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 2013

**FINANCIAL HIGHLIGHTS**

- Revenue was approximately RMB58,312 million, representing an increase of approximately 21.07%.
- Net Profit Attributable to the Shareholders of the Parent was approximately RMB3,571 million, representing an increase of approximately 19.38%.
- Basic Earnings Per Share was approximately RMB1.79, representing an increase of approximately 19.33%.

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

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 2013 (the "Year"), together with comparative figures for the corresponding period of 2012 as follows:

## CONSOLIDATED INCOME STATEMENT

*January to December 2013 (Expressed in Renminbi Yuan)*

| | *Notes* | **2013** | 2012 |
|---|---|---|---|
| Revenue | *7* | **58,311,713,430.31** | 48,165,394,849.63 |
| Less: Cost of sales | *7* | **46,287,777,066.90** | 38,775,044,121.79 |
| Taxes and surcharges | *8* | **272,444,023.67** | 187,228,738.22 |
| Distribution and selling expenses | | **3,152,780,574.25** | 2,433,478,520.89 |
| General and administrative expenses | | **3,856,302,328.23** | 3,232,666,367.18 |
| Finance expenses | | **216,666,103.77** | (9,844,442.01) |
| Impairment loss of assets | | **231,173,894.41** | 79,464,267.64 |
| Add: Gain on change of fair value | | **150,137,868.78** | – |
| Investment income | | **11,542,850.04** | 251,508,306.03 |
| Incl: Share of profit of associates and jointly controlled enterprises | | **5,177,273.16** | 29,987,138.09 |
| Operating profit | | **4,456,250,157.90** | 3,718,865,581.95 |
| Add: Non-operating income | | **194,734,409.82** | 278,554,862.32 |
| Less: Non-operating expenses | | **42,238,807.13** | 37,606,655.54 |
| Incl: Loss on disposal of non-current assets | | **16,554,944.38** | 18,350,863.77 |
| Total profit | | **4,608,745,760.59** | 3,959,813,788.73 |
| Less: Income tax expenses | *9* | **791,109,685.09** | 725,547,240.05 |
| Net profit | | **3,817,636,075.50** | 3,234,266,548.68 |
| Net profit attributable to the shareholders of the parent | | **3,570,791,384.62** | 2,990,996,934.91 |
| Minority interests | | **246,844,690.88** | 243,269,613.77 |
| Earnings per share | | | |
| Basic earnings per share | *10* | **1.79** | 1.50 |
| Diluted earnings per share | | **N/A** | N/A |

| | Notes | **2013** | 2012 |
|---|---|---|---|
| Other comprehensive income | | | |
| Those other comprehensive income not to be reclassified into profit or loss in subsequent periods | | | |
| Share of investee's other comprehensive income not to be reclassified into profit or loss in subsequent periods using the equity method | | **(43,371,856.00)** | – |
| Changes arising from re-measuring net assets or net liabilities of defined benefit plan | | **15,181,649.92** | – |
| Those other comprehensive income to be reclassified into profit or loss after meeting certain criteria in subsequent periods | | | |
| Share of investee's other comprehensive income to be reclassified into profit or loss after meeting certain criteria in subsequent periods using the equity method | | **(6,377,070.55)** | (40,559,590.11) |
| Exchange differences on foreign currency translation | | **68,726,300.23** | (247,448.64) |
| Gain or loss arising from change of fair value of available-for-sale financial assets | | **(55,420,000.00)** | 30,477,672.97 |
| Net amount of items under other comprehensive income after income tax | *11* | **(21,260,976.40)** | (10,329,365.78) |
| Total comprehensive income | | **3,796,375,099.10** | 3,223,937,182.90 |
| Incl: | | | |
| Total comprehensive income attributable to the shareholders of the parent | | **3,545,949,279.75** | 2,980,668,778.14 |
| Total comprehensive income attributable to minority owners | | **250,425,819.35** | 243,268,404.76 |

**CONSOLIDATED BALANCE SHEET**

*31 December 2013 (Expressed in Renminbi Yuan)*

| ASSETS | Notes | 2013 | 2012 |
|---|---|---|---|
| Current assets | | | |
| Cash and cash equivalents | | **19,580,127,632.91** | 16,726,970,096.00 |
| Financial assets at fair value through profit or loss | | **51,077,466.30** | 137,050,693.51 |
| Notes receivable | *3* | **14,126,950,813.40** | 9,242,232,142.39 |
| Accounts receivable | *4* | **4,440,534,339.82** | 4,168,525,397.14 |
| Prepayments | | **405,481,103.37** | 365,397,070.50 |
| Dividends receivable | | **3,040,000.00** | 70,540,000.00 |
| Interests receivable | | **15,439,001.39** | 7,418,831.76 |
| Other receivables | | **382,476,843.43** | 444,105,891.14 |
| Inventories | | **8,573,263,068.43** | 7,509,902,216.33 |
| Other current assets | | **471,818,015.98** | 487,991,597.21 |
| Total current assets | | **48,050,208,285.03** | 39,160,133,935.98 |
| Non-current assets | | | |
| Available-for-sale financial assets | | **294,601,926.11** | 334,802,126.11 |
| Long-term equity investments | | **7,789,229,080.64** | 4,885,941,806.51 |
| Investment property | | **547,396,551.63** | 329,994,770.86 |
| Fixed assets | | **13,149,176,100.96** | 11,526,489,430.20 |
| Construction in progress | | **3,284,090,409.80** | 5,175,099,417.99 |
| Materials used in construction | | **16,914.51** | – |
| Disposal of fixed assets | | **1,267,095.38** | 3,493,436.95 |
| Intangible assets | | **2,273,431,309.49** | 2,160,257,108.86 |
| Development expenditure | | **497,418,862.34** | 431,692,444.28 |
| Goodwill | | **1,430,849,833.51** | 1,443,114,787.31 |
| Long-term prepaid expenses | | **158,779,148.42** | 169,123,071.48 |
| Deferred tax assets | | **785,535,351.82** | 700,119,807.88 |
| Other non-current assets | | **259,807,862.57** | 100,706.28 |
| Total non-current assets | | **30,471,600,447.18** | 27,160,228,914.71 |
| Total assets | | **78,521,808,732.21** | 66,320,362,850.69 |

| **LIABILITIES AND EQUITY** | *Notes* | **2013** | 2012 |
|---|---|---|---|
| Current liabilities | | | |
| Short-term loans | | **1,245,568,357.29** | 2,742,091,634.05 |
| Notes payable | *5* | **6,687,151,599.77** | 5,244,310,106.70 |
| Accounts payable | *6* | **13,472,675,550.89** | 9,962,420,973.54 |
| Advances from customers | | **1,211,259,736.92** | 872,835,717.97 |
| Payroll payable | | **1,175,313,751.59** | 1,026,722,757.02 |
| Taxes payable | | **552,024,065.76** | 239,380,723.63 |
| Interests payable | | **132,089,773.25** | 61,680,626.43 |
| Dividends payable | | **43,101,211.76** | 33,103,222.12 |
| Other payables | | **3,398,458,815.35** | 2,535,764,374.58 |
| Non-current liabilities due within one year | | **352,375,772.74** | 352,604,906.92 |
| Other current liabilities | | **1,028,305,788.79** | 852,860,219.00 |
| Total current liabilities | | **29,298,324,424.11** | 23,923,775,261.96 |
| Non-current liabilities | | | |
| Long-term borrowings | | **9,146,039,593.52** | 6,344,249,958.75 |
| Bonds payable | | **3,493,858,837.76** | 2,691,489,273.21 |
| Long-term payables | | **8,847,480.34** | 5,500,000.00 |
| Special payables | | **53,000,000.00** | 43,000,000.00 |
| Long-term payroll payable | | **606,487,220.23** | 565,056,325.46 |
| Deferred tax liabilities | | **146,119,914.93** | 168,154,335.44 |
| Other non-current liabilities | | **1,441,819,889.93** | 1,179,901,918.37 |
| Total non-current liabilities | | **14,896,172,936.71** | 10,997,351,811.23 |
| Total liabilities | | **44,194,497,360.82** | 34,921,127,073.19 |
| Shareholders’ equity | | | |
| Share capital | | **1,999,309,639.00** | 1,999,309,639.00 |
| Capital reserve | | **703,970,229.92** | 842,375,982.05 |
| Special reserve | | **35,605,889.68** | 23,089,542.52 |
| Surplus reserve | | **2,683,223,334.61** | 2,300,128,466.82 |
| Retained earnings | | **22,264,536,818.92** | 19,737,619,540.81 |
| Exchange differences on foreign currency translation | | **36,527,719.49** | (33,171,947.25) |
| Total equity attributable to the shareholders of the parent | | **27,723,173,631.62** | 24,869,351,223.95 |
| Minority interests | | **6,604,137,739.77** | 6,529,884,553.55 |
| Total shareholders’ equity | | **34,327,311,371.39** | 31,399,235,777.50 |
| Total liabilities and shareholders’ equity | | **78,521,808,732.21** | 66,320,362,850.69 |

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
*31 December 2013*

## 1. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

### 1. Preparation basis of the financial statements

The financial statements have been prepared in accordance with the Accounting Standards for Business Enterprises-Basic Standard issued in February 2006 and specific accounting standards, implementation guidance, interpretations and other relevant provisions issued and amended subsequently by the Ministry of Finance (the "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 2013 and the results of operations and the cash flows for year 2013 in accordance with Accounting Standards for Business Enterprises.

*Adoption of certain amended/new accounting standards*

In January to March 2014, the MOF formulated the "Accounting Standard for Business Enterprises No. 39 – Fair Value Measurement", "Accounting Standard for Business Enterprises No. 40 – Joint Arrangements" and issued amendments to "Accounting Standard for Business Enterprises No. 30 – Presentation of Financial Statements", "Accounting Standard for Business Enterprises No. 9 – Employee Benefits", "Accounting Standard for Business Enterprises No. 33 – Consolidated Financial Statements", "Accounting Standard for Business Enterprises No. 2 – Long-term equity investments". The 6 accounting standards above will become effective from 1 July 2014, and early adoption is encouraged for entities listed overseas. As a locally and overseas listed company, the Company adopted the 6 accounting standards above in its preparation of the financial statements 2013, and transitional arrangements have been made where appropriate.

For the purpose of these financial statements, changes in accounting policies of the Group that correspond to changes in the accounting standards above have been dealt with pursuant to relevant transitional provisions, and corresponding retrospective adjustments have been made to those comparable figures to which retrospective adjustments had to be made. The main effects on the financial statements for 2013 and 2012 caused by the aforesaid retrospective adjustments are set out below:

**The Group**

2013

| | Opening balance/ Incurred during the year prior to adoption | Adoption of accounting standards of "Accounting Standard for Business Enterprises No. 2 – Long-term Equity Investments" | Opening balance/ Incurred during the year following adoption |
|---|---|---|---|
| Available-for-sale financial assets | 204,000,000.00 | 90,601,926.11 | 294,601,926.11 |
| Long-term equity investments | 7,879,831,006.75 | (90,601,926.11) | 7,789,229,080.64 |

2012

| | Opening balance/ Incurred during the year prior to adoption | Adoption of accounting standards of "Accounting Standard for Business Enterprises No. 2 – Long-term Equity Investments" | Opening balance/ Incurred during the year following adoption |
|---|---|---|---|
| Available-for-sale financial assets | 269,200,000.00 | 65,602,126.11 | 334,802,126.11 |
| Long-term equity investments | 4,951,543,932.62 | (65,602,126.11) | 4,885,941,806.51 |

**The Company**

2013

| | Opening balance/ Incurred during the year prior to adoption | Adoption of accounting standards of "Accounting Standard for Business Enterprises No. 2 – Long-term Equity Investments" | Opening balance/ Incurred during the year following adoption |
|---|---|---|---|
| Available-for-sale financial assets | 204,000,000.00 | 31,680,000.00 | 235,680,000.00 |
| Long-term equity investments | 7,733,641,114.30 | (31,680,000.00) | 7,701,961,114.30 |

2012

| | Opening balance/ Incurred during the year prior to adoption | Adoption of accounting standards of "Accounting Standard for Business Enterprises No. 2 – Long-term Equity Investments" | Opening balance/ Incurred during the year following adoption |
|---|---|---|---|
| Available-for-sale financial assets | 269,200,000.00 | 31,680,000.00 | 300,880,000.00 |
| Long-term equity investments | 6,628,516,401.12 | (31,680,000.00) | 6,596,836,401.12 |

**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 involving entities under common control 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 2013 of the Company and all of its subsidiaries. A subsidiary is an entity that is controlled by the Company, including separable parts of an enterprise or investee and structured entities controlled by the Company etc.

In preparation of consolidated financial statements, the subsidiaries use the same accounting period and accounting policies 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 assets, liabilities, interests, income, expenses and cash flow are eliminated in full 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.

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.

The Group's control over an investee is re-assessed if change in relevant facts and situations causes changes in one or more of the control substances.

## 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 automobile 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.

**2013**

| | Diesel engines | Automobiles and other major automobile components | Other components | Import & export services | Total |
|---|---|---|---|---|---|
| Segment revenue: | | | | | |
| Sale to external customers | 22,709,124,211.05 | 32,428,271,598.61 | 3,092,986,791.17 | 81,330,829.48 | 58,311,713,430.31 |
| Inter-segment sale | 4,619,035,167.58 | 806,414.11 | 109,494,393.45 | 32,953,777.41 | 4,762,289,752.55 |
| Total | 27,328,159,378.63 | 32,429,078,012.72 | 3,202,481,184.62 | 114,284,606.89 | 63,074,003,182.86 |
| *Adjustment:* | | | | | |
| Elimination of inter-segment sale | | | | | (4,762,289,752.55) |
| Revenue | | | | | 58,311,713,430.31 |
| Segment results | 4,067,244,680.05 | 716,215,295.84 | (140,586,204.92) | (23,983,235.85) | 4,618,870,535.12 |
| *Adjustment:* | | | | | |
| Elimination of inter-segment results | | | | | 42,502,876.51 |
| Interest income | | | | | 386,862,308.97 |
| Dividend income and unallocated income | | | | | 206,277,259.86 |
| Corporate and other unallocated expenses | | | | | (42,238,807.13) |
| Finance expenses | | | | | (603,528,412.74) |
| Profit before tax | | | | | 4,608,745,760.59 |
| **31 December 2013** | | | | | |
| Segment assets | 24,189,673,974.35 | 23,639,584,456.15 | 11,454,532,778.06 | 7,663,715,242.80 | 66,947,506,451.36 |
| *Adjustment:* | | | | | |
| Elimination of inter-segment receivables | | | | | (9,085,962,629.99) |
| Corporate and other unallocated assets | | | | | 20,660,264,910.84 |
| Total assets | | | | | 78,521,808,732.21 |
| Segment liabilities | 15,027,825,105.50 | 13,211,435,355.75 | 9,279,975,579.38 | 1,148,350,660.40 | 38,667,586,701.03 |
| *Adjustment:* | | | | | |
| Elimination of inter-segment payables | | | | | (9,123,792,212.63) |
| Corporate and other unallocated liabilities | | | | | 14,650,702,872.42 |
| Total liabilities | | | | | 44,194,497,360.82 |
| **2013** | | | | | |
| Other segment information: | | | | | |
| Share of profit and loss from: | | | | | |
| Gain/(loss) from associates | 15,263,789.40 | (17,226,345.04) | 10,750,201.00 | (3,610,372.20) | 5,177,273.16 |
| Reversal/(loss) of impairment of inventories | (7,422,204.32) | (123,657,043.41) | (8,399,553.40) | – | (139,478,801.13) |
| Reversal/(loss) of impairment of accounts receivable and other receivables | 14,735,293.39 | (72,666,575.66) | (3,521,577.37) | (87,875.98) | (61,540,735.62) |
| Depreciation and amortization | (834,416,622.27) | (907,620,327.88) | (258,387,490.26) | (22,504,927.51) | (2,022,929,367.92) |
| Gain/(loss) from disposal of fixed assets | (3,778,887.97) | (5,908,132.07) | (298,143.42) | – | (9,985,163.46) |
| Gain from disposal of intangible assets | – | – | – | – | – |
| Investment in associates | 575,860,777.07 | 539,936,000.20 | 6,631,346,533.88 | 42,085,769.49 | 7,789,229,080.64 |
| Capital expenditure | (794,555,601.70) | (1,491,552,821.40) | (231,198,925.01) | (24,550,623.20) | (2,541,857,971.31) |

**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 |
| Reversal/(loss) of impairment of inventories | (16,100,137.45) | (85,867,360.28) | (608,429.77) | – | (102,575,927.50) |
| Reversal/(loss) of impairment of accounts receivable and other receivables | 906,771.82 | 10,712,333.02 | (1,131,336.47) | 13,675,034.48 | 24,162,802.85 |
| Depreciation and amortization | (595,878,023.01) | (910,615,137.49) | (32,845,069.13) | (19,816,623.95) | (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 |
| 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) |

**Group information**

*Information about products and services*

Revenue from external transactions

| | **2013** | 2012 |
|---|---|---|
| Complete vehicles and key components | **35,956,310,848.83** | 33,543,662,414.54 |
| Non-automobile engines | **6,872,247,821.59** | 4,820,564,159.30 |
| Other automobile components | **12,348,626,495.41** | 7,351,457,606.87 |
| Others | **3,134,528,264.48** | 2,449,710,668.92 |
| | **58,311,713,430.31** | 48,165,394,849.63 |

**Geographic information**

*Revenue from external transactions*

| | **2013** | 2012 |
|---|---|---|
| Mainland China | **50,364,620,679.84** | 45,344,489,749.80 |
| Other countries and regions | **7,947,092,750.47** | 2,820,905,099.83 |
| | **58,311,713,430.31** | 48,165,394,849.63 |

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

**Total non-current assets**

| | **31 December 2013** | 31 December 2012 |
|---|---|---|
| Mainland China | **19,532,242,876.22** | 19,269,480,687.65 |
| Other countries and regions | **9,610,323,933.43** | 6,917,880,832.49 |
| | **29,142,566,809.65** | 26,187,361,520.14 |

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 RMB6,708,878,491.89 (2012: RMB3,436,822,767.12) 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 2013** | 31 December 2012 |
|---|---|---|
| Bank acceptance bills | **14,103,414,397.06** | 9,218,491,108.06 |
| Commercial acceptance bills | **23,536,416.34** | 23,741,034.33 |
| | **14,126,950,813.40** | 9,242,232,142.39 |

As at 31 December 2013, top five notes receivable that were pledged are presented as follows:

| **Issuer** | **Issuing date** | **Expiry date** | **Amount** | **Issued by** |
|---|---|---|---|---|
| Shandong Lingong Construction Machinery Co., Ltd. | 2013/9/27 | 2014/3/27 | 38,300,000.00 | Everbright Bank |
| Anhui Hualing Heavy-Duty Automotive Co., Ltd | 2013/9/26 | 2014/3/26 | 30,000,000.00 | Huishang Bank |
| Shijiazhuang Chenyang Centrino Automobile Trading Co., Ltd | 2013/11/29 | 2014/5/29 | 16,000,000.00 | Guangdong Development Bank |
| Shanghai Hongzhao Investment Development Co., Ltd | 2013/10/31 | 2014/4/30 | 15,000,000.00 | Bank of Shanghai |
| Xuzhou Xugong Excavator Machinery Co., Ltd. | 2013/9/30 | 2014/3/29 | 15,000,000.00 | Bank of China |
| | | | 114,300,000.00 | |

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 2013 and 31 December 2012, the Group has not transferred any notes into accounts receivable due to issuers' failure in performance.

As at 31 December 2013, notes receivable already discounted to third parties but not yet expired amounted to RMB2,149,200.00. As at 31 December 2013, notes receivable in the amount of RMB8,926,468,662.02 which had been endorsed to other parties but not yet expired. The top 5 notes receivable outstanding as at 31 December 2013 are follows:

| Issuer | Issuing date | Expiry date | Amount |
|---|---|---|---|
| Dongfeng Motor Co., Ltd | 2013/9/23 | 2014/3/23 | 50,000,000.00 |
| Dongfeng Motor Co., Ltd | 2013/9/23 | 2014/3/23 | 50,000,000.00 |
| Dongfeng Motor Co., Ltd | 2013/9/23 | 2014/3/23 | 50,000,000.00 |
| Saic-iveco Hongyan Commercial Vehicle Co., Ltd. | 2013/7/29 | 2014/1/29 | 20,000,000.00 |
| Shanghai Hongzhao Investment Development Co., Ltd | 2013/10/31 | 2014/4/30 | 15,000,000.00 |
| | | | 185,000,000.00 |

As at 31 December 2012, notes receivable already discounted to third parties but not yet expired amounted to RMB317,277,727.04. As at 31 December 2012, notes receivable in the amount of RMB8,492,757,222.01 which had been endorsed to other parties but not yet expired. The top 5 notes receivable are follows:

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

As at 31 December 2013, notes receivable amounting to RMB2,162,362,220.85 (31 December 2012: RMB294,400,473.38) was pledged to banks for issuance of bank acceptance bills, and no notes receivable was pledged for short-term loans. (2012: RMB92,280,926.01).

## 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 2013** | 31 December 2012 |
|---|---|---|
| Within 3 months | **3,003,682,270.48** | 2,876,869,314.13 |
| 3 to 6 months | **593,487,671.09** | 453,279,212.41 |
| 6 months to 1 year | **586,496,113.69** | 534,382,562.75 |
| 1 to 2 years | **276,298,860.12** | 359,823,287.48 |
| 2 to 3 years | **192,233,714.34** | 251,164,319.41 |
| Over 3 years | **517,257,771.75** | 364,675,665.77 |
| | **5,169,456,401.47** | 4,840,194,361.95 |
| Less: provision for bad debt of account receivables | **728,922,061.65** | 671,668,964.81 |
| | **4,440,534,339.82** | 4,168,525,397.14 |

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

| | **31 December 2013** | 31 December 2012 |
|---|---|---|
| Opening balance | **671,668,964.81** | 711,679,522.34 |
| Provision for the year | **108,719,527.47** | 34,509,963.52 |
| Increase in scope of consolidation | **–** | 202,512.08 |
| Exchange differences on foreign currency translation | **113,013.65** | – |
| Decrease for the year: | | |
| Reversal | **(51,656,826.87)** | (44,343,652.97) |
| Write-off | **77,382.59** | (10,794,080.00) |
| Disposal of subsidiaries | **–** | (19,585,300.16) |
| Closing balance | **728,922,061.65** | 671,668,964.81 |

| | 31 December 2013 | | | |
|---|---|---|---|---|
| | **Gross carrying amount** | **Proportion** | **Provision for bad debts** | **Percentage** |
| | | *(%)* | | *(%)* |
| Individually significant items for which provision for bad debt is recognized separately | **1,678,212,894.61** | **32.47** | **385,259,234.36** | **22.96** |
| Items for which provision for bad debt is recognized by group | **3,073,350,608.67** | **59.45** | **248,249,743.32** | **8.08** |
| Not individually significant items for which provision for bad debt is recognized separately | **417,892,898.19** | **8.08** | **95,413,083.97** | **22.83** |
| | **5,169,456,401.47** | **100.00** | **728,922,061.65** | |

| | 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 | 18.84 | 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 | |

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

| | **31 December 2013** | | | | 31 December 2012 | | | |
|---|---|---|---|---|---|---|---|---|
| | **Gross carrying amount** | **Proportion** | **Provision for bad debts** | **Percentage** | Gross carrying amount | Proportion | Provision for bad debts | Percentage |
| | | *(%)* | | *(%)* | | *(%)* | | *(%)* |
| Within 1 year | **2,803,420,287.96** | **91.21** | **120,881,898.22** | **4.31** | 3,288,601,793.34 | 88.49 | 126,176,583.18 | 3.84 |
| 1 to 2 years | **123,404,068.25** | **4.03** | **16,961,723.96** | **13.74** | 268,350,030.16 | 7.23 | 34,021,313.10 | 12.68 |
| 2 to 3 years | **33,549,013.05** | **1.09** | **9,220,118.83** | **27.48** | 48,804,662.16 | 1.31 | 14,261,982.58 | 29.22 |
| 3 to 4 years | **15,314,726.81** | **0.50** | **7,045,107.51** | **46.00** | 26,045,630.58 | 0.70 | 13,042,669.89 | 50.08 |
| 4 to 5 years | **17,608,089.06** | **0.57** | **14,086,471.25** | **80.00** | 20,840,216.64 | 0.56 | 16,680,123.32 | 80.04 |
| Over 5 years | **80,054,423.54** | **2.60** | **80,054,423.55** | **100.00** | 63,731,311.47 | 1.71 | 63,731,311.47 | 100.00 |
| | **3,073,350,608.67** | **100.00** | **248,249,743.32** | | 3,716,373,644.35 | 100.00 | 267,913,983.54 | |

In 2013, 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 |
|---|---|---|---|---|
| Anhui Anyu Engineering Machinery Sales Co., Ltd | Partial or wholly recovery | Estimated recoverable amount | 50,532,996.15 | 18,187,195.65 |
| Datong City Yi Fu Commercial and Trading Co., Ltd | Partial or wholly recovery | Estimated recoverable amount | 22,878,618.07 | 12,627,290.43 |
| LLC PC ARGO (Russia) | Partial or wholly recovery | Estimated recoverable amount | 6,347,690.76 | 4,357,891.41 |
| Qingdao CAIEC Special Automobile Co., Ltd. | Partial or wholly recovery | Estimated recoverable amount | 3,631,191.30 | 3,487,050.00 |
| Dalian Shaanxi Automobile Sales Co., Ltd | Partial or wholly recovery | Estimated recoverable amount | 24,972,976.55 | 1,084,860.00 |
| | | | 108,363,472.83 | 39,744,287.49 |

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 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 2013, reversal of accounts receivable written off amounted to RMB77,382.59 (2012: RMB10,794,080.00)., including RMB170,102.55 received by Weichai Power (Qingzhou) Drive Control Technology Co., Ltd. as accounts receivable which have been written off in prior years. Others are 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 2013, 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 2012: nil).

As at 31 December 2013, the top five accounts receivable are presented as follows:

| | Gross carrying amount | Age | Percentage of total accounts receivable (%) | Connection with the Company |
|---|---|---|---|---|
| Zoomlion Heavy Industry Science and Technology Co., Ltd | 285,799,956.00 | Within 1 year | 5.53 | Unrelated party |
| Dongfeng Motor Co., Ltd (Commercial Vehicle Company) | 284,065,636.32 | Within 1 year | 5.50 | Unrelated party |
| EURL GM TRADE | 153,133,472.39 | Within 1 year | 2.96 | Unrelated party |
| OOO SHANKSIRUS (Russia) | 118,117,599.29 | Within 1 year | 2.28 | Unrelated party |
| Handan Huaxiang Automoblie Sales and Service Co., Ltd | 95,194,888.28 | Within 1 year | 1.84 | Unrelated party |
| | 936,311,552.28 | | 18.11 | |

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

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

Accounts receivable denominated in foreign currencies are as follows:

| | **31 December 2013** | | | 31 December 2012 | | |
|---|---|---|---|---|---|---|
| | **Original currency** | **Exchange rate** | **RMB equivalent** | Original currency | Exchange rate | RMB equivalent |
| Accounts receivable | | | | | | |
| – USD | **117,463,406.41** | **6.0969** | **716,162,642.54** | 121,018,009.66 | 6.2855 | 760,658,699.71 |
| – EUR | **470,674.21** | **8.4189** | **3,962,559.11** | 7,172,677.75 | 8.3176 | 59,659,464.42 |
| – HKD | **–** | **0.7862** | **–** | 115.98 | 0.8109 | 94.05 |
| – GBP | **–** | **10.056** | **–** | 2,905.80 | 10.1611 | 29,526.08 |
| | | | **720,125,201.65** | | | 820,347,784.26 |

## 5. NOTES PAYABLE

| | **31 December 2013** | 31 December 2012 |
|---|---|---|
| Bank acceptance bill | **6,600,177,677.15** | 5,244,310,106.70 |
| Commercial acceptance bill | **86,973,922.62** | – |
| Total | **6,687,151,599.77** | 5,244,310,106.70 |

As at 31 December 2013, the amount of notes payable falling due in the next accounting period was RMB6,687,151,599.77.

As at 31 December 2013, notes payable did not include amounts payable to shareholders that held 5% or more of the Company's voting shares (31 December 2012: nil).

## 6. ACCOUNTS PAYABLE

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

| | **31 December 2013** | 31 December 2012 |
|---|---|---|
| Accounts payable | **13,472,675,550.89** | 9,962,420,973.54 |

As at 31 December 2013, the aging analysis of accounts payable, based on the invoice date, are presented as follows:

| | **31 December 2013** | 31 December 2012 |
|---|---|---|
| Within 3 months | **11,051,886,336.78** | 9,181,115,720.64 |
| 3 to 6 months | **1,537,510,610.34** | 315,893,898.34 |
| 6 to 12 months | **244,457,038.42** | 154,647,071.71 |
| Over 1 year | **638,821,565.35** | 310,764,282.85 |
| Total | **13,472,675,550.89** | 9,962,420,973.54 |

As at 31 December 2013, there was no material accounts payable which aged over one year (31 December 2012: nil).

As at 31 December 2013, amounts payable to shareholders that held 5% or more of the Company's voting shares included in accounts payable amounted to RMB12,869,820.50 (31 December 2012: RMB283,674.76).

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

| | **31 December 2013** | | | 31 December 2012 | | |
|---|---|---|---|---|---|---|
| | **Original currency** | **Exchange rate** | **RMB equivalent** | Original currency | Exchange rate | RMB equivalent |
| Accounts payable | | | | | | |
| – USD | **145,825.54** | **6.0969** | **889,083.73** | 7,790,199.71 | 6.2855 | 48,965,300.28 |
| – EUR | **785,233.92** | **8.4189** | **6,610,805.85** | 5,224,142.04 | 8.3176 | 43,452,323.83 |
| | | | **7,499,889.58** | | | 92,417,624.11 |

## 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.

| | **2013** | 2012 |
|---|---|---|
| Revenue from principal operations | **55,962,650,513.12** | 45,884,023,651.55 |
| Other revenue | **2,349,062,917.19** | 2,281,371,198.08 |
| | **58,311,713,430.31** | 48,165,394,849.63 |

Cost of sales is listed as follows:

| | **2013** | 2012 |
|---|---|---|
| Cost of sales for principal operations | **44,155,628,672.83** | 36,665,026,614.31 |
| Other cost of sales | **2,132,148,394.07** | 2,110,017,507.48 |
| | **46,287,777,066.90** | 38,775,044,121.79 |

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

| | **2013** | | 2012 | |
|---|---|---|---|---|
| | **Revenue** | **Cost** | Revenue | Cost |
| Manufacturing of transportation equipment | **55,592,563,250.54** | **43,796,708,975.55** | 45,635,494,431.25 | 36,424,834,215.81 |
| Others | **370,087,262.58** | **358,919,697.28** | 248,529,220.30 | 240,192,398.50 |
| | **55,962,650,513.12** | **44,155,628,672.83** | 45,884,023,651.55 | 36,665,026,614.31 |

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

| | **2013** | | 2012 | |
|---|---|---|---|---|
| | **Revenue** | **Cost** | Revenue | Cost |
| Domestic | **48,029,486,286.95** | **36,991,427,584.68** | 42,642,872,536.00 | 33,665,813,015.62 |
| Overseas | **7,933,164,226.17** | **7,164,201,088.15** | 3,241,151,115.55 | 2,999,213,598.69 |
| | **55,962,650,513.12** | **44,155,628,672.83** | 45,884,023,651.55 | 36,665,026,614.31 |

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

| | **2013** | | 2012 | |
|---|---|---|---|---|
| | **Revenue** | **Cost** | Revenue | Cost |
| Complete vehicles and key components | **35,956,310,848.83** | **26,823,226,014.77** | 33,543,662,414.54 | 26,233,968,319.58 |
| Non-automobile engines | **6,872,247,821.59** | **6,026,747,871.13** | 4,820,564,159.30 | 4,138,725,947.23 |
| Other automobile components | **12,348,626,495.41** | **10,588,652,515.58** | 7,351,457,606.87 | 6,139,649,285.48 |
| Others | **785,465,347.29** | **717,002,271.35** | 168,339,470.84 | 152,683,062.02 |
| | **55,962,650,513.12** | **44,155,628,672.83** | 45,884,023,651.55 | 36,665,026,614.31 |

In 2013, revenue from the top 5 customers generated from principal operations is presented as follows:

| | **Amount** | **Proportion of revenue** *(%)* | **Connection with the Group** |
|---|---|---|---|
| Beijing Foton Daimler Automotive Co., Ltd | 6,708,878,491.89 | 11.51 | Unrelated party |
| Weichai Power Westport New Energy Engine Co., Ltd. | 1,425,883,951.56 | 2.45 | Related party |
| Faw Jiefang Qingdao Auto Factory | 1,388,047,045.06 | 2.38 | Unrelated party |
| Dongfeng Motor Co., Ltd (Commercial Vehicle Company) | 984,230,417.25 | 1.69 | Unrelated party |
| KION Group AG | 965,424,229.88 | 1.66 | Related party |
| | 11,472,464,135.64 | 19.69 | |

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

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

Revenue is listed as follows:

| | 2013 | 2012 |
|---|---|---|
| Revenue from principal operations | | |
| Sales of goods and others | **55,962,650,513.12** | 45,884,023,651.55 |
| Other revenue | | |
| Sales of materials | **1,608,136,260.84** | 1,478,502,944.71 |
| Sales of power | **27,211,986.04** | 33,569,090.98 |
| Lease income | **57,385,395.61** | 41,213,183.91 |
| Provision of non-industrial labour | **39,202,613.63** | 31,992,391.29 |
| Others | **617,126,661.07** | 696,093,587.19 |
| | **2,349,062,917.19** | 2,281,371,198.08 |
| | **58,311,713,430.31** | 48,165,394,849.63 |

## 8. TAXES AND SURCHARGES

| | 2013 | 2012 |
|---|---|---|
| Business tax | **18,393,851.84** | 15,322,642.75 |
| City construction tax | **141,058,959.97** | 91,678,731.54 |
| Educational surtax | **93,523,530.56** | 69,143,955.63 |
| Others | **19,467,681.30** | 11,083,408.30 |
| | **272,444,023.67** | 187,228,738.22 |

## 9. INCOME TAX EXPENSES

| | 2013 | 2012 |
|---|---|---|
| Current tax expenses | **888,779,649.39** | 586,987,990.84 |
| Deferred tax expenses | **(97,669,964.30)** | 138,559,249.21 |
| | **791,109,685.09** | 725,547,240.05 |

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

| | | 2013 | 2012 |
|---|---|---|---|
| Total profit | | **4,608,745,760.59** | 3,959,813,788.73 |
| Tax at statutory tax rate | *Note* | **1,152,247,888.28** | 986,842,933.36 |
| Effect of different tax rates applicable to parent and some subsidiaries | | **(486,222,467.49)** | (406,073,323.83) |
| Adjustments to current tax of previous periods | | **(2,814,337.95)** | 4,060,119.13 |
| Profits and losses attributable to associates | | **(1,437,004.33)** | (4,498,070.71) |
| Income not subject to tax | | **(5,048,739.42)** | (1,152,641.24) |
| Expenses not deductible for tax | | **39,043,908.61** | 61,378,633.25 |
| Tax incentives on eligible expenditures | | **(69,703,042.50)** | (67,393,995.49) |
| Utilization of prior year deductible losses | | **(7,534,254.12)** | (5,546,072.65) |
| Unrecognized deductible losses | | **154,301,921.06** | 140,513,086.71 |
| Effect of unrecognized deductible temporary difference | | **18,275,812.95** | 17,416,571.52 |
| Tax expense at the Group's effective tax rate | | **791,109,685.09** | 725,547,240.05 |

*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:

| | 2013 | 2012 |
|---|---|---|
| Earnings | | |
| Net profit of the current year attributable to ordinary shareholders of the Company | **3,570,791,384.62** | 2,990,996,934.91 |
| Shares | | |
| Weighted average number of the ordinary shares outstanding of the Company | **1,999,309,639.00** | 1,999,309,639.00 |
| EPS (RMB/share) | **1.79** | 1.50 |

The Company holds no potential shares that are dilutive.

## 11. OTHER COMPREHENSIVE INCOME

| | 2013 | 2012 |
|---|---|---|
| Changes arising from re-measuring net assets or net liabilities of defined benefit plan taken to other comprehensive income | **15,181,649.92** | – |
| Less: Income tax effect | **–** | – |
| | **15,181,649.92** | – |
| Share of investee's other comprehensive income not to be reclassified into profit or loss in subsequent periods using the equity method taken to other comprehensive income | **(43,371,856.00)** | – |
| Less: Tax effect arising from the current profit/loss transferred out for those originally taken to other comprehensive income | **–** | – |
| | **(43,371,856.00)** | – |
| Share of investee's other comprehensive income to be reclassified into profit or loss in subsequent periods using the equity method taken to other comprehensive income | **6,377,070.55** | 40,559,590.11 |
| Less: Tax effect arising from the current profit/loss transferred out for those originally taken to other comprehensive income | **–** | – |
| | **(6,377,070.55)** | (40,559,590.11) |
| Gain or loss arising from change of fair value of available-for-sale financial assets taken to other comprehensive income | **(65,200,000.00)** | 35,730,230.63 |
| Less: Tax effect arising from the current profit/loss transferred out for those originally taken to other comprehensive income | **(9,780,000.00)** | 5,252,557.66 |
| | **(55,420,000.00)** | 30,477,672.97 |
| Exchange differences on foreign currency translation taken to other comprehensive income | **68,726,300.23** | (247,448.64) |
| Less: current profit/loss transferred out for those originally taken to other comprehensive income | **–** | – |
| | **68,726,300.23** | (247,448.64) |
| Others | **–** | – |
| | **(21,260,976.40)** | (10,329,365.78) |

## 12. DIVIDENDS

| | **2013** | 2012 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Proposed final dividends – RMB0.15 (2012: RMB0.23) per ordinary share | **299,896** | 459,841 |

On 28 March 2014, the 2013 profit distribution plan of the Company was considered and approved at the 5th meeting of the 3rd session of the Board: the Company proposed to distribute a cash dividend of RMB1.50 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 2013 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 2013.

### I. REVIEW OF OPERATIONS

In 2013, amidst the complex and changing general economic conditions, the national economy continued to demonstrate a trend of overall stability with progress and positive outlook. Throughout the year of 2013, the Chinese economy was generally stable, with a gross domestic product of RMB56.88 trillion, representing a year-on-year growth of 7.7%. On a quarter-to-quarter basis, it grew by 7.7% in the first quarter, 7.5% in the second quarter, 7.8% in the third quarter and 7.7% in the fourth quarter.

During the reporting period, benefiting from factors including the stability of the general economy, the ongoing rebound of fixed asset investments, and the swift development of the logistics industry, the heavy-duty truck industry achieved recovery and attained an aggregate sales volume on a full-year basis of 774,100 units, representing a year-on-year growth of 21.7%. Due to the substantial growth of sales in the heavy-duty truck market in the PRC, the Company's aggregate sales of heavy-duty truck engines amounted to 280,000 units, representing a year-on-year growth of 34.9% during the reporting period, bringing the Company's share in the auxiliary market for heavy-duty trucks to 36.2%, representing a year-on-year growth of 3.6 percentage points, and maintaining the Company's distinctly leading position in the industry. Shaanxi Heavy-duty Motor Company Limited (陝西重型汽車有限公司), a controlling subsidiary of the Company, reported an aggregate sales of 85,800 units of heavy-duty trucks for the year, representing a year-on-year increase of 6.6%, ranking the fifth in the domestic heavy-duty truck industry in the PRC. Shaanxi Fast Gear Co., Ltd. (陝西法士特齒輪有限責任公司), a controlling subsidiary of the Company, has further consolidated its leading position in the industry with its aggregate sales of 565,700 units of gear boxes, representing a year-on-year increase of 25.2%.

2013 represented a year of rising track for the industry of construction machinery, notwithstanding the fact that the industry is yet to fully rebound from its trough. During the reporting period, the fixed asset investment in the PRC reached RMB43.65 trillion in aggregate, representing a year-on-year growth of 19.6%. The total planned investments for newly-commenced construction projects reached RMB35.78 trillion, representing a year-on-year growth of 14.2%. Investments in property development reached RMB8.6 trillion, representing a year-on-year growth of 19.8%, an increase of 3.6 percentage points year-on-year. The construction machinery industry in the PRC reported sales of 705,000 units, representing a year-on-year growth of 3.9%. Among others, the sales volume of wheel loaders with a load capacity of 5 tonnes was 111,000 units, representing a year-on-year growth of 7.4%. Riding on its product advantages, the Company sold a total of 72,500 units of engines for wheel loaders with a load capacity of 5 tonnes (and above), representing a year-on-year growth of 15.9%, resulting in the Company's 65.33% market share in the market of wheel loaders with a load capacity of 5 tonnes (and above), and maintaining the Company's leading position in this area.

During the reporting period, the passenger vehicle market achieved growth while maintaining stability. Affected by the factors including the modest recovery of the general economy, the expedited urbanization and the overall price drop in the light passenger vehicle market, China's passenger vehicle market reported a sales figure of 558,900 units (including models of incomplete set passenger vehicles), representing a growth of 10.2%. Albeit the overall positive market trend, substantial drop was observed in the sales volume of large-sized passenger vehicles of 12 meters due to the restricted grant of approvals for long-distance passenger lines and a share of the transportation market having been taken up by China's national express rail and accordingly exerting an impact on the Company's auxiliary sales volume of 10-liter diesel engines. Under such influence, the Company's aggregate sales of engines for use in passenger vehicles amounted to 21,000 units, representing a year-on-year decrease of 6.3%, and accounting for 12.3% of the market share of the medium-sized and large-sized passenger vehicles, representing a year-on-year decrease of 0.9%.

During the reporting period, the Company adjusted its product mix based on the latest market development, and led the trend of the market with its technological renovations, thereby maintained a trend of sound and swift development. In 2013, the Company reported a sales figure of 378,700 units of 10L, 12L and 13L engines, representing a year-on-year growth of 26.3%, further consolidating its leading position of heavy-duty engine products in the heavy-duty truck market and the market of wheel loaders with a load capacity of 5 tonnes (and above). The Company's self-researched and self-developed "Landking" WP5 and WP7 engines, to which it owns intellectual property rights, reported sales volume of more than 10,000 units, representing a year-on-year growth of 39.8%. Re-built engines reported an annual sales figure of 11,200 units, representing a year-on-year growth of 28.1%, maintaining the leading position in the industry. For M26 engines, the domestic production scheme came to completion and brought the annual sales to 152 units. This demonstrated the more prominent competitive advantages of the Group's integrated engine products and its wider prospects of development.

During the reporting period, the Company remained committed to its scientific approach for development which is uniquely distinct for Weichai. It steadfastly underwent its development under the notion of "Grow organically and drive by innovation". Renovation and innovation were adopted as the key to the Company's cohesive power and problem-solving, thereby boosting the Company's steady and healthy development.

Firstly, the Company has been persistently uplifting its capability in research and innovation. The Company was awarded a National Grade II Award for Technological Advancement in respect of its "Landking" WP10/WP12 projects. The Company also succeeded in its self-research and self-development of WN20, as well as "S-gearbox", which are new-energy-mixed power chain products for use in buses. The project of "Modulation of Mixed Power Chain for General Commercial Vehicles and Construction Machinery" (《通用的商用車與工程機械模塊化混合動力總成》) under China's National Technology Support Program (國家科技支撐計劃) has completed, and has entered the inspection stage. In addition, inspection has been completed and approved in respect of the National Technology & Engineering Research Centre for Power Chain System in Commercial Vehicles (國家商用汽車動力系統總成工程技術研究中心), by the Ministry of Science and Technology (科技部). All these have contributed to the further strengthening of the Company's capability in technological research and development.

Secondly, the management standard has been uplifted. The implementation of the "Organization Innovative Projects" has motivated staff members in their work. The trial-run for the mechanism of "Production Volume by Teams and Wages by Day" was successfully implemented, thereby enhancing the management level and production efficiency of factories. "Implementation of Betterment Initiatives" campaign was duly launched, instilling the notion of betterment to staff members and enabling more efficient operations of the enterprise.

Thirdly, the geographical distribution of production was further optimized. The production and casting of high-speed machines was gradually conducted at High Technology Industrial Park (高新產業園), Hanting (寒亭) and Anqiu Industrial Park (安丘產業園) on a close-loop basis, thereby centralizing the geographical distribution of production and substantially uplifting the Company's operational efficiency.

Fourthly, the Company's international development was expedited. Its support to KION's successful listing on the Frankfurt Stock Exchange; its strategic cooperation with Ferrari's Formula One team; and participation in the Bauma Conexpo in India and product fair in Indonesia have substantially enhanced the recognition, reputation and influential power for and of Weichai Power as an international brand.

During the reporting period, the Company's revenue increased by approximately 21.07% over the same period of 2012 to approximately RMB58,312 million. The net profit attributable to shareholders of the listed company was approximately RMB3,571 million, representing an increase of approximately 19.38% over the same period of 2012. The basic earnings per share was approximately RMB1.79, representing an increase of approximately 19.33% over the same period of 2012.

## II. DIVIDENDS

Putting shareholders' interests and return as its top priority, the Company has maintained a relatively stable dividend policy. On 28 March 2014, the Company's 2013 profit distribution proposal was approved by the Company's 5th meeting of the third session of the Board: the Company proposed to distribute a cash dividend of RMB1.50 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 2013 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

In June 2013, the Company supported the successful listing of KION Group AG ("KION") on the Frankfurt Stock Exchange in Germany and by exercising a call option to subscribe for new shares in KION (the "KION Call Option"), the Company acquired additional shares in KION so that its shareholding increased to 30% of KION's total issued share capital upon KION's listing. Through the third extraordinary general meeting in 2013 and the seventh board meeting in 2013, the resolutions in respect of the exercise of Superlift 3.3% call option was approved. Up to January 2014, the Company is the holder of 33.3% of KION's total issued share capital.

## IV. OUTLOOK AND PROSPECTS

Into 2014, we are anticipating both opportunities and challenges. On a global perspective, the world economy will continue with its trend of slow recovery. It is expected that the annual GDP growth will be around 3.7% and developed countries will once again become the major drivers of the global economic growth. Instability and uncertainty will nevertheless continue to exist, and the source of such new growth remains ambiguous.

In China, the Third Plenary Session of the 18th Central Committee of the Communist Party kicked start the comprehensive intensified reform of the country. With the slight improvement of external environment, full-scale commencement of internal reforms, and the determination of macroeconomic policies, it is expected that China will continue with its medium to high speed of economic growth with progress while maintaining stability which will deliver improvements in both quality and effectiveness in year 2014, and that GDP growth will be around 7.5% on a full-year basis. The Central Urbanization Conference has pinpointed the direction for construction of new towns and will continue to drive infrastructure construction and property development in China, release consumption potentials, and bestow favorable strategic opportunities upon the Company. Having said that, the Company will encounter a lot of challenges in the course of its development, as China's economy is undergoing a critical moment of upgrading and transformation and the economic conditions are therefore subject to uncertainties to a certain extent.

The Company is cautiously optimistic about the development trend of its related industries. In 2014, the heavy-duty truck industry is poised to continue with its rebounding track, which is primarily attributable to favorable factors including the following: firstly, the expedited urbanization, whereby investments in the construction of municipal infrastructure, rail transportation, express rail etc. will increase, which will in turn continue to drive the demand for heavy-duty trucks; secondly, implementation of policies on the control over yellow-label (i.e. highly polluting) vehicles and mandatory retirement of vehicles etc. will further stimulate the sales volume of heavy-duty trucks; thirdly, the heavy-duty truck industry will enter a new round of retirement and replacement phase, which, together with the swift development of the logistics industry, will further drive the growth of demand for heavy-duty trucks.

With regard to the construction machinery industry, the steady implementation of resolutions of the Third Plenary Session of the 18th Central Committee of the Communist Party and the Central Economic Conference, the ongoing positive development of various areas including express rail, highways, railways, municipal rail transports as well as construction of municipal facilities will provide favorable opportunities for fostering the recovery of the market of construction machinery. According to the latest data released by the Ministry of Railways of the PRC, the amount of planned investment budget in fixed assets in the railway sector is RMB630 billion in 2014, which will generate momentum to drive the development of the construction machinery industry. In addition, factors including the expedited transformation and upgrading of the construction machinery industry and the increased demand in the sub-market of agricultural machinery will also provide strong support for driving the growth of the industry. Generally speaking, the construction machinery industry will continue to maintain its trend of modest recovery in 2014.

To date, while the schedule for the nationwide implementation of China IV Emission Standards is yet to be clarified, these new standards are already duly in force in many regions. Leveraging on our advanced technology, large-scale and high quality production, synergy presented by the availability of global resources and our strong loyal customer base, we have advantage in the preparation for meeting China IV Emission Standards and will maintain our leading position in the market of high-power engines, heavy-duty gear boxes and complete heavy-duty vehicles. The Board has full confidence in the development prospect of the Company.

In 2014, the Company will work strenuously on the following: firstly, we will focus on our products and build our core competence in terms of cost, technology and quality, making ourselves an outstanding market player. On such foundation, we will expedite the implementation of a diversified market strategic deployment and launch of strategic products, enhance our quality of service in the market, and consolidate our leading position in the industry. Secondly, we will step up our investments in research and development, thereby further expediting the establishment of platforms for new products and research and development of key and core technologies and enhancing the company's capability in self-innovation. Thirdly, we will steadfastly push forward our cost reduction efforts. We will focus on the full-scale detailed management in different stages including procurement, design, processes and manufacturing, in order to identify room for reduction of costs and enhancement of profitability. Fourthly, we will foster management reforms and innovation, thereby further streamlining the management relationship, optimizing systems and processes, boosting control over specific positions, establishing an all-staff performance management system which is strategy-driven, position-based and performance-linked, with a view to enhancing the operations efficiency of the enterprise. Fifthly, we will expedite the implementation of the business model in the after-sales market. By means of our reinforced marketing efforts, enhanced catalogue for after-sales electronic components (SBOM), establishment of an inventory management system and coordinated platform for the sale of electronic components, and the establishment of a component distribution centre, we will create new profit points for the Company. Regarding the segment of heavy-duty trucks, we will gear up in developing our new generation products with differentiated competitive strengths as represented by the M series and heavy-duty trucks driven by natural gas, while forming new marketing approaches, in order to get prepared for subsequent growth. Companies producing gear boxes will focus on producing products which are light-weighted, automated and multi-gear, further fostering the series-based research and development of the "S-gearbox", in order to form a platform for new-generation gearboxes for machinery. For the components segment, we will continue to intensify our research and innovation, enhance core competence of our products and take full advantage of the synergy between the component business segment and the engine business segment.

At the same time, we will continue to further establish the mentality of international development. Under the principle of "unified strategy, independent operation, resources sharing", we will gradually streamline the mechanism for the control over overseas companies, change from cross-border acquisition to cross-border operation, coordinate the needs for expanding the domestic and international markets and international business development, accelerate the coordinated development of our business in complete vehicles, power chains, hydraulics controlling parts and other automobile components, in order to fully utilize the synergetic advantage of the brands, technology, resources and management of the domestic and overseas companies, continue to enhance the quality of the Company's development, and boost the overall capability to manage risks.

## 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 2013 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, under the stabilizing macroeconomic conditions and its modest recovery and also the steadily uprising track of the general economy, the gross domestic product of the PRC was RMB56.88 trillion, representing a year-on-year growth of 7.7%. Favorable factors including the continual rebound of fixed asset investment, the expected implementation of China IV Emission Standards leading to a new generation and replacement process, swift development of the logistics industry and the completion of the destocking process in the industry in the past two years, contribute to the recovery of the heavy-duty truck industry. The aggregate sales figure of the heavy-duty truck market in the year in the PRC was 774,100 units, representing a year-on-year increase of 21.7%.

2. *Construction Machinery*

   During the year, the construction machinery industry demonstrated slight improvements but was yet to come up from its trough. The aggregate sales figure of the PRC's construction machinery market was approximately 705,000 units, representing a year-on-year increase of 3.9%. In particular, 111,000 units of wheel loaders with load capacity of 5 tonnes were sold, representing a year-on-year increase of 7.4%. During 2013, with an aggregate investment amount of RMB43.65 trillion, the fixed asset investment in the PRC recorded a year-on-year increase of 19.6%, which pace was still approximately 1 percentage point lower than in 2012. In particular, the total planned investments on newly-commenced projects amounted to RMB35.78 trillion, representing a year-on-year increase of 14.2%. Investment in real estate developments was RMB8.6 trillion, representing a year-on-year increase of 19.8%, which pace was slightly faster than in 2012.

## II. The Group's Business

An analysis of the Group's business segments is set out in note 2 of the Notes to Consolidated Financial Statements. 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. Benefiting from the substantial growth of sales of the heavy-duty truck market in the PRC, out of diesel engines sold during the year, approximately 280,000 units were heavy-duty truck diesel engines (2012: approximately 207,500 units), representing an increase of approximately 34.9% as compared to the corresponding period of 2012. The Group accounted for approximately 36.2% (2012: approximately 32.6%) of the market of heavy-duty trucks with a gross weight of above 14 tonnes, maintaining the leading position in the industry.

**For use in Construction Machinery**

The Group is also the largest supplier of diesel engines among 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 72,500 units were engines for wheel loaders with a load capacity of 5 tonnes (and above) (2012: approximately 62,600 units), representing an increase of approximately 15.9% compared to that in the corresponding period of 2012. According to the data released by the China Construction Machinery Network (中國工程機械信息網), the Company's market share in the market of wheel loaders with a load capacity of 5 tonnes (and above) reached up to 65.3%, maintaining the Company's leading position in this sector.

*2. Sale of Heavy-duty Trucks*

During the year, the Group sold approximately 85,800 units of heavy-duty trucks, representing an increase of approximately 6.6% from approximately 80,500 units recorded for the corresponding period of 2012. Shaanxi Heavy-duty Motor Company Limited (陝西重型汽車有限公司), a controlling subsidiary of the Company, reported a sales figure which ranked the fifth in the domestic heavy-duty truck industry. Prior to intra-group elimination, the truck business contributed approximately RMB24,562 million to the Group's revenue this year.

*3. Sale of Heavy-duty Gear Boxes*

During the year, the Group sold approximately 565,700 units of heavy-duty gear boxes, representing an increase of approximately 25.2% compared to approximately 452,000 units of heavy-duty gear boxes sold in the corresponding period of 2012, further consolidating its leading position in the industry. Prior to intra-group elimination, the gear boxes business contributed approximately RMB8,282 million to the Group's revenue this year.

4. *Sale of Parts and Components of Engine and Heavy-duty Trucks and Hydraulics Controlling Parts*

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, hydraulics controlling parts etc. Through the acquisition of shares of KION and 70% shares of Linde Hydraulics GmbH & Co. KG, the Company entered the globally leading high-end hydraulics sector. During this year, the Group's sales of parts and components of engines and trucks and hydraulics controlling parts were approximately RMB3,970 million, representing a year-on-year increase of approximately 86.5% or an increase of approximately RMB1,841 million, compared to the sales revenue of RMB2,129 million in the corresponding period in last year.

Last year, the Company budgeted sales revenue in 2013 would be approximately RMB55.3 billion, representing a growth of approximately 15%. The actual sales revenue was approximately RMB58.3 billion, representing a year-on-year increase of approximately 21.07%. Actual sales revenue exceeded the budgeted sales revenue by approximately RMB3 billion or 5.4%, which was mainly attributable to the substantial sales growth in the PRC's heavy-duty truck market, the rebound in infrastructural construction and investment in real estate development in the PRC, which drove up the demand for heavy-duty trucks for construction purposes. And with the swift development of the logistics industry, as driven by the growth in demand for transportation and the demand for replacements of old heavy-duty trucks with new ones, therefore, the demand for new truck purchases had been released.

As of 31 December 2013, the orders in the hands of the Company was approximately RMB2.9 billion, including approximately 8,000 units of diesel engines, approximately 6,000 heavy-duty trucks and approximately 52,000 units of heavy-duty gear boxes.

The Company budgets a sales revenue of approximately RMB64.1 billion and an increase of approximately 10% for the year of 2014. In 2014, the heavy-duty truck industry is poised to continue with its rebounding track, which is primarily attributable to favorable factors including the following: firstly, the expedited urbanization, whereby investments in the construction of municipal infrastructure, rail transportation, express rail etc. will increase, which will in turn continue to drive the demand for heavy-duty trucks; secondly, implementation of policies on the control over yellow-label (i.e. highly polluting) vehicles, implementation of China IV Emission Standards and mandatory retirement of vehicles etc. will further stimulate the sales volume of heavy-duty trucks; thirdly, the heavy-duty truck industry will enter a new round of retirement and replacement of vehicles; fourthly, the swift development of the logistics industry will lead to increased demand for transportation, which will in turn further drive the growth in demand for heavy-duty trucks.

For the market of construction machinery, the ongoing positive development of various areas including express rail, highways, railways, municipal rail transports as well as construction of municipal facilities will provide favorable opportunities for fostering the recovery of the market of construction machinery. According to the latest data released by the Ministry of Railways of the PRC, the amount of planned investment in fixed assets in the railway sector is RMB630 billion in 2014, which will generate momentum to drive the development of the construction machinery industry. In addition, factors including the expedited transformation and upgrading of the construction machinery industry and the increased demand in the sub-market of agricultural machinery will also provide strong support for driving the growth of the industry.

## III. Financial Review

### 1. *The Group's Results of Operations*

#### a. *Revenue*

The Group's revenue increased from approximately RMB48,165 million in the corresponding period of 2012 to approximately RMB58,312 million in the year, representing an increase of approximately 21.07%. It was mainly attributable to the recovery of China's general economy, rebound of fixed asset investments and the swift development of the logistics industry. In particular, the revenue from principal operations increased by approximately 21.97%, from approximately RMB45,884 million in the corresponding period of 2012 to approximately RMB55,963 million in the year, which was mainly attributable to the substantial increase in the sales of the heavy-duty truck market and the sales contribution of the hydraulics controlling parts segment of the Group. During this year, the Group sold a total of approximately 280,000 units of diesel engines for use in heavy-duty trucks, representing a substantial increase of approximately 34.9%, when compared to approximately 207,500 units sold in the corresponding period of 2012. During this year, the Group sold a total of approximately 72,500 units of engines for use in wheel loaders with a load capacity of 5 tonnes (and above), representing an increase of approximately 15.9%, when compared to approximately 62,600 units sold in the corresponding period of 2012. During this year, Shaanxi Heavy-duty Motor Company Limited (陝西重型汽車有限公司) recorded an aggregate sales of approximately 85,800 units of heavy-duty trucks, representing an increase of approximately 6.6%, when compared to the corresponding period last year.

Other revenue increased slightly by approximately 2.98%, from approximately RMB2,281 million in the corresponding period of 2012 to approximately RMB2,349 million for this year.

#### b. *Profit from Principal Operations*

During this year, the Group generated profit from principal operations in the amount of approximately RMB11,807 million, representing an increase of approximately 28.07% as compared to approximately RMB9,219 million recorded in the corresponding period of 2012. The Group's efforts in optimizing product portfolio and the ongoing adjustment of product structure have highlighted the competitiveness of its product portfolio, contributing to the increase of profit margin of principal operations to approximately 21.10%, which was an increase of more than 1 percentage point from 20.09% recorded in the corresponding period of 2012.

*c. Distribution and Selling Expenses*

Distribution and selling expenses increased by approximately 29.56% to approximately RMB3,153 million this year from approximately RMB2,433 million in the corresponding period of 2012. The distribution and selling expenses as a precentage of revenue increased from approximately 5.05% in the corresponding period of 2012 to approximately 5.41% in this year. It was mainly attributable to the Group's enhanced efforts in market expansion and the increased sales volume, which have contributed to the higher market expansion expenses and after-sales service charges.

*d. General and Administrative Expenses*

General and administrative expenses of the Group increased by approximately 19.29% or approximately RMB624 million from approximately RMB3,233 million in the corresponding period of 2012 to approximately RMB3,856 million this year. The increase was mainly due to the increase in the costs on administrative staff in the course of the Group's international development.

*e. Operating Profit before Finance Expenses*

During this year, the Group's operating profit before finance expenses increased substantially by approximately 25.99% to approximately RMB4,673 million this year from approximately RMB3,709 million in the corresponding period of 2012. During this year, the Group's operating profit margin was approximately 8.01%, which represented a slight increase of approximately 7.70% in the corresponding period of 2012.

*f. Finance Expenses*

Finance expenses changed from net finance income of approximately RMB10 million in the corresponding period of 2012 to net finance expenses of approximately RMB217 million this year. This change was mainly attributable to the substantial increase in interest expenses by an increase in Euro-denominated long-term borrowings used for the investments in KION Group AG and Linder Hydraulics GmbH & Co. KG as well as an issue of RMB800 million medium-term notes by Shaanxi Heavy-duty Motor Company Limited; and the exchange loss incurred.

*g. Income Tax Expenses*

The Group's income tax expenses increased by approximately 9.04% from approximately RMB726 million in the corresponding period of 2012 to approximately RMB791 million in the year. During this year, the Group's average effective tax rate was approximately 17.17%, compared to approximately 18.32% in the corresponding period of 2012. The improvement in effective tax rate was mainly due to a decrease in deferred tax this year.

*h. Net Profit and Net Profit Margin*

The Group's net profit for this year increased by approximately 18.04% from approximately RMB3,234 million in the corresponding period of 2012 to approximately RMB3,818 million this year. During this year, the net profit margin was approximately 6.55%, representing a slight decrease from approximately 6.71% recorded in the corresponding period of 2012.

*i. Liquidity and Cash Flow*

During this year, the Group generated cash flow from operating activities of approximately RMB5,768 million and cash flow from financing activities of approximately RMB695 million. A portion of such cash proceeds were applied in paying investment monies and for the acquisition of property, plant and equipment for the expansion of the Group's business. As at 31 December 2013, the Group had net cash (cash and cash equivalents net of interest-bearing debts) of approximately RMB2,359 million (as at 31 December 2012: the Group had a net cash (cash and cash equivalents net of interest-bearing debts) of approximately RMB1,981 million). Based on the calculation above, the debt to equity ratio was not applicable to the Group as the Group was in a net cash position (as at 31 December 2012: 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 2013, the Group had total assets of approximately RMB78,522 million, of which approximately RMB48,050 million were current assets. As at 31 December 2013, the Group had cash and cash equivalents of approximately RMB19,580 million (as at 31 December 2012: RMB16,727 million). On the same date, the Group's total liabilities was approximately RMB44,194 million, of which approximately RMB29,298 million were current liabilities. The current ratio was approximately 1.64x (as at 31 December 2012: 1.64x).

*c. Capital Structure*

As at 31 December 2013, the Group had total equity of approximately RMB34,327 million, of which approximately RMB27,723 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 2013 amounted to approximately RMB14,238 million, which included bonds of approximately RMB3,494 million and bank borrowings of approximately RMB10,744 million. The bank borrowings included approximately RMB10,576 million of fixed interest rate bank borrowings and approximately RMB168 million of floating interest rate bank borrowings. Other than approximately RMB8,983 million worth and approximately RMB17 million worth borrowings which are denominated in Euro and US dollars respectively, the remaining borrowings are in Renminbi. As the revenue of the Group is mainly in Renminbi, and the Euro-denominated borrowings are mainly used for the acquisition of the respective equity interests in KION and Linde Hydraulics GmbH & Co. KG, the Group does not consider its currency risk significant. However, the management will monitor its currency risk and will consider to hedge significant currency risk where necessary. 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 compared to prior years.

*d. Pledge of Assets*

As at 31 December 2013, bank deposits and notes receivable of approximately RMB5,146 million (as at 31 December 2012: approximately RMB2,922 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 is approximately the same as the carrying amount. Certain other assets were also pledged by the Group to secure the Group's borrowings.

*e. Contingencies*

On 31 December 2013, the Group provided to certain distributors and agents bank guarantee amounting to approximately RMB732 million (as at 31 December 2012: approximately RMB785 million) to secure their obtaining and use of banking facilities.

On 31 December 2013, 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 RMB1,193 million (as at 31 December 2012: approximately RMB586 million).

*f. Commitments*

As at 31 December 2013, the Group had capital commitments of approximately RMB933 million (as at 31 December 2012: approximately RMB1,668 million), among which contracted capital commitments amounted to approximately RMB933 million, principally for the capital expenditure in respect of acquisition of property, plant and equipment.

As at 31 December 2013, the Group had no investment commitments contracted but not provided for (as at 31 December 2012: nil).

*3. Other Financial Information*

*a. Employees*

As at 31 December 2013, the Company had approximately 41,000 employees. During this year, the Group had paid remuneration of approximately RMB4,491 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.

During the year, the Group organized over 2,000 training courses for various departments and employees at various levels, incurring training expenses of approximately RMB27 million in total.

*b. Major Investment*

During the reporting period, Weichai Power (Luxembourg) Holding S.à r.l., a wholly-owned subsidiary of the Company, exercised in full a call option to subscribe for 13,682,500 new shares in KION Group AG, at a consideration of Euro328,380,000 based on a price of Euro24 per share. By exercising the call option, the Company's shareholding in KION Group AG increased to 30% of the total share capital of KION Group AG upon the listing of the shares of KION Group AG.

*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 31 December 2013, the interests and short position (if any) of the directors, the chief executives 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% |
| Yeung Sai Hong *(Note 3)* | Held by controlled corporation | 63,168,000 *(Note 2)* | – | 3.16% |
| Julius G. Kiss *(Note 4)* | Held by controlled corporation | 41,260,000 *(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.

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.

### Interests in the shares of associated corporations of the Company

| Name of director | Name of associated corporation | Nature of interest | Class and number of securities interested or deemed to be interested | Approximate percentage interest in the entire issued share capital of associated corporations |
|---|---|---|---|---|
| Gordon Riske *(Note)* | KION Group AG | Beneficial owner | 365,250 ordinary shares | 0.37% |
| | | Interest held by spouse | 3,000 ordinary shares | 0.003% |

*Note:* Gordon Riske, a non-executive Director, was the beneficial owner of 365,250 shares in KION Group AG and he was also deemed to be interested in 3,000 shares in KION Group AG which were beneficially held by his wife, Ms. Benita Riske.

Save as disclosed above, as at 31 December 2013, none of the Directors, the chief executives 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 2013)*

| | 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 | Restriction lifted | Sub-total | No. of shares | Percentage (%) |
| I. Restricted circulating shares | 684,221,513 | 34.22% | – | – | – | (141,721,049) | (141,721,049) | 542,500,464 | 27.13% |
| 1. State-owned shares | – | – | – | – | – | – | – | – | – |
| 2. State-owned legal person shares | 447,869,513 | 22.40% | – | – | – | (19,993,049) | (19,993,049) | 427,876,464 | 21.40% |
| 3. Shares held by other domestic entities | 142,224,000 | 7.11% | – | – | – | (27,600,000) | (27,600,000) | 114,624,000 | 5.73% |
| including: Shares held by domestic non-state-owned legal persons | 85,392,000 | 4.27% | – | – | – | (27,600,000) | (27,600,000) | 57,792,000 | 2.89% |
| Shares held by domestic natural persons | 56,832,000 | 2.84% | – | – | – | – | – | 56,832,000 | 2.84% |
| 4. Shares held by foreign entities | 94,128,000 | 4.71% | – | – | – | (94,128,000) | (94,128,000) | – | – |
| including: Shares held by overseas legal persons | 94,128,000 | 4.71% | – | – | – | (94,128,000) | (94,128,000) | – | – |
| Shares held by overseas natural persons | – | – | – | – | – | – | – | – | – |
| II. Non-restricted circulating shares | 1,315,088,126 | 65.78% | – | – | – | 141,721,049 | 141,721,049 | 1,456,809,175 | 72.87% |
| 1. RMB ordinary shares | 829,328,126 | 41.48% | – | – | – | 141,721,049 | 141,721,049 | 971,049,175 | 48.57% |
| 2. Domestic listed foreign shares | – | – | – | – | – | – | – | – | – |
| 3. Overseas listed foreign shares | 485,760,000 | 24.30% | – | – | – | – | – | 485,760,000 | 24.30% |
| 4. Others | – | – | – | – | – | – | – | – | – |
| III. Total number of shares | 1,999,309,639 | 100% | – | – | – | – | – | 1,999,309,639 | 100% |

*Note:* On 13 September 2013, 121,728,000 restricted circulating shares became circulating in the market, representing approximately 6.09% of the total share capital of the Company. On 19 November 2013, 19,993,049 restricted circulating shares became circulating in the market, representing approximately 1% of the total share capital of the Company.

## (II) Shareholdings of the Substantial Shareholders (as at 31 December 2013)

**Total number of Shareholders** The number of shareholders is 146,124 among which 145,840 are shareholders of "A" shares and 284 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 | 24.22% | 484,235,914 | – | 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 | – | – |
| IVM Technical Consultants Wien Gesellschaft m.b.H. | Overseas legal person | 2.06% | 41,260,000 | – | – |
| Shenzhen Capital Group Co., Ltd | Domestic non-state-owned legal person | 1.97% | 39,379,153 | – | – |
| Shandong Enterprise Trust Operation Company Limited | Domestic non-state-owned legal person | 1.46% | 29,240,000 | – | – |
| Boshi Value Growth Fund | Domestic non-state-owned legal person | 1.01% | 20,095,545 | – | – |
| Zhuzhou State-owned Assets Investment Holding Group Co., Ltd | State-owned legal person | 1.00% | 19,993,049 | – | – |

*Shareholdings of the top ten non-restricted shareholders*

| Name of shareholder | Number of the non-restricted shares held | Types of shares |
|---|---|---|
| HKSCC Nominees Limited | 484,235,914 | Overseas listed foreign shares |
| Peterson Holdings Company Limited | 63,168,000 | RMB ordinary shares |
| IVM Technical Consultants Wien Gesellschaft m.b.H. | 41,260,000 | RMB ordinary shares |
| Shenzhen Capital Group Co., Ltd | 39,379,153 | RMB ordinary shares |
| Shandong Enterprise Trust Operation Company Limited | 29,240,000 | RMB ordinary shares |
| Boshi Value Growth Fund | 20,095,545 | RMB ordinary shares |
| Zhuzhou State-owned Assets Investment Holding Group Co., Ltd | 19,993,049 | RMB ordinary shares |
| MORGAN STANLEY & CO. INTERNATIONAL PLC | 13,380,682 | RMB ordinary shares |
| China Minsheng Banking Corp — 銀華深證100指數分級證券投資基金 | 12,411,198 | RMB ordinary shares |
| DEUTSCHE BANK AKTIENGESELLSCHAFT | 9,004,473 | 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.

2. Among the shareholders, Zhuzhou State-owned Assets Investment Holding Group Co., Ltd held 3,049 shares through general account, 11,900,000 shares through client account of collateral securities for margin trading at Guotai Junan Securities Company Limited, and 8,090,000 shares through the agreed repurchase earmarked account at Guotai Junan Securities Company Limited, totaling 19,993,049 shares.

## 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 31 December 2013, the following persons (other than directors, chief executives and supervisors) had the following interests and 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 | – | – | 62,668,076 | 12.90% | 3.13% |
| JPMorgan Chase & Co. | Beneficial owner | Long | – | – | 3,144,043 | 0.65% | 0.16% |
| | Investment manager | Long | – | – | 42,480 | 0.01% | 0.00% |
| | Trustee (other than bare trustee) | Long | – | – | 960 | 0.00% | 0.00% |
| | Custodian – Corporation/ approved lending agent | Long | – | – | 50,298,138 | 10.35% | 2.52% |
| | | | | | 53,485,621 | 11.01% | 2.68% |
| | Beneficial owner | Short | – | – | 728,000 | 0.15% | 0.04% |

| 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 |
|---|---|---|---|---|---|---|---|
| Schroders Plc | Investment manager | Long | – | – | 33,988,030 | 6.99% | 1.70% |
| 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 Portfolio *(Note 2)* | Investment manager | Long | – | – | 23,707,500 | 5.86% | 1.42% |
| Barclays PLC | Person having a security interest in shares | Long | – | – | 525,552 | 0.11% | 0.03% |
| | Interest of corporation controlled by the substantial shareholder | Long | – | – | 25,453,050 | 5.24% | 1.27% |
| | | | | | 25,978,602 | 5.35% | 1.30% |
| | Interest of corporation controlled by the substantial shareholder | Short | – | – | 24,102,475 | 4.96% | 1.21% |

*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 has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 31 December 2013.

## DETAILS OF THE DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES

### I. Shareholdings of the directors, supervisors and chief executives

Eight of the directors, supervisors and chief executives of the Company, namely Tan Xuguang, Xu Xinyu, Sun Shaojun, Zhang Quan, Ding Yingdong, Dai Lixin, Feng Gang and Tong Dehui, are natural-person promoter shareholders and have, with confidence in the future development of the Company, voluntarily given their irrevocable undertaking that the non-restricted shares held by each of them in the Company shall be put under lock-up arrangements for a period from 21 May 2013 to 30 April 2016.

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

1. At the Board meeting convened on 21 March 2013, the Board:

   (i) considered and passed the resolution to appoint Mr. Kwong Kwan Tong as the Chief Financial Officer, Company Secretary and Authorised Representative and agreed that Mr. Hoe York Joo resign as the Chief Financial Officer, Company Secretary and Authorised Representative both with effect from 23 March 2013; and

   (ii) agreed that Mr. Liu Huisheng resign as a non-executive director of the Company with effect from 21 March 2013.

2. At the conclusion of the annual general meeting of the shareholders of the Company held on 24 June 2013, Mr. Gordon Riske was appointed as a non-executive director 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 regard 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 that 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 24 January 2014, the capital increase of RMB1 billion to Shaanxi Heavy-duty Motor Company Limited, a subsidiary of the Company, in proportion to the respective shareholdings held by the Company and Shaanxi Automotive Group Co., Ltd., a related party, was considered and approved by the Board. Based on their 51% and 49% shareholdings respectively, the Company will contribute RMB510 million and Shaanxi Automotive Group Co., Ltd. will contribute RMB490 million.

(2) On 18 December 2013, according to the authority granted at the third extraordinary general meeting in 2013 of the Company and the resolution at the seventh board meeting in 2013, the Company decided to exercise the Superlift 3.3% call option. Waichai Power (Luxembourg) Holding S.à.r.l. ("Weichai Lux") served a notice to Superlift on 18 December 2013 to exercise the Superlift 3.3% call option.

On 15 January 2014, the transfer of KION shares from Superlift to Weichai Lux was completed, whereby the interest in 3.3% of the issued shares of KION was transferred to Weichai Lux from Superlift. Following completion of this transaction, Weichai Lux became the holder of 33.3% of the total issued shares of KION.

(3) On 28 March 2014, the dividend distribution budget for 2013 was considered and approved by the 5th meeting of the third session of the Board of the Company: the Board proposed to distribute a cash dividend of RMB1.5 for every 10 shares (including tax) based on the total share capital of 1,999,309,639 shares, without transfer from capital reserve. Implementation of the aforesaid proposal is subject to the approval of 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 CORPORATE GOVERNANCE CODE IN APPENDIX 14 TO 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") and directors not being able to attend all annual general meeting and extraordinary general meetings due to other important work-related affairs, the Company has complied with all the code provisions of the Corporate Governance Code 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 LLP (安永華明會計師事務所(特殊普通合伙)) 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 LLP (安永華明會計師事務所(特殊普通合伙)) will retire and a resolution for their reappointment as auditors of the Company for the year of 2014 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 28 March 2014.

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

The 2013 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.weichaipower.com in due course.

**Tan Xuguang**
*Chairman and Chief Executive Officer*

Hong Kong, 28 March 2014

*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. Yeung Sai Hong, Mr. Chen Xuejian, Mr. Julius G. Kiss, Ms. Han Xiaoqun and Mr. Gordon Riske; 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.*