issued by**
Faw Jiefang Auto Sales Services Co., Ltd.	2011.10.14	2012.4.14	42,850,000.00	China Minsheng Bank
Faw Africa Investment Co., Ltd.	2011.8.22	2012.2.22	24,530,103.00	Bank of China
Dongfeng Motor Co., Ltd (Commercial Vehicle Company)	2011.7.18	2012.1.18	10,000,000.00	China Merchants Bank
Dongfeng Motor Co., Ltd (Commercial Vehicle Company)	2011.7.18	2012.1.18	10,000,000.00	China Construction Bank
Dongfeng Motor Co., Ltd (Commercial Vehicle Company)	2011.7.18	2012.1.18	10,000,000.00	China Construction Bank
			97,380,103.00	

As at 31 December 2012 and 31 December 2011, the Group has not transferred any notes into accounts receivable due to issuers' failure in performance.

The top 5 notes receivable outstanding as at 31 December 2012 that had been endorsed to other parties are presented as follows:

Issuer	**Issuing date**	**Expiry date**	**Amount**
Zoomlion Heavy Industry Science and Technology Co., Ltd	8/27/2012	2/21/2013	20,000,000.00
Zoomlion Heavy Industry Science and Technology Co., Ltd	8/27/2012	2/21/2013	20,000,000.00
Zhengzhou Yutong Heavy Industries Co., Ltd.	12/27/2012	6/26/2013	13,444,365.00
Hebei Zhongkai Auto Sales Co., Ltd.	9/28/2012	3/28/2013	13,000,000.00
Zoomlion Heavy Industry Science and Technology Co., Ltd	7/26/2012	1/26/2013	10,000,000.00
			76,444,365.00

The top 5 notes receivable outstanding as at 31 December 2011 that had been endorsed to other parties are presented as follows:

Issuer	**Issuing date**	**Expiry date**	**Amount**
Handan City Pang Da Jiefang Auto Sales Services Co., Ltd	10/14/2011	4/14/2012	42,850,000.00
Faw Africa Investment Co., Ltd	8/1/2011	2/1/2012	39,796,491.42
Faw Jiefang Qingdao Automotive Co., Ltd	8/22/2011	2/22/2012	33,719,830.26
Shanghai Longgong Machinery Company Limited	8/30/2011	2/29/2012	28,350,000.00
Pang Da Automobile Trade Group Changzhi Automobile Sales Services Co., Ltd	10/31/2011	4/30/2012	27,000,000.00
			171,716,321.68

As at 31 December 2012, notes receivable amounting to RMB294,400,473.38 (31 December 2011: RMB772,759,667.65) was pledged to banks for issuance of bank acceptance bills, and notes receivable amounting to RMB92,280,926.01 (2011: nil) was pledged for short-term loans.

4. ACCOUNTS RECEIVABLE

The Group trades with its customers primarily on credit terms, and generally requires payment in advance or cash on delivery for new customers. Credit period is generally one month, extending up to six months for major customers. Accounts receivable is non-interest-bearing.

An aging analysis of accounts receivable based on invoice dates is presented as follows:

	31 December 2012	31 December 2011
Within 3 months	**2,876,869,314.13**	3,340,541,665.83
3 to 6 months	**453,279,212.41**	561,200,249.38
6 months to 1 year	**534,382,562.75**	772,279,665.14
1 to 2 years	**359,823,287.48**	351,849,915.70
2 to 3 years	**251,164,319.41**	290,295,211.06
Over 3 years	**364,675,665.77**	133,022,646.07
	4,840,194,361.95	5,449,189,353.18
Less: provision for bad debt of account receivables	**671,668,964.81**	711,679,522.34
	4,168,525,397.14	4,737,509,830.84

Changes in provision for bad debts of account receivables are presented as follows:

	31 December 2012	31 December 2011
Opening balance	**711,679,522.34**	780,731,652.28
Provision for the year	**34,509,963.52**	41,936,260.13
Increase in scope of consolidation	**202,512.08**	–
Decrease during the year:		
Reversal	**(44,343,652.97)**	(102,632,355.59)
Write-off	**(10,794,080.00)**	(8,356,034.48)
Disposal of subsidiaries	**(19,585,300.16)**	–
Closing balance	**671,668,964.81**	711,679,522.34

	31 December 2012			
	Gross carrying amount	**Proportion** (%)	**Provision for bad debts**	**Percentage** (%)
Individually significant items for which provision for bad debt is recognized separately	**911,583,071.67**	**18.83**	**323,077,870.81**	**35.44**
Items for which provision for bad debt is recognized by group	**3,716,373,644.35**	**76.78**	**267,913,983.54**	**7.21**
Not individually significant items for which provision for bad debt is recognized separately	**212,237,645.93**	**4.38**	**80,677,110.46**	**38.01**
	4,840,194,361.95	**100.00**	**671,668,964.81**	

	31 December 2011			
	Gross carrying amount	Proportion (%)	Provision for bad debts	Percentage (%)
Individually significant items for which provision for bad debt is recognized separately	502,876,031.87	9.23	318,517,284.15	63.34
Items for which provision for bad debt is recognized by group	4,839,326,909.81	88.81	322,955,442.91	6.67
Not individually significant items for which provision for bad debt is recognized separately	106,986,411.50	1.96	70,206,795.28	65.62
	5,449,189,353.18	100.00	711,679,522.34	

Items for which provision for bad debt is recognized by group are presented as follows:

	31 December 2012				31 December 2011			
	Gross carrying amount	**Proportion** (%)	**Provision for bad debts**	**Percentage** (%)	Gross carrying amount	Proportion (%)	Provision for bad debts	Percentage (%)
Within 1 year	**3,288,601,793.34**	**88.49**	**126,176,583.18**	**3.84**	4,572,217,468.44	94.48	211,294,936.28	4.62
1 to 2 years	**268,350,030.16**	**7.23**	**34,021,313.10**	**12.68**	123,459,992.41	2.55	15,462,647.78	12.53
2 to 3 years	**48,804,662.16**	**1.31**	**14,261,982.58**	**29.22**	42,536,151.15	0.88	12,726,554.70	29.92
3 to 4 years	**26,045,630.58**	**0.70**	**13,042,669.89**	**50.08**	28,975,100.03	0.60	14,659,978.10	50.60
4 to 5 years	**20,840,216.64**	**0.56**	**16,680,123.32**	**80.04**	16,634,358.32	0.34	13,307,486.65	80.00
Over 5 years	**63,731,311.47**	**1.71**	**63,731,311.47**	**100.00**	55,503,839.46	1.15	55,503,839.40	100.00
	3,716,373,644.35	**100.00**	**267,913,983.54**		4,839,326,909.81	100.00	322,955,442.91	

In 2012, the reversal or recovery of significant receivables is presented as follows:

	Reason for reversal or recovery	The basis for determination of provision for original bad debts	Amount of accumulated provision for bad debts made before the reversal or recovery	Amount reversed or recovered
Shaanxi Rong Chang Yuan Trading Co., Ltd	Partial or wholly recovery	Estimated recoverable amount	41,447,542.08	6,524,888.75
Shanxi Tong Tai Automobile Shaanxi Sales Services Co., Ltd	Partial or wholly recovery	Estimated recoverable amount	56,634,426.00	5,400,000.00
Datong City Yi Fu Commercial and Trading Co., Ltd	Partial or wholly recovery	Estimated recoverable amount	26,575,080.39	3,696,462.32
Dalian Shaanxi Automobile Sales Co., Ltd	Partial or wholly recovery	Estimated recoverable amount	27,947,821.55	2,974,845.00
Zhejiang Tong Yue Industrial Co., Ltd	Partial or wholly recovery	Estimated recoverable amount	3,044,136.00	2,848,224.00
			155,649,006.02	21,444,420.07

In 2011, the reversal or recovery of significant receivables is presented as follows:

	Reason for reversal or recovery	The basis for determination of provision for original bad debts	Amount of accumulated provision for bad debts made before the reversal or recovery	Amount reversed or recovered
Inner Mongolia Yunchou Industry and Trade Co., Ltd	Partial or wholly recovery	Estimated recoverable amount	19,744,151.97	19,744,151.97
Shaanxi Rong Chang Yuan Trading Co., Ltd	Partial or wholly recovery	Estimated recoverable amount	60,975,763.95	19,528,221.87
Zhejiang Tong Yue Industrial Co., Ltd	Partial or wholly recovery	Estimated recoverable amount	15,547,730.62	12,503,594.62
Datong City Yi Fu Commercial and Trading Co., Ltd	Partial or wholly recovery	Estimated recoverable amount	38,817,085.59	12,242,005.20
			135,084,732.13	64,017,973.66

In 2012, accounts receivable written off amounted to RMB10,794,080.00 (2011: RMB8,356,034.49). This is related to various individual accounts receivable which were expected to be unrecoverable and thus approved to be written off. Such accounts receivable written off did not arise from related party transactions.

As at 31 December 2012, within the aforesaid balance of accounts receivable, there was no amount due from shareholders that held 5% or more of the Company's voting shares (31 December 2011: nil).

As at 31 December 2012, the top five accounts receivable are presented as follows:

	Gross carrying amount	Age	Percentage of total accounts receivable (%)
Dongfeng Motor Co., Ltd (Commercial Vehicle Company)	177,880,036.81	Within 1 year	3.68
Beiqi Foton Motor Co., Ltd	170,529,974.09	Within 1 year	3.52
Faw Jiefang Qingdao Auto Factory	150,749,459.02	Within 1 year	3.11
Shaanxi Automobile Group Changsha Huantong Automobile Manufacturing Co., Ltd	115,539,069.88	Within 1 year	2.39
Zoomlion Heavy Industry Science and Technology Co., Ltd	100,451,540.00	Within 1 year	2.08
	715,150,079.80		14.78

As at 31 December 2011, the top five accounts receivable are presented as follows:

	Gross carrying amount	Age	Percentage of total accounts receivable (%)
Dongfeng Motor Co., Ltd (Commercial Vehicle Company)	465,078,713.33	Within 1 year	8.53
Beiqi Foton Motor Co., Ltd	249,130,456.08	Within 1 year	4.57
Shaanxi Automobile Group Changsha Huantong Automobile Manufacturing Co., Ltd	193,772,878.75	Within 2 years	3.56
LLC PC ARGO	153,993,791.80	Within 1 year	2.83
(Algeria) EURL GM TRADE	152,296,133.59	Within 1 year	2.79
	1,214,271,973.55		22.28

Accounts receivable denominated in foreign currencies are as follows:

	31 December 2012			31 December 2011		
	Original currency	**Exchange rate**	**RMB equivalent**	Original currency	Exchange rate	RMB equivalent
Accounts receivable						
– USD	**121,018,009.66**	**6.2855**	**760,658,699.71**	110,002,093.71	6.3009	693,112,192.28
– EUR	**7,172,677.75**	**8.3176**	**59,659,464.42**	12,858,770.66	8.1625	104,959,715.53
– HKD	**115.98**	**0.8109**	**94.05**	116.18	0.8107	94.19
– GBP	**2,905.80**	**10.1611**	**29,526.08**	348.29	9.7116	3,382.47
			820,347,784.26			798,075,384.47

5. NOTES PAYABLE

	31 December 2012	31 December 2011
Bank acceptance bill	**5,244,310,106.70**	5,965,759,459.51

As at 31 December 2012, the amount of notes payable falling due in the next accounting period was RMB5,244,310,106.70.

As at 31 December 2012, notes payable did not include amounts payable to shareholders that held 5% or more of the Company's voting shares (31 December 2011: nil).

6. ACCOUNTS PAYABLE

Accounts payable are non-interest-bearing, and generally have a term of three to four months.

	31 December 2012	31 December 2011
Accounts payable	**9,962,420,973.54**	13,078,975,509.97

As at 31 December 2012, the aging analysis of accounts payable, based on the invoice date, are presented as follows:

	31 December 2012	31 December 2011
Within 3 months	**9,181,115,720.64**	12,204,971,043.43
3 to 6 months	**315,893,898.34**	539,622,179.76
6 to 12 months	**154,647,071.71**	215,204,458.29
Over 1 year	**310,764,282.85**	119,177,828.49
Total	**9,962,420,973.54**	13,078,975,509.97

As at 31 December 2012, there was no material accounts payable which aged over one year (31 December 2011: nil).

As at 31 December 2012, amounts payable to shareholders that held 5% or more of the Company's voting shares included in accounts payable amounted to RMB283,674.76 (31 December 2011: RMB283,674.76).

Accounts payable denominated in foreign currencies are set out as follows:

	31 December 2012			31 December 2011		
	Original currency	**Exchange rate**	**RMB equivalent**	Original currency	Exchange rate	RMB equivalent
Accounts payable						
– USD	**7,790,199.71**	**6.2855**	**48,965,300.28**	5,142,173.67	6.3009	32,400,322.08
– EUR	**5,224,142.04**	**8.3176**	**43,452,323.83**	9,157,948.79	8.1625	74,751,757.01
			92,417,624.11			107,152,079.09

7. REVENUE AND COST OF SALES

The revenue is listed as follows:

Revenue includes turnover and other revenue that arise in the course of the Group's ordinary activities. The Group's turnover, which arises from the principal activities of the Group, represents the net invoiced value of goods sold, after allowances for returns, trade discounts and the value of services rendered; and gross rental income received and receivable from investment properties.

	2012	2011
Revenue from principal operations	**45,884,023,651.55**	56,613,805,475.77
Other revenue	**2,281,371,198.08**	3,405,459,627.81
	48,165,394,849.63	60,019,265,103.58

Cost of sales is listed as follows:

	2012	2011
Cost of sales for principal operations	**36,665,026,614.31**	43,751,789,812.10
Other cost of sales	**2,110,017,507.48**	3,054,816,792.03
	38,775,044,121.79	46,806,606,604.13

Information related to principal operations is listed by sector as follows:

	2012		2011	
	Revenue	**Cost**	Revenue	Cost
Manufacturing of transportation equipment	**45,635,494,431.25**	**36,424,834,215.81**	56,185,894,218.18	43,356,760,106.90
Others	**248,529,220.30**	**240,192,398.50**	427,911,257.59	395,029,705.20
	45,884,023,651.55	**36,665,026,614.31**	56,613,805,475.77	43,751,789,812.10

Information related to principal operations is listed by regions as follows:

	2012		2011	
	Revenue	**Cost**	Revenue	Cost
Domestic	**42,642,872,536.00**	**33,665,813,015.62**	53,792,900,482.89	41,234,118,786.83
Overseas	**3,241,151,115.55**	**2,999,213,598.69**	2,820,904,992.88	2,517,671,025.27
	45,884,023,651.55	**36,665,026,614.31**	56,613,805,475.77	43,751,789,812.10

Information related to principal operations is listed by product type as follows:

	2012		2011	
	Revenue	**Cost**	Revenue	Cost
Complete vehicles and key components	**33,543,662,414.54**	**26,233,968,319.58**	43,129,720,935.95	32,875,768,516.26
Non-automobile engines	**4,820,564,159.30**	**4,138,725,947.23**	5,891,140,247.53	4,586,062,871.21
Other automobile components	**7,351,457,606.87**	**6,139,649,285.48**	6,962,181,959.70	5,745,332,915.85
Others	**168,339,470.84**	**152,683,062.02**	630,762,332.59	544,625,508.78
	45,884,023,651.55	**36,665,026,614.31**	56,613,805,475.77	43,751,789,812.10

In 2012, revenue from the top 5 customers is presented as follows:

	Amount	**Proportion of revenue** *(%)*
Beiqi Foton Motor Co., Ltd	3,436,932,876.61	7.14
Faw Jiefang Automotive Co., Ltd	1,011,705,835.75	2.10
Zoomlion Heavy Industry Science and Technology Co., Ltd	1,168,529,282.75	2.43
Pang Da Automobile Trade Co., Ltd	920,531,481.27	1.91
Baotou Northern Benz Heavy Truck Company Limited	579,908,549.86	1.20
	7,117,608,026.24	14.78

In 2011, revenue from the top 5 customers is presented as follows:

	Amount	**Proportion of revenue** *(%)*
Beiqi Foton Motor Co., Ltd	5,715,414,615.50	9.52
Faw Jiefang Automotive Co., Ltd	3,254,161,257.99	5.42
Dongfeng Motor Co., Ltd (Commercial Vehicle Company)	1,612,994,888.88	2.69
Baotou Northern Benz Heavy Truck Company Limited	1,515,186,462.10	2.52
Pang Da Automobile Trade Co., Ltd	1,203,364,393.60	2.00
	13,301,121,618.07	22.15

Revenue is listed as follows:

	2012	2011
Revenue from principal operations		
Sales of goods and others	**45,884,023,651.55**	56,613,805,475.77
Other revenue		
Sales of materials	**1,478,502,944.71**	2,455,373,102.79
Sales of power	**33,569,090.98**	33,199,250.02
Lease income	**41,213,183.91**	73,085,716.76
Provision of non-industrial labour	**31,992,391.29**	15,367,116.10
Others	**696,093,587.19**	828,434,442.14
	2,281,371,198.08	3,405,459,627.81
	48,165,394,849.63	60,019,265,103.58

8. TAXES AND SURCHARGES

	2012	2011
Business tax	**15,322,642.75**	9,419,975.18
City construction tax	**91,678,731.54**	125,279,594.83
Educational surtax	**69,143,955.63**	78,440,506.80
Others	**11,083,408.30**	8,869,184.02
	187,228,738.22	222,009,260.83

9. INCOME TAX EXPENSES

	2012	2011
Current tax expenses	**586,987,990.84**	1,021,492,840.18
Deferred tax expenses	**138,559,249.21**	77,017,774.87
	725,547,240.05	1,098,510,615.05

The relationship between income tax expenses and the total profit is listed as follows:

		2012	2011
Total profit		**3,959,813,788.73**	7,418,506,273.98
Tax at statutory tax rate	*Note*	**986,842,933.36**	1,849,744,812.45
Effect of different tax rates applicable to parent and some subsidiaries		**(406,073,323.83)**	(722,241,043.56)
Adjustments to current tax of previous periods		**4,060,119.13**	4,439,644.54
Profits and losses attributable to associates		**(4,498,070.71)**	(19,794,333.92)
Income not subject to tax		**(1,152,641.24)**	(4,439,100.07)
Expenses not deductible for tax		**22,355,897.81**	8,483,290.31
Tax incentives on eligible expenditures		**(67,393,995.49)**	(71,596,745.08)
Utilization of prior year deductible losses		**(5,546,072.65)**	(7,689,412.47)
Unrecognized deductible losses		**179,535,822.15**	50,733,437.09
Effect of unrecognized deductible temporary difference		**17,416,571.52**	10,870,065.76
Tax expense at the Group's effective tax rate		**725,547,240.05**	1,098,510,615.05

Note: The income tax of the Group is calculated based on the estimated taxable income gained in the PRC and applicable tax rate. Tax arising from the taxable income in other regions is calculated at applicable tax rate according to existing laws, interpretations and practices of the country in which the Group operates.

No provision for Hong Kong profit tax has been made as the Group had no assessable profits arising in Hong Kong for the year.

10. EARNINGS PER SHARE (EPS)

The basic EPS is calculated by dividing the net profit of the current period attributable to the ordinary shareholders of the Company by the weighted average number of outstanding ordinary shares.

The calculation of basic EPS is detailed as follows:

	2012	2011
Earnings		
Net profit of the current year attributable to ordinary shareholders of the Company	**2,990,996,934.91**	5,596,927,166.88
Shares		
Weighted average number of the ordinary shares outstanding of the Company *(Note)*	**1,999,309,639.00**	1,999,309,639.00
EPS (RMB/share)	**1.50**	2.80

The Company holds no potential shares that are dilutive.

Note: With the approval by the Company's annual general meeting 2011 on 29 June 2012, the first general meeting of A Shares shareholders in 2012 and the first general meeting of H Shares shareholders in 2012, the Company proposed to distribute 2 bonus shares for every 10 shares held by shareholders and a cash dividend of RMB1.00 (including tax) for every 10 shares based on the total share capital of 1,666,091,366 shares on the record date namely 31 December 2011, without transfer from capital reserve. Upon completion of the bonus issue, the total share capital of the Company was 1,999,309,639 shares.

In order to maintain the comparability of accounting indicators in the previous and future periods, earnings per share for 2011 has been recalculated based on the adjusted number of shares.

11. OTHER COMPREHENSIVE INCOME

	2012	2011
(Losses)/gains from changes in fair value of available-for-sale financial assets	**35,730,230.63**	(255,199,850.73)
Less: Income tax effects of changes in fair value of available-for-sale financial assets	**5,252,557.66**	(38,479,962.68)
	30,477,672.97	(216,719,888.05)
Share of investee's other comprehensive income under equity method	**(40,559,590.11)**	(252,595,883.09)
Exchange differences on foreign currency translation of foreign operations	**(247,448.64)**	(18,404,096.94)
	(10,329,365.78)	(487,719,868.08)

12. DIVIDENDS

	2012	2011
	RMB'000	*RMB'000*
Proposed final dividends – RMB0.23 (2011: RMB0.10) per ordinary share	**459,841**	166,609

On 21 March 2013, the 2012 profit distribution plan of the Company was considered and approved at the 3rd meeting of the 3rd session of the Board: the Company proposed to distribute a cash dividend of RMB2.3 for every 10 shares (including tax) based on the total share capital of 1,999,309,639 shares. Completion of the proposal is subject to the consideration and approval by the 2012 Annual General Meeting.

CHAIRMAN'S STATEMENT

On behalf of the Board, I would like to present the audited annual results of the Company for the year ended 31 December 2012.

I. REVIEW OF OPERATIONS

Entering 2012, amidst the complexity and severity of the international economic conditions and the important mission for achieving stable reform and development in the PRC, the Chinese Communist Party and the State Council adhered to the main theme of scientific development and the pivotal aim of expediting the transformation of economic development. Based on the overall theme of "making steady work progress" in strengthening and enhancing the macro-economic measures in a timely manner, the maintenance of a steady economic growth was given higher priority. The national economy developed moderately but steadily, and economic and social development attained positive growth while maintaining stability.

Throughout the year, the national economy grew at a decelerated pace. Gross domestic product in the PRC was RMB51.93 trillion, representing a year-on-year growth of 7.8%, the first time over the past eight years where a figure below 8% was recorded. Fixed asset investment growth in the PRC was 3.4 percentage points below the figure in 2011, while investment in real estate development went down steeply by 11.9 percentage points. Under the influence of the slowdown in economic growth and the drop in the pace of growth of national investment, the PRC entered a period of strategic adjustment for its equipment manufacturing industry, among which:

The heavy-duty truck market recorded a relatively greater decrease. During this period, the sales volume for the heavy-duty truck market continued to demonstrate a downward trend as in 2011. Full-year sale volume of heavy-duty trucks was 636,000 units, representing a year-on-year decrease of 27.8%. During the reporting period, the Company's aggregate sales of heavy-duty truck engines was 207,500 units, representing a year-on-year decrease of 34.8%. Market share in respect of supplies for heavy-duty trucks with a gross weight of above 14 tonnes reached 32.6%, maintaining the Group's prominent advantages in the industry. Relying on the competitive advantage of its products, Shaanxi Heavy-duty Motor Company Limited (陝西重型汽車有限公司), a holding subsidiary of the Company, continued to lead the industry by reporting an aggregate sales of 80,500 units of heavy-duty trucks for the year, representing a year-on-year decrease of 12.3% which was still below the average decrease within the industry. Shaanxi Fast Gear Co. Ltd. (陝西法士特齒輪有限責任公司), a holding subsidiary of the Company, has maintained its absolute leading position in the industry albeit reporting an aggregate sales of 452,000 units of gear boxes, representing a year-on-year decrease of 35.5%.

The passenger vehicle market achieved growth while maintaining stability. During this period, benefiting from favourable factors including the development of municipal transportation, the passenger vehicle market of the PRC reported an aggregate sales figure of 507,400 units during the period, representing a year-on-year increase of 4.0%. In particular, school-buses, gas-fuelled passenger vehicles and those passenger vehicles using new energy modes reported excellent performance. Facing the sound market conditions, our engines for use in passenger vehicles reported a sales figure of 22,500 units for the year, representing a year-on-year growth of 20.4%, among which our engines for use in large-sized passenger vehicles reported a sales figure of 21,600 units, representing a year-on-year growth of 35.8%, and a share in the market of 27.2%, representing a year-on-year increase of 5.6 percentage points.

The industry of construction machinery underperformed. During this period, the fixed asset investment in the PRC reached RMB36.48 trillion in aggregate, at a growth rate which was 3.4 percentage points lower than that in 2011, among which investment in the manufacturing sector was RMB12.49 trillion, at a growth rate which was 0.8 percentage points lower, while investment in the real estate development was RMB7.18 trillion, at a growth rate which was 11.9 percentage points lower. Affected by these, the industry of construction machinery reported a substantial drop in sale volume. During the reporting period, the sales figure of primary products in the construction machinery industry in the PRC was 681,300 units, representing a year-on-year decrease of 21.1%. Whereas for the market of wheel loaders with a load capacity of 5 tonnes, the sale volume was 103,300 units, representing a year-on-year decrease of 36.3%. During the reporting period, the sales of engines for wheel loaders with a load capacity of 5 tonnes was 62,600 units, representing a year-on-year decrease of 50.9%. According to industry statistics, the market share of the Company in the market of wheel loaders with a load capacity of 5 tonnes (and above) still exceeds 60%, maintaining the Company's absolute leading position in this area.

During the reporting period, the Company remained committed to independent innovations, adhered to its notions of "conversion, adjustment, creation and reform", and followed a path towards internationalization. The Company was persistently upgrading the level of product research and development and strengthening its core competitiveness, which continued to lead the trend of power technology development in the PRC. In addition, the Company has for a number of years continued with the adjustment of its product structure, leading to key breakthroughs in the market of supplies for corporate strategic products in this period. The sales of the Company's self-researched and developed WP5 and WP7 engines grew by 75.1% year-on-year to 7,452 units, establishing our full presence at the area of supplies for passenger vehicles, medium-duty and heavy-duty trucks. Production of Moteurs Baudouin's engines within the PRC was gradually taking shape, with massive installations taking place for the shipping and electricity generation markets. Our product portfolio was enjoying more prominent competitive advantage and thus more promising prospects.

During the reporting period, the Company persistently promoted management innovation, under which its level of management was continually enhanced. Firstly, we thoroughly engaged in our Product Year campaign by improving and enhancing the performance, quality and service delivery in respect of products in seven aspects including product planning, product development, craft enhancement, procurement management, quality improvement, after-sales service and betterment of production. Secondly, we adhered to the notion of cost reduction and effectiveness improvement by strengthening management control and eliminating wastage in order to guard ourselves against the risks of market downturn. Thirdly, leveraging on the innovative projects arranged by the technology centre, we have fully streamlined the positions of our staff members, clarified the value of their positions, reformed our performance management system and steadily pushed forward our organizational innovation to establish a management mechanism under which the entire team is motivated and dedicated to innovation. Fourthly, we commenced intensive training sessions for section and team leaders to further align their values, thereby enhancing the quality of key team members on an ongoing basis. Fifthly, we underwent the strategic reorganization of KION Group, Germany and Linde Hydraulics to obtain the "double-wheel driving" of both product operation and capital operation and synergetic effect of "1+1>2" and an accelerated pace of international development of the Company.

During the reporting period, the Company's revenue decreased by 19.75% over the same period of 2011 to approximately RMB48,165 million. The net profit attributable to shareholders of the parent was approximately RMB2,991 million, representing a decrease of 46.56% over the same period of 2011. The basic earnings per share was RMB1.50, representing a decrease of 46.43% over the same period of 2011.

II. DIVIDENDS

Putting shareholders' interests and return as its top priority, the Company has maintained a relatively stable dividend policy. On 21 March 2013, the Company's 2012 profit distribution proposal was approved by the Company's 3rd meeting of the third session of the Board: the Company proposed to distribute a cash dividend of RMB2.30 for every 10 shares (including tax), based on the total share capital of 1,999,309,639 shares. Completion of the proposal is subject to the consideration and approval by the 2012 Annual General Meeting. Please refer to the further announcement to be issued by the Company for details on the closure of registers of members in determining the shareholders who are eligible for the final dividend.

III. ACQUISITION AND CONSOLIDATION

During the reporting period, grasping the opportunity available under the international economic downturn and following the Company's development strategy, the Company forged overseas cooperation by entering into international acquisition and thereby achieving key breakthrough in its international development. In September 2012, the Company acquired 25% interest in the KION Group, Germany and 70% majority stake in the hydraulics business of Linde Hydraulics, a subsidiary of the KION Group, at EUR738 million. The transaction was completed in Germany by the end of December 2012 and it represents the largest sum of direct investment in Germany made by a PRC enterprise to date. This transaction has brought the Company into the globally leading area of forklift trucks and high-end hydraulics business, and will help with the Group's adjustment of product structure and full-scale industrial upgrading.

IV. OUTLOOK AND PROSPECTS

Into 2013, we are anticipating both opportunities and challenges. The Eighteenth Congress of the Chinese Communist Party has outlined a great blueprint for the social and economic development of China, and articulated that we will be in an important period of strategic opportunities with ample room for development in the decade to come. The economic work conference held by the Central Government of the PRC clearly pointed out the need in steadily pushing forward urbanization, raising the quality of urbanization, and working hard and well on the important task regarding the assimilation of rural migration into the city. Turning rural areas into urban ones and farmers into urban citizens will obviously drive investment and consumption and present opportunities which are of great importance to enterprises. Globally, mild economic growth is expected to remain in the United States, recession is expected to alleviate in Europe, and recovery is expected in emerging markets. In general, the economic conditions in the PRC and other parts of the world will be better in 2013 compared to 2012.

The Company is cautiously optimistic about the development trend of its related industries. In 2013, supply and demand conditions will improve gradually in PRC's heavy-duty trucks market with a rebound in the sales volume of heavy-duty trucks for the following major reasons: Firstly, with the swift rebound in infrastructural construction and investment in real estate development in the PRC, the demand for heavy-duty trucks for construction purposes will increase. Secondly, with the mitigation in the problem of excessive capacity in the market of heavy-duty trucks for logistics purposes, the future will see a growth in demand for cargo transportation which in turn will drive the replacements of old heavy-duty trucks with new ones and release the demand for new truck purchases. Thirdly, overseas market including Africa and Southeast Asia will see rapid growth in demand.

With regard to the construction machinery market, favorable opportunities will be available to drive the recovery of this market in 2013, in view of the positive trend in the macroeconomic environment in the PRC, the accelerated pace of urbanization, the rebound of investment in infrastructure and real estate sector, and the continual development of transportation and hydraulic construction. According to the latest data released by the Ministry of Railways of the PRC, in 2013, the planned investment in fixed assets in the railway sector is RMB650 billion, among which RMB520 billion will be on infrastructural investment and RMB130 billion will be on the purchase and renovation of vehicles, which will generate sustainable momentum to drive the development of the construction machinery industry.

As required under laws and regulations in relation to emission, China IV Emission Standards shall be implemented with effect from 1 July 2013. With the various establishments of plants for manufacturing engines by various suppliers of heavy-duty trucks and construction machinery, we anticipate that there will be more intense competition in PRC's engine market in the coming few years. However, leveraging on our advanced technology, high quality of our production and a strong loyal customer base, we will maintain our leading position in the market of high-power engines and heavy-duty gear boxes. The Board have full confidence in the development prospect of the Company.

In 2013, the Company will work strenuously on the production of China IV products in batches to capture market share with the high performance of its quality products, and to better satisfy customers' demand. We will step up our efforts in developing our technological reserve in areas including new energy sources, hybrid systems and automobile electronics, and proactively push forward upgrading industrial-related technologies. Leveraging upon the opportunities available under the "Betterment Commencement Year" campaign, we will strenuously push forward the betterment of management in respect of the entire process of research and development, production and sales, expedite the adjustment in product structure, strengthen the Group's risk-guarding capability, and expand the market share of our engines in the market of supplies for, among others, public buses, excavating machinery, light trucks and passenger vehicles. We will seek support from the relevant State policies to push forward the sooner implementation of the development plans in relation to hydraulic components for construction machinery. We will also develop new business segments including after-sales markets and foster the transformation of the enterprise from an investment-based category to a coordinated development comprising both investment and consumption. For the segment of heavy-duty vehicles, research of the new generation of heavy-duty trucks will be expedited to enhance the technological contents of such products and get prepared for subsequent growth. Companies producing gear boxes will continue to intensify their efforts in research and development of AMT and gear boxes for passenger vehicles with a view to achieving new breakthrough. For components segment, we will intensify our research and innovation, enhance core competence of our products, and take to full play the synergy between the component business segment and the engine business segment.

At the same time, under the principle of "unified strategy, independent operation, resources sharing", we will on a coordinated basis, further consider expanding the domestic and international markets and internationalising our business, and accelerate the coordinated development of commercial vehicle segment, power chain segment and automobile component segment, in order to fully utilise the synergetic advantage of the brands, technology and resources of the domestic and overseas companies. We will also capitalize on the transnational acquisition to enhance international brand image, and work hard on boosting the overall capability against risks, and build the Company into a century-lasting enterprise.

V. APPRECIATION

Last but not least, I would like to take this opportunity to express my sincere appreciation to all our shareholders, the general public and our customers for their care and support, as well as all of our staff for their hard work and dedication in the past year!

MANAGEMENT DISCUSSION AND ANALYSIS

The Directors are pleased to present a management discussion and analysis of the annual results of operations of the Group for the year ended 31 December 2012 as follows:

I. Industry Analysis

The Company is one of the largest manufacturers of high-power and high-speed diesel engines in the PRC and a leading company in the power chain market. It is equipped with the most comprehensive supply chain of engines, gear boxes and axles.

1. Heavy-duty Vehicle Industry

During the year, the heavy-duty truck market in the PRC continued to demonstrate a downward trend. During the reporting period, the aggregate sales figure of heavy-duty trucks market in the PRC was 636,000 units, representing a year-on-year decrease of 27.8%, which was primarily attributable to the austerity policies adopted by the PRC since 2011. Throughout the year, the national economy grew at a decelerated pace. Gross domestic product was RMB51.93 trillion, representing a year-on-year growth of 7.8%, the first time over the past eight years where a figure below 8% was recorded. Growth of fixed asset investment in the PRC was 3.4 percentage points below the figure in 2011, while growth of investment in real estate development went down steeply by 11.9 percentage points. Under the influence of the slowdown in economic growth and the decrease in the pace of growth of national investment, the PRC entered a period of strategic adjustment for its equipment manufacturing industry.

2. *Construction Machinery*

During the reporting period, the aggregate sales figure of the PRC's construction machinery market was 681,300 units, representing a year-on-year decrease of 21.1%. In particular, 103,300 units of wheel loaders with load capacity of 5 tonnes were sold, representing a year-on-year decrease of 36.3%. During 2012, the increase of growth rate of fixed asset investment in the PRC recorded a year-on-year decrease of 3.4%, with an aggregate investment amount of RMB36.48 trillion. Investment in real estate developments was RMB7.18 trillion, representing a year-on-year decrease in growth rate of 11.9%.

II. The Group's Business

The following is an overview of the operating conditions of the major products of the Group:

1. Sale of Diesel Engines

For use in Heavy-duty Trucks

The Group is the largest supplier of diesel engines among major manufacturers of heavy-duty trucks with a load capacity of 15 tonnes (and above) in the PRC. Affected by the adjustment of the heavy-duty truck market, out of diesel engines sold during the year, approximately 207,500 units were heavy-duty truck diesel engines (2011: approximately 318,400 units), representing a decrease of approximately 34.8% as compared to the corresponding period of 2011. Market share was nevertheless stable, commanding 32.6% of the market of heavy-duty trucks with a gross weight of above 14 tonnes, maintaining the leading position in the auxiliary market for heavy-duty trucks.

For use in Construction Machinery

The Group is also the largest supplier of diesel engines to major manufacturers of construction machinery (mainly wheel loaders) with a load capacity of 5 tonnes (and above) in the PRC. Out of the diesel engines sold during the year, approximately 62,600 units were engines for wheel loaders with a load capacity of 5 tonnes (2011: approximately 126,300 units), representing a decrease of approximately 50.9% compared to that in the corresponding period of 2011 but still achieving a market share of over 60%, maintaining the leading position in the industry.

2. Sale of Heavy-duty Trucks

During the year, the Group continued to lead the industry by selling over 80,500 units of heavy-duty trucks, representing a decrease of approximately 12.3% compared to the corresponding period of 2011. Prior to intra-group elimination, the truck business contributed approximately RMB22,862 million to the Group's revenue this year.

3. *Sale of Heavy-duty Gear Boxes*

During this year, the Group sold approximately 452,000 units of heavy-duty gear boxes, representing a decrease of approximately 35.5% compared to approximately 701,200 units of heavy-duty gear boxes sold in the corresponding period of 2011, but nevertheless maintaining the absolute leading position in the industry. Prior to intra-group elimination, the gear boxes business contributed approximately RMB6,580 million to the Group's revenue this year.

4. *Sale of Engine and Heavy-duty Truck Parts and Components*

Apart from the production and sale of diesel engines for trucks and construction machinery, heavy-duty trucks and heavy-duty gear boxes, the Group is also engaged in the production and sales of engine parts and components and other truck parts and components such as: spark plugs, axles, chassis, air-conditioner compressors, etc. During this Year, the Group's sales of parts and components of engines and trucks was approximately RMB2,129 million, representing a year-on-year decrease of approximately 26.74% or decrease of approximately RMB777 million, compared to the sales revenue of RMB2,906 million in the corresponding period of 2011.

Last year, the Company estimated sales revenue in 2012 would be approximately RMB66 billion, representing a growth of approximately 10%. However, the actual sales revenue in 2012 was approximately RMB48.2 billion, representing a year-on-year decrease of approximately 19.75%. The main reason for the failure to achieve estimated growth was that China has given up its policy to maintain a GDP growth rate of 8%.

The Company estimated that the sales revenue in 2013 will be approximately RMB55.3 billion, representing a growth of approximately 15%. This is attributable to the fact that in 2013, supply and demand conditions will improve gradually in PRC's heavy-duty trucks market with a rebound in the sales volume of heavy-duty trucks for the following major reasons: Firstly, with the swift rebound in infrastructural construction and investment in real estate development in the PRC, the demand for heavy-duty trucks for construction purposes will increase. Secondly, with the mitigation in the problem of excessive capacity in the market of heavy-duty trucks for logistics purposes, the future will see a growth in demand for cargo transportation which in turn will drive the replacements of old heavy-duty trucks with new ones and release the demand for new truck purchases. Thirdly, overseas market including Africa and Southeast Asia will see rapid growth in demand.

With regard to the construction machinery market, favorable opportunities will be available to drive the recovery of this market in 2013, in view of the positive trend in the macroeconomic environment in the PRC, the accelerated pace of urbanization, the rebound of investment in infrastructure and real estate sector, and the continual development of transportation and hydraulic construction. According to the latest data released by the Ministry of Railways of the PRC, in 2013, the planned investment in fixed assets in the railway sector is RMB650 billion, among which RMB520 billion will be on infrastructural investment and RMB130 billion will be on the purchase and renovation of vehicles, which will generate sustainable momentum to drive the development of the construction machinery industry.

III. Financial Review

1. The Group's Results of Operations

a. Revenue

The Group's revenue decreased from approximately RMB60,019 million in the corresponding period of 2011 to approximately RMB48,165 million in the year, representing a decrease of approximately 19.75%. It was mainly attributable to the continued slowdown in the pace of economic growth in the PRC and the adoption of austerity policies by the PRC government. In particular, the revenue from principal operations dropped by approximately 18.95%, from approximately RMB56,614 million in the corresponding period of 2011 to approximately RMB45,884 million for this year, the decrease of which was mainly attributable to the adjustment in the market of heavy-duty trucks. During this year, the Group sold a total of approximately 191,400 units of diesel engines for use in heavy-duty trucks, representing a decrease of approximately 39.9%, when compared to approximately 318,400 units sold in the corresponding period of 2011. During this year, the Group sold a total of approximately 61,600 units of engines for use in wheel loaders with a load capacity of 5 tonnes, representing a decrease of approximately 51.2%, when compared to approximately 126,300 units sold in the corresponding period in 2011. During this year, Shaanxi Zhongqi recorded an aggregate sales exceeding 82,100 units of heavy-duty trucks, representing a decrease of approximately 18.2%, when compared to the corresponding period of last year. Other revenue decreased by approximately 33%, from approximately RMB3,405 million in the corresponding period of 2011 to approximately RMB2,281 million for this year.

b. Profit from Principal Operations

During this year, the Group generated profit from principal operations in the amount of approximately RMB9,219 million, representing a decrease of approximately 28.32% as compared to approximately RMB12,862 million recorded in the corresponding period of 2011. Profit margin of principal operations was 20.09%, which was slightly lower than that of approximately 22.72% recorded in the corresponding period of 2011. The decrease was mainly attributable to the adjustment of product structure.

c. Distribution and Selling Expenses

Distribution and selling expenses decreased by approximately 16.3% to approximately RMB2,433 million in this year from approximately RMB2,907 million in the corresponding period of 2011. The ratio of distribution and selling expenses to revenue increased from approximately 4.84% in the corresponding period of 2011 to approximately 5.05% in this year.

d. General and Administrative Expenses

General and administrative expenses of the Group increased by approximately 7% or approximately RMB211 million from approximately RMB3,022 million in the corresponding period of 2011 to approximately RMB3,233 million in this year. The increase was mainly due to the increase in staff costs which are charged under general and administrative expenses.

e. *Operating Profit before Finance Expenses*

During this year, the Group's operating profit before finance expenses decreased by approximately 48.5% to approximately RMB3,709 million this year from approximately RMB7,201 million in the corresponding period of 2011. During this year, the Group's operating profit margin was approximately 7.7%, which was approximately 4.3% down from approximately 12% in the corresponding period of 2011.

f. *Finance Expenses*

Finance income this year amounted to approximately RMB10 million as compared to a finance expense of approximately RMB31 million in the corresponding period of 2011. This change was mainly attributable to the increase in interest income this year.

g. *Income Tax Expenses*

The Group's income tax expenses decreased by approximately 33.94% from approximately RMB1,099 million in the corresponding period of 2011 to approximately RMB726 million in the year. During this year, the Group's average effective tax rate was approximately 18.32%, compared to approximately 14.81% in the corresponding period of 2011. This is mainly due to an increase in deferred tax this year.

h. *Net Profit and Net Profit Margin*

The Group's net profit for this year decreased by approximately 48.83% from approximately RMB6,320 million in the corresponding period of 2011 to approximately RMB3,234 million this year. During this year, the net profit margin was approximately 6.71%, representing a decrease of approximately 3.82% from approximately 10.53% recorded in the corresponding period of 2011.

i. *Liquidity and Cash Flow*

During this year, the Group generated cash flow from operating activities of approximately RMB2,756 million and cash flow from financing activities of approximately RMB6,045 million. A portion of such cash proceeds were applied in the acquisition of property, plant and equipment for the expansion of the Group's business. As at 31 December 2012, the Group had net cash (cash and cash equivalents net of interest-bearing debts) of RMB1,969 million (as at 31 December 2011: the Group had a net cash (cash and cash equivalents net of interest-bearing debts) of RMB8,036 million). Based on the calculation above, the debt to equity ratio is not applicable as the Group has a net cash position (as at 31 December 2011: N/A).

2. *Financial Position*

a. Pursuant to the Consultation Conclusions on Acceptance of Mainland Accounting and Auditing Standards and Mainland Audit Firms for Mainland Incorporated Companies Listed in Hong Kong published by the Hong Kong Stock Exchange in December 2010, Mainland incorporated issuers listed in Hong Kong shall be allowed to prepare their financial statements using China Accounting Standards for Business Enterprises. As such, in the 2010 annual general meeting of the Company held on 18 May 2011, it was resolved that with effect from 2011, the Company would only adopt Mainland accounting standards in its preparation of financial statements and would no longer use Hong Kong accounting standards at the same time in preparing financial statements. The Company does not consider that the adoption of China Accounting Standards for Business Enterprises in its preparation of the financial statements has any material financial impact on the Group.

b. *Assets and Liabilities*

As at 31 December 2012, the Group had total assets of approximately RMB66,320 million, of which approximately RMB39,160 million were current assets. As at 31 December 2012, the Group had cash and cash equivalents of approximately RMB16,727 million (as at 31 December 2011: RMB16,613 million). On the same date, the Group's total liabilities was approximately RMB34,921 million, of which approximately RMB23,924 million were current liabilities. The current ratio was approximately 1.64 (as at 31 December 2011: 1.45).

c. *Capital Structure*

As at 31 December 2012, the Group had total equity of approximately RMB31,399 million, of which approximately RMB24,869 million was attributable to equity holders of the Company and the balance was minority equity holders' interests. The Group currently does not rely heavily on borrowings. The borrowings of the Group as at 31 December 2012 amounted to approximately RMB12,130 million, which included debenture of RMB2,691 million and bank borrowings of approximately RMB9,426 million. The bank borrowings included approximately RMB1,020 million of fixed interest rate bank borrowings and approximately RMB8,406 million of floating interest rate bank borrowings. Other than approximately RMB75 million, approximately RMB6,560 million and approximately RMB710 million which are borrowings denominated in Hong Kong dollars, Euro and US dollars, the remaining borrowings are in Renminbi. As the revenue of the Group is mainly in Renminbi, the Group does not consider its currency risk significant. As a policy, the Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to shareholders through improving the debts and equity balance. The Group's overall strategy remains unchanged from prior years.

d. *Pledge of Assets*

As at 31 December 2012, bank deposits and notes receivable of approximately RMB2,922 million (as at 31 December 2011: RMB4,068 million) were pledged to banks to secure the Group's notes payable and notes receivable issued by banks. The pledged bank deposits carry prevailing bank interest rates. The pledge will be released upon the settlement of the relevant bank borrowings. The fair value of the bank deposits as at the settlement date approximates the carrying amount. Certain other assets were also pledged by the Group to secure the Group's borrowings.

e. *Contingencies*

On 31 December 2012, the Group provided to certain distributors and agents bank guarantee amounting to approximately RMB784 million (as at 31 December 2011: approximately RMB719 million) to secure their obtaining and use of banking facilities.

On 31 December 2012, the Group provided guarantee for joint liabilities in respect of the failure of the leasee under finance lease to settle instalment payments plus interest. Possible risk exposure in respect of the guarantee for joint liabilities amounted to approximately RMB586 million (31 December 2011: RMB101 million).

f. *Commitments*

As at 31 December 2012, the Group had capital commitments of approximately RMB1,668 million (as at 31 December 2011: approximately RMB2,561 million), among which contracted capital commitments amounted to approximately RMB1,653 million, principally for the capital expenditure in respect of acquisition of property, plant and equipment.

As at 31 December 2012, the Group had no investment commitments (as at 31 December 2011: approximately RMB200 million).

3. *Other Financial Information*

a. Employees

As at 31 December 2012, the Company had approximately 40 thousand employees. During this year, the Group had paid remuneration of approximately RMB2,973 million. The emolument policy of the employees of the Group is set up by the Remuneration Committee on the basis of their merits, qualifications and competence.

b. Major Investment

During the reporting period, grasping the opportunity available under the international economic downturn and following the Company's development strategy, the Company forged overseas cooperation by entering into international acquisition and thereby achieving key breakthrough in its international development. On 31 August 2012, the Company entered into a framework agreement in relation to the acquisition (the "**Acquisition**") of 25% interest in KION Group GmbH ("**KION**"), Germany and 70% majority stake in the hydraulics business of Linde Hydraulics GmbH & Co. KG ("**Linde Hydraulics**"), a subsidiary of the KION Group, at EUR738 million. The transaction was completed in Germany by the end of December 2012 and it represents the largest sum of direct investment in Germany made by a PRC enterprise to date. This transaction has brought the Company into the globally leading area of forklift trucks and high-end hydraulics business, and will help with the Group's adjustment of product structure and full-scale industrial upgrading.

c. Major Acquisition and Disposal

Save as disclosed above, the Group did not make any major acquisition or disposal during this year.

OTHER INFORMATION

Directors' and Supervisors' Interests in Shares and Underlying Shares

As at 31st December 2012, the interests and short position (if any) of the directors, the chief executive and the supervisors in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code"), were as follows:

Name of Director	Capacity	Number of "A" shares held	Number of "H" shares held	Percentage of the issued share capital of the Company
Tan Xuguang	Beneficial owner	16,512,000 *(Note 1)*	–	0.83%
Xu Xinyu	Beneficial owner	3,840,000 *(Note 1)*	–	0.19%
Sun Shaojun	Beneficial owner	3,840,000 *(Note 1)*	–	0.19%
Zhang Quan	Beneficial owner	3,840,000 *(Note 1)*	–	0.19%
Liu Huisheng	Beneficial owner	2,304,000 *(Note 1)*	–	0.12%
Yeung Sai Hong *(Note 3)*	Held by controlled corporation	63,168,000 *(Note 2)*	490,812	3.18%
Julius G. Kiss *(Note 4)*	Held by controlled corporation	41,280,000 *(Note 2)*	–	2.06%
Zhang Zhenhua *(Note 5)*	Interest held by spouse	25,300	–	0.001%

Notes:

1. These shares were derived from the previous domestic shares of the Company. The domestic shares were ordinary shares issued by the Company, with a Renminbi-denominated par value of RMB1.00 each, which were subscribed for and paid up in Renminbi or credited as fully paid up. These shares became "A" shares of the Company upon the "A" share listing of the Company on the Shenzhen Stock Exchange.

2. These were previously foreign shares of the Company. The foreign shares were ordinary shares issued by the Company, with a Renminbi-denominated par value of RMB1.00 each, which were subscribed for and paid up in a currency other than Renminbi. These shares became "A" shares of the Company upon the "A" share listing of the Company on the Shenzhen Stock Exchange.

3. Yeung Sai Hong, a non-executive Director, was directly and indirectly interested in the issued share capital of Peterson Holdings Company Limited ("Peterson"), which in turn held 63,168,000 "A" shares in the Company. Yeung Sai Hong was also indirectly interested in the issued share capital of Master Hand Investments Limited, which in turn held 490,812 "H" shares in the Company.

4. Julius G. Kiss, a non-executive Director, was indirectly interested in the entire issued share capital of IVM Technical Consultants Wien Gesellschaft m.b.H. ("IVM"), which in turn held 41,280,000 "A" shares in the Company.

5. Zhang Zhenhua, an independent non-executive Director, was deemed to be interested in 25,300 "A" shares in the Company which were beneficially held by his wife, Ms. Wu Miaodi.

6. All the shareholding interests listed in the above table are "long" position.

Save as disclosed above, as at 31st December 2012, none of the Directors, the chief executive nor the supervisors had an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was recorded in the register required to be kept pursuant to Section 352 of the SFO, or as otherwise notified to the Company pursuant to the Model Code.

Details of Changes in Share Capital and Substantial Shareholders' Shareholdings

(I) Changes in share capital

1. Changes in share capital (as at 31 December 2012)

	Before the movement		Increase/decrease in the movement (+, –)					After the movement	
	No. of shares	Percentage (%)	New shares issued	Bonus Issue	Transfer of surplus to capital	Others	Sub-total	No. of shares	Percentage (%)
I. Restricted circulating shares	570,184,594	34.22%	–	114,036,919	–	–	–	684,221,513	34.22%
1. State-owned shares	–	–	–	–	–	–	–	–	–
2. State-owned legal person shares	373,224,594	22.40%	–	74,644,919	–	–	–	447,869,513	22.40%
3. Shares held by other domestic entities	118,520,000	7.11%	–	23,704,000	–	–	–	142,224,000	7.11%
including: Shares held by domestic non-state-owned legal persons	71,160,000	4.27%	–	14,232,000	–	–	–	85,392,000	4.27%
Shares held by domestic natural persons	47,360,000	2.84%	–	9,472,000	–	–	–	56,832,000	2.84%
4. Shares held by foreign entities	78,440,000	4.71%	–	15,688,000	–	–	–	94,128,000	4.71%
including: Shares held by overseas legal persons	78,440,000	4.71%	–	15,688,000	–	–	–	94,128,000	4.71%
Shares held by overseas natural persons	–	–	–	–	–	–	–	–	–
II. Non-restricted circulating shares	1,095,906,772	65.78%	–	219,181,354	–	–	–	1,315,088,126	65.78%
1. RMB ordinary shares	691,106,772	41.48%	–	138,221,354	–	–	–	829,328,126	41.48%
2. Domestic listed foreign shares	–	–	–	–	–	–	–	–	–
3. Overseas listed foreign shares	404,800,000	24.30%	–	80,960,000	–	–	–	485,760,000	24.30%
4. Others	–	–	–	–	–	–	–	–	–
III. Total number of shares	1,666,091,366	100.00%	–	333,218,273	–	–	–	1,999,309,639	100%

2. Time over which restricted shares can be listed and traded

Time	Additional shares that can be listed and traded upon expiry of the restricted period	Description
30th April, 2013	684,221,513	Under the commitments of Weichai Group Holdings Limited and subject to such commitments, none of the 124,236,640 shares of the Company held by it shall be listed and traded on any stock exchange system, or otherwise transferred or managed by other person on trust or repurchased by the Company within 36 months commencing from 30 April 2010; the 15,961,860 additional shares of the Company acquired by it are subject to a lock-up period commencing from 16 August 2010 to 30 April 2013, during which no such shares will be listed and traded on any stock exchange system or otherwise transferred or managed by other person on trust or repurchased by the Company. Upon the share issuing by conversion of capital reserve in the interim period of 2010, the restricted circulating shares of the Company held by it amounted to 280,397,000 shares. Upon the bonus share issuance on 17 August 2012, the restricted circulating shares of the Company held by it amounted to 336,476,400 shares. Under the commitments of Weifang Investment Company, Peterson Holdings Company Limited, Fujian Longyan Construction Machinery (Group) Company Limited, IVM Technical Consultants Wien Gesellschaft m.b.H, Shandong Enterprise Trust Operation Company Limited and Guangxi Liugong Group Limited and subject to such commitments, the lock-up period for the 30,898,480, 26,320,000, 24,080,000, 12,900,000, 11,500,000 and 7,184,880 restricted shares of the Company subject to lock-up terms held by the above parties respectively will be extended for another three years since the expiration on 30 April 2010, which means no such shares will be listed and traded on any stock exchange system or otherwised transferred or managed by other person on trust or repurchased by the Company within 36 months commencing from the expiration of lock-up period on 30 April 2010. Upon the share issuing by conversion of capital reserve in the interim period of 2010, the restricted circulating shares of the Company held by such six companies amounted to 61,796,960, 52,640,000, 48,160,000, 25,800,000, 23,000,000 and 14,369,760 shares, respectively. Upon the bonus share issuance on 17 August 2012, the restricted circulating shares of the Company held by such six companies amounted to 74,156,352, 63,168,000, 57,792,000, 30,960,000, 27,600,000 and 17,243,712 shares, respectively.

Time	Additional shares that can be listed and traded upon expiry of the restricted period	Description
		Under the commitments of Zhuzhou State-owned Assets Investment Holdings Company Limited and subject to such commitments, the lock-up period for the 8,330,437 shares of the Company subject to lock-up terms held by it will be extended for another three years since the expiration on 30 April 2010, which means no such shares will be listed and traded on any stock exchange system or otherwise transferred or repurchased by the Company within 36 months commencing from the expiration of lock-up period on 30 April 2010. Upon the share issuing by conversion of capital reserve in the interim period of 2010, the restricted circulating shares of the Company held by it amounted to 16,660,874 shares. Upon the bonus share issuance on 17 August 2012, the restricted circulating shares of the Company held by it amounted to 19,993,049 shares. Under the commitments of the 24 natural person shareholders (including Tan Xuguang) and subject to such commitments, no shares of the Company held by them will be listed and traded on any stock exchange system or otherwise transferred or managed by other person on trust or repurchased by the Company within 36 months commencing from 30 April 2010. Upon the share issuing by conversion of capital reserve in the interim period of 2010, the restricted circulating shares of the Company held by the 24 natural person promoter shareholders amounted to 47,360,000 shares. Upon the bonus share issuance on 17 August 2012, the restricted circulating shares of the Company held by the 24 natural person promoter shareholders amounted to 56,832,000 shares.

3. Shareholdings of the top ten restricted shareholders and the restrictions

Serial No	Name of restricted share shareholders	Number of restricted shares held	Time permitted to be listed and traded in the market	Number of additional shares permitted to be listed and traded in the market	Restriction
1.	Weichai Group Holdings Limited ("Weichai Holdings")	336,476,400	30th April, 2013	–	See "Description" section of "2. Time over which restricted shares can be listed and traded".
2.	Weifang Investment Company	74,156,352	30th April, 2013	–	
3.	Peterson Holdings Company Limited	63,168,000	30th April, 2013	–	
4.	Fujian Longyan Construction Machinery (Group) Company Limited	57,792,000	30th April, 2013	–	
5.	IVM Technical Consultants Wien Gesellschaft m.b.H	30,960,000	30th April, 2013	–	
6.	Shandong Enterprise Trust Operation Company Limited	27,600,000	30th April, 2013	–	
7.	Zhuzhou State-owned Assets Administration Management Company Limited	19,993,049	30th April, 2013	–	
8.	Guangxi Liugong Group Limited	17,243,712	30th April, 2013	–	
9.	Tan Xuguang	16,512,000	30th April, 2013	–	
10.	Xu Xinyu	3,840,000	30th April, 2013	–	

(II) Shareholdings of the Substantial Shareholders (as at 31 December 2012)

Total number of Shareholders The number of shareholders is 158,422 among which 158,137 are shareholders of "A" shares and 285 are shareholders of "H" shares.

Shareholdings of the top ten shareholders

Name of shareholder	Type of Shareholder	Approximate percentage of shares held *(%)*	Total number of shares held	Number of restricted shares held	Number of shares pledged or frozen
HKSCC Nominees Limited	Foreign shareholder	24.3%	485,760,000	–	N/A
Weichai Group Holdings Limited	State-owned legal person	16.83%	336,476,400	336,476,400	–
Weifang Investment Company	State-owned legal person	3.71%	74,156,352	74,156,352	–
Fujian Longyan Construction Machinery (Group) Company Limited	Domestic non-state-owned legal person	3.26%	65,100,240	57,792,000	–
Peterson Holdings Company Limited	Overseas legal person	3.16%	63,168,000	63,168,000	–
Shenzhen Capital Group Co., Ltd	Domestic non-state-owned legal person	2.13%	42,640,178	–	–
IVM Technical Consultants Wien Gesellschaft m.b.H	Overseas legal person	2.06%	41,280,000	30,960,000	–
Shandong Enterprise Trust Operation Company Limited	Domestic non-state-owned legal person	1.39%	27,840,000	27,600,000	–
Zhuzhou State-owned Assets Investment Holding Group Co., Ltd	State-owned legal person	1.00%	19,993,049	19,993,049	19,100,000
Boshi Value Growth Fund	Domestic non-state-owned legal person	0.92%	18,446,081	–	–
Guangxi Liugong Group Co., Ltd	State-owned legal person	0.86%	17,243,712	17,243,712	–

Shareholdings of the top ten non-restricted shareholders

Name of shareholder	Number of the non-restricted shares held	Types of shares
HKSCC Nominees Limited	485,760,000	Overseas listed foreign shares
Shenzhen Chuangxin Investment Group Co., Ltd	42,640,178	RMB ordinary shares
Boshi Value Growth Fund	18,446,081	RMB ordinary shares
Bank of China－易方達深證100交易型開放式指數證券投資基金	13,948,247	RMB ordinary shares
Industrial and Commercial Bank of China – 融通深證100指數證券投資基金	10,492,486	RMB ordinary shares
IVM Technical Consultants Wien Gesellschaft m.b.H	10,320,000	RMB ordinary shares
China Minsheng Banking Corp－銀華深證100指數分級證券投資基金	9,364,565	RMB ordinary shares
Fujian Longyan Construction Machinery (Group) Company Limited	7,308,240	RMB ordinary shares
Industrial and Commercial Bank of China –申萬菱信深證成指分級證券投資基金	7,218,526	RMB ordinary shares
Bank of China－嘉實滬深300交易型開放式指數證券投資基金	7,197,279	RMB ordinary shares

Note:

1. It is not certain whether there is any connected relationship among the top ten shareholders and the other top ten non-restricted shareholders, or whether there is any acting in concert relationship among them.

Substantial Shareholders

The register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO (including interests filed with the Hong Kong Stock Exchange) shows that as at 31st December 2012, the following persons (other than the directors, chief executive and supervisors) had the following interests and the short positions (if any) in the shares and underlying shares of the Company:

Name	Capacity	Long/ Short position	Number of A shares	Percentage of share capital comprising only A shares	Number of H shares	Percentage of share capital comprising only H shares	Percentage of total issued share capital
Weichai Group Holdings Limited	Beneficial owner	Long	336,476,400	22.23%	–	–	16.83%
Shandong Heavy Industry Group Co., Ltd. *(Note 1)*	Held by controlled corporation	Long	336,476,400	22.23%	–	–	16.83%
State-owned Assets Supervision and Administration Commission of Shandong Province ("Shandong SASAC") *(Note 1)*	Held by controlled corporation	Long	336,476,400	22.23%	–	–	16.83%
Brandes Investment Partners, LP	Investment manager	Long	–	–	78,578,612	18.99%	3.93%
Lazard Asset Management LLC	Investment manager	Long	–	–	63,120,156	12.99%	3.16%
JPMorgan Chase & Co.	Beneficial owner	Long	–	–	9,990,053	2.05%	0.50%
	Custodian – Corporation/ approved lending agent	Long	–	–	43,996,894	9.06%	2.20%
					53,986,947	11.11%	2.70%
	Beneficial owner	Short	–	–	5,339,823	1.10%	0.27%

Name	Capacity	Long/ Short position	Number of A shares	Percentage of share capital comprising only A shares	Number of H shares	Percentage of share capital comprising only H shares	Percentage of total issued share capital
Schroder Investment Management Limited	Investment manager	Long	–	–	38,851,199	7.99%	1.94%
The Capital Group Companies, Inc. *(Note 2)*	Interest of corporation controlled by the substantial shareholders	Long	–	–	27,669,400	6.84%	1.66%
Lazard Emerging Markets Equity Portifolio *(Note 2)*	Investment manager	Long	–	–	23,707,500	5.86%	1.42%
Earnest Partners, LLC *(Note 2)*	Investment manager	Long	–	–	20,396,980	5.04%	1.22%
Barclays PLC	Person having a security interest in shares	Long	–	–	615,271	0.13%	0.03%
	Interest of corporation controlled by the substantial shareholder	Long	–	–	23,840,798	4.90%	1.19%
					24,456,069	5.03	1.22%
	Interest of corporation controlled by the substantial shareholder	Short	–	–	22,340,233	4.60%	1.12%

Notes:

1. State-owned Assets Supervision and Administration Commission of Shandong Province ("Shandong SASAC") held the entire capital of Shandong Heavy Industry Group Co., Ltd., which in turn held the entire capital of Weichai Group Holding Limited (formerly known as Weifang Diesel Engine Works).

2. The number of H shares reported above held by the relevant substantial shareholder does not take into consideration the Company's bonus share issuance on 17 August 2012 as there is no disclosure of interest obligation under the SFO where there is no change in percentage of shareholdings for a substantial shareholder.

Save as disclosed above, the Company had not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 31st December, 2012.

DETAILS OF THE DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES

I. Shareholdings of the directors, supervisors and chief executives

Nine of the directors, supervisors and chief executives of the Company, namely Tan Xuguang, Xu Xinyu, Sun Shaojun, Zhang Quan, Liu Huisheng, Ding Yingdong, Dai Lixin, Feng Gang and Tong Dehui, are natural-person promoter shareholders and have undertaken that they will not transfer any shares of the Company within 36 months commencing from its listing on the Shenzhen Stock Exchange. When the lock-up period expires, the share held thereon can be transferred in accordance with the relevant requirements of CSRC and the Shenzhen Stock Exchange.

On 30 April 2010, the lock-up period undertaken by the above shareholders expired. With confidence in the development of the Company in the future, these nine natural-person promoter shareholders extended the lock-up period for another 36 months. Upon expiry of the lock-up period, shares held by them will be transferred according to the relevant requirements of CSRC and the Shenzhen Stock Exchange.

II. New appointment or resignation of the directors, supervisors and chief executives

1. Subsequent to the reporting period and up to the date of issue of the report, the first provisional meeting of the Board in 2012 was convened by the Company on 12th January, 2012. The Board during the meeting considered and passed the resolution to appoint Mr. Hoe York Joo as the Chief Financial Officer, Company Secretary and Authorised Representatives and agreed that Mr. Cheung Tat Leung, Peter resigned as the Chief Financial Officer, Company Secretary, Qualified Accountant and Authorised Representatives.

2. At the conclusion of the annual general meeting of the shareholders of the Company held on 29 June 2012, Ms. Zhang Fusheng, Mr. Yao Yu, Mr. Li San Yim, Mr. Gu Linsheng, Mr. Zhang Xiaoyu, Mr. Koo Fook Sun, Louis and Mr. Fang Zhongchang retired as directors of the Company, whereas the following new appointments to the board of directors of the Company were made:

   (i) Mr. Li Dakai and Mr. Fang Hongwei were appointed as executive directors of the Company;

   (ii) Mr. Jiang Kui was appointed as an non-executive director of the Company; and

   (iii) Mr. Liu Zheng, Mr. Li Shihao (Mr. Liu Zheng and Mr. Li Shihao were previously non-executive directors of the Company), Mr. Loh Yih, Mr. Chu, Howard Ho Hwa, Mr. Zhang Zhenhua and Mr. Li Luwen were appointed as independent non-executive directors of the Company.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the Remuneration Committee of the Company (the "Remuneration Committee") on the basis of their merit, qualifications and competence.

The emoluments of the directors of the Company are decided by the Remuneration Committee, having regarded to the Group's operating results, individual performance and comparable market statistics.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company and any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

PURCHASE, SALE OR REDEMPTION OF SECURITIES OF THE COMPANY

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the PRC, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales during the year under review attributable to the Group's five largest customers were less than 30% of the Group's total sales.

The aggregate purchase during the year under review attributable to the Group's five largest suppliers were less than 30% of the Group's total purchases.

Save as disclosed above, at no time during the year under review did a director, a supervisor, an associate of a director or a shareholder of the Company, which to the knowledge of the directors, own more than 5% of the Company's share capital, have an interest in any of the Group's five largest suppliers or customers.

SUBSEQUENT EVENTS

(1) On 7 March 2013, the "Resolution of the Company on Foreign Investment and Exercise of Call Options of the Foreign Company" has been considered and approved by the first extraordinary board meeting of the Company in 2013. In order to allow the Board to have the flexibility in exercising the call options mentioned below, the Company proposes to ask its Shareholders in general meeting to approve in advance the exercise of the call options with the cap amount of EUR400,000,000 and to authorise the Board to exercise the full power to handle matters relating to the exercise of the call options. The call options which have been granted to Weichai Power (Luxembourg) Holding S.à r.l. ("**Weichai Lux**") include: (1) KION Call Option; and (2) Superlift Call Option:

(1) KION Call Option

Weichai Lux is entitled to require that Superlift Holding, S.a r.l. ("**Superlift**") and Kion Management Beteiligungs GmbH & Co. KG ("**KMB**") pass the relevant shareholders' resolution so that KION issues new shares, such that Weichai Lux's shareholding in KION would be increased to:

(i) 33.3% of KION's total issued shares immediately after the completion of the initial public offering of the shares of KION (the "**IPO**"), if, prior to the allotment of KION shares to the investors of the IPO, Weichai Lux owns 28.3% or more of the total issued share capital of KION as a result of the exercise and completion of the Superlift Call Option; or

(ii) 30% of KION's total issued shares immediately after completion of the IPO, if, prior to the allotment of KION shares to the investors of the IPO, Weichai Lux owns less than 28.3% of the total issued share capital of KION.

The exercise price equals to the lower of (i) a price per share determined on the basis of EUR467,000,000 (equivalent to the consideration paid for under the subscription of 25% of the issued shares in KION pursuant to the Acquisitions) plus any future capital contributions made by the shareholders of KION after the date of completion of the Acquisitions, and (ii) the price per share of KION under the IPO.

(2) Superlift Call Option

Weichai Lux is entitled to purchase from Superlift such amount of shares of KION representing 3.3% of KION's issued share capital at the time of the exercise. The Superlift Call Option is exercisable by Weichai Lux (i) at any time after 27 December 2012, being the date of completion of the Acquisitions, until 30 June 2013 or (ii) during any time within the three months after the completion of the IPO. The Superlift Call Option shall expire in any event at the end of 31 December 2015, if it has not been exercised and completed before that date.

The exercise price equals to the sum of (i) EUR61,644,000; and (ii) the pro-rata portion of the aggregate amount of any additional capital contribution, made to KION after the date of completion of the Acquisitions and up to the date of completion of the Superlift Call Option; and (iii) deducting therefrom the pro-rata portion of the aggregate amount of dividends or other distributions made by KION to its shareholders after the date of the completion of the Acquisitions and up to the date of exercise of the Superlift Call Option.

Pursuant to the shareholders' agreement dated 27 December 2012 entered into among Weichai Lux, KION, Superlift and KMB (the "**KION Shareholders' Agreement**"), in the event that Weichai Lux shall, upon the exercise of the KION Call Option and/or the Superlift Call Option, hold at least 33.3% of the issued share capital of KION after the completion of the IPO, and either Superlift or Weichai Lux desires to transfer any of its KION shares, the other relevant shareholder will be entitled to exercise a right of first offer to purchase such shares. Further, the parties under the KION Shareholders' Agreement agreed that if following the completion of the IPO, Weichai Lux holds at least 33.3% of the issued share capital of KION, they will support, within the given legal framework, the election of a member of the supervisory board designated by Weichai Lux to become the chairman of the supervisory board of KION. In addition, pursuant to the terms of the KION Shareholders' Agreement, as soon as Weichai Lux holds 30% or more of the shares in KION, the parties shall take, within the given legal framework, all actions in order to ensure that two out of six shareholder representatives of the supervisory board of KION (the supervisory board consists of twelve members, six of them being shareholder representatives and six of them being employee representatives) are members who are nominated by Weichai Lux.

(2) On 21 March 2013, the dividend distribution budget for 2012 was considered and approved by the 3rd meeting of the 3rd session of the Board of the Company: the Company proposed to distribute a cash dividend of RMB2.30 for every 10 shares (including tax) based on the total share capital of 1,999,309,639 shares, without transfer from capital reserve. Completion of the aforesaid proposal is subject to the approval by the general meeting.

AUDIT COMMITTEE

The Audit Committee of the Company (the "Audit Committee") comprises six Independent Non-executive Directors of the Company. The Chairman of the Audit Committee is Mr. Liu Zheng, an Independent Non-executive Director. Mr. Liu has appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules, for the purpose of this appointment. Throughout the year, the Audit Committee discharged its responsibilities, reviewed and discussed the financial results and internal control matters of the Company. In accordance with the requirements of Appendix 16 to the Listing Rules, the Audit Committee has reviewed the audited consolidated financial statements for the year.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES IN APPENDIX 14 OF THE LISTING RULES

Throughout the year, other than the roles of the Chairman and the Chief Executive Officer being performed by Mr. Tan Xuguang ("Mr. Tan"), the Company has complied with all the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules.

Mr. Tan is in charge of the overall management of the Company. The Company considers that the combination of the roles of the Chairman and the Chief Executive Officer can promote the efficient formulation and implementation of the Company's strategies which will enable the Group to grasp business opportunities efficiently and promptly. The Company considers that through the supervision of its board and its independent non-executive directors, there is adequate balance of power and authority in place.

COMPLIANCE WITH THE MODEL CODE

During the year, the Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in the Model Code. Having made specific enquiry of all directors, the directors have confirmed that they have complied with the required standard set out in the Model Code for the year under review.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors of the Company, the Company has maintained the prescribed public float under the Listing Rules as at the date of this announcement.

AUDITORS

Ernst & Young were appointed as the Company's auditors with effect from 20 August 2008 to fill the casual vacancy arising from the resignation of Deloitte Touche Tohmatsu on 19 June 2008.

Ernst & Young retired on 18 May 2011 and were not reappointed as auditors of the Company for its accounts prepared under Hong Kong Financial Reporting Standards. Shandong Zheng Yuan Hexin Accountants Limited (山東正源和信有限責任會計師事務所) also retired on 18 May 2011 and were not reappointed as auditors of the Company in the preparation of the Company's accounts under PRC accounting principles and financial regulations.

The Company appointed Ernst & Young Hua Ming Certified Public Accountants (安永華明會計師事務所) as the Company's only auditors with effect from 18 May 2011 for its accounts prepared under PRC accounting principles and financial regulations. Ernst & Young Hua Ming Certified Public Accountants (安永華明會計師事務所) will retire and a resolution for their reappointment as auditors of the Company for the year of 2013 will be proposed at the forthcoming annual general meeting.

APPROVAL OF THE FINANCIAL STATEMENTS

The audited consolidated financial statements for the Year were approved by the Board on 21 March 2013.

PUBLICATION OF THE ANNUAL REPORT ON THE WEBSITES OF THE HONG KONG STOCK EXCHANGE AND THE COMPANY

The 2012 annual report will be despatched to the shareholders as well as made available on the Hong Kong Stock Exchange's website at www.hkexnews.hk and the Company's website at www.weichai.com in due course.

Tan Xuguang
Chairman and Chief Executive Officer

Hong Kong, 21 March 2013

As at the date of this announcement, the executive Directors of the Company are Mr. Tan Xuguang, Mr. Xu Xinyu, Mr. Sun Shaojun, Mr. Zhang Quan, Mr. Li Dakai and Mr. Fang Hongwei; the non-executive Directors of the Company are Mr. Jiang Kui, Mr. Liu Huisheng, Mr. Yeung Sai Hong, Mr. Chen Xuejian, Mr. Julius G. Kiss and Ms. Han Xiaoqun; and the independent non-executive Directors of the Company are Mr. Liu Zheng, Mr. Li Shihao, Mr. Loh Yih, Mr. Chu, Howard Ho Hwa, Mr. Zhang Zhenhua and Mr. Li Luwen.