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 2014

FINANCIAL HIGHLIGHTS

- Revenue was approximately RMB79,637 million, representing an increase of approximately 36.6%.
- Net Profit Attributable to the Shareholders of the Parent was approximately RMB5,025 million, representing an increase of approximately 40.7%.
- Basic Earnings Per Share was approximately RMB2.51, representing an increase of approximately 40.2%.

(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 2014 (the “Year”), together with comparative figures for the corresponding period of 2013 as follows:

CONSOLIDATED INCOME STATEMENT
January to December 2014 (Expressed in Renminbi Yuan)

	Notes	**2014**	2013
Revenue	*7*	**79,637,161,537.13**	58,311,713,430.31
Less: Cost of sales	*7*	**62,547,775,525.88**	46,287,777,066.90
Taxes and surcharges	*8*	**266,085,495.56**	272,444,023.67
Distribution and selling expenses		**5,088,075,987.64**	3,152,780,574.25
General and administrative expenses		**6,405,263,078.43**	3,856,302,328.23
Finance expenses		**23,084,727.66**	216,666,103.77
Impairment loss of assets		**275,398,913.11**	231,173,894.41
Add: Gain or loss on change of fair value		**(156,271,038.41)**	150,137,868.78
Investment income		**1,714,840,638.18**	11,542,850.04
Incl: Share of profit of associates and jointly controlled enterprises		**103,753,902.61**	5,177,273.16
Operating profit		**6,590,047,408.62**	4,456,250,157.90
Add: Non-operating income		**509,921,941.27**	194,734,409.82
Incl: Gain on disposal of non-current assets		**40,801,757.28**	8,267,204.34
Less: Non-operating expenses		**134,273,707.02**	42,238,807.13
Incl: Loss on disposal of non-current assets		**57,486,612.73**	16,554,944.38
Total profit		**6,965,695,642.87**	4,608,745,760.59
Less: Income tax expenses	*9*	**1,181,199,964.08**	791,109,685.09
Net profit		**5,784,495,678.79**	3,817,636,075.50
Net profit attributable to the shareholders of the parent		**5,024,502,354.07**	3,570,791,384.62
Minority interests		**759,993,324.72**	246,844,690.88
Earnings per share			
Basic earnings per share	*10*	**2.51**	1.79
Diluted earnings per share		**N/A**	N/A

	Notes	2014	2013
Net other comprehensive income after tax			
Net other comprehensive income attributable to shareholders of the parent after tax	*11*	**(324,248,534.49)**	(55,086,061.51)
Those other comprehensive income not to be reclassified into profit or loss in subsequent periods			
Changes arising from re-measuring net assets or net liabilities of defined benefit plan		**(308,340,448.45)**	9,284,134.70
Share of investee's other comprehensive income not to be reclassified into profit or loss using the equity method		**(162,692,384.76)**	(7,196,756.00)
Those other comprehensive income to be reclassified into profit or loss			
Share of investee's other comprehensive income to be reclassified into profit or loss using the equity method		**64,610,512.58**	(44,611,280.55)
Change of fair value of available-for-sale financial assets		**39,440,000.00**	(55,420,000.00)
Effective portion of cashflow from hedging instrument		**(6,420,300.47)**	–
Exchange differences on foreign currency translation		**49,154,086.61**	42,857,840.34
Net other comprehensive income attributable to minority owners after tax		**(950,292,749.83)**	3,581,128.47
Total comprehensive income		**4,509,954,394.47**	3,766,131,142.46
Incl:			
Total comprehensive income attributable to the shareholders of the parent		**4,700,253,819.58**	3,515,705,323.11
Total comprehensive income attributable to minority owners		**(190,299,425.11)**	250,425,819.35

CONSOLIDATED BALANCE SHEET

31 December 2014 (Expressed in Renminbi Yuan)

ASSETS	*Notes*	**31 December 2014**	31 December 2013	1 January 2013
Current assets				
Cash and cash equivalents		**24,434,414,214.89**	19,580,127,632.91	16,726,970,096.00
Financial assets at fair value through profit or loss		**66,996,021.60**	51,077,466.30	137,050,693.51
Notes receivable	*3*	**13,780,880,376.52**	14,126,950,813.40	9,242,232,142.39
Accounts receivable	*4*	**9,660,031,602.65**	4,440,534,339.82	4,168,525,397.14
Prepayments		**487,985,072.32**	405,481,103.37	365,397,070.50
Interests receivable		**134,246,230.24**	15,439,001.39	7,418,831.76
Dividends receivable		**3,040,000.00**	3,040,000.00	70,540,000.00
Other receivables		**871,642,626.76**	382,476,843.43	444,105,891.14
Inventories		**12,614,740,002.08**	8,573,263,068.43	7,509,902,216.33
Classified as available-for-sale assets		**35,770,735.32**	–	–
Non-current assets due within one year		**1,509,870,834.00**	–	–
Other current assets		**772,177,588.25**	471,818,015.98	487,991,597.21
Total current assets		**64,371,795,304.63**	48,050,208,285.03	39,160,133,935.98
Non-current assets				
Available-for-sale financial assets		**431,617,288.51**	294,601,926.11	334,802,126.11
Long-term receivables		**2,574,098,089.20**	–	–
Long-term equity investments		**1,477,725,658.30**	7,789,229,080.64	4,885,941,806.51
Investment property		**522,163,315.32**	547,396,551.63	329,994,770.86
Fixed assets		**22,219,357,185.13**	13,149,176,100.96	11,526,489,430.20
Construction in progress		**3,421,243,155.61**	3,284,090,409.80	5,175,099,417.99
Materials used in construction		**2,692.31**	16,914.51	–
Disposal of fixed assets		**1,965,332.73**	1,267,095.38	3,493,436.95
Intangible assets		**12,715,477,787.47**	2,273,431,309.49	2,160,257,108.86
Development expenditure		**533,706,390.76**	497,418,862.34	431,692,444.28
Goodwill		**8,347,260,453.97**	1,430,849,833.51	1,443,114,787.31
Long-term prepaid expenses		**168,785,139.70**	158,779,148.42	169,123,071.48
Deferred tax assets		**3,453,989,113.43**	785,535,351.82	700,119,807.88
Other non-current assets		**172,564,779.00**	259,807,862.57	100,706.28
Total non-current assets		**56,039,956,381.44**	30,471,600,447.18	27,160,228,914.71
Total assets		**120,411,751,686.07**	78,521,808,732.21	66,320,362,850.69

LIABILITIES AND EQUITY	*Notes*	**31 December 2014**	31 December 2013	1 January 2013
Current liabilities				
Short-term loans		**2,765,864,402.35**	1,245,568,357.29	2,742,091,634.05
Financial liabilities at fair value through profit or loss		**76,807,591.20**	–	–
Notes payable	*5*	**10,867,683,844.51**	6,687,151,599.77	5,244,310,106.70
Accounts payable	*6*	**15,922,080,225.78**	13,472,675,550.89	9,962,420,973.54
Advances from customers		**1,479,206,814.82**	1,211,259,736.92	872,835,717.97
Payroll payable		**3,115,024,045.45**	1,175,313,751.59	1,026,722,757.02
Taxes payable		**1,249,956,877.43**	552,024,065.76	239,380,723.63
Interests payable		**196,311,317.66**	132,089,773.25	61,680,626.43
Dividends payable		**34,772,276.45**	43,101,211.76	33,103,222.12
Other payables		**4,235,819,685.51**	3,398,458,815.35	2,535,764,374.58
Non-current liabilities due within one year		**5,634,124,985.20**	352,375,772.74	352,604,906.92
Other current liabilities		**2,482,364,929.13**	1,028,305,788.79	852,860,219.00
Total current liabilities		**48,060,016,995.49**	29,298,324,424.11	23,923,775,261.96
Non-current liabilities				
Long-term borrowings		**7,271,880,584.20**	9,146,039,593.52	6,344,249,958.75
Bonds payable		**5,834,582,252.32**	3,493,858,837.76	2,691,489,273.21
Long-term payables		**5,185,606,146.40**	8,847,480.34	5,500,000.00
Long-term payroll payable		**7,073,983,911.20**	606,487,220.23	565,056,325.46
Special payables		**43,000,000.00**	53,000,000.00	43,000,000.00
Provision		**444,249,381.60**	–	–
Deferred income		**1,983,761,896.93**	641,140,695.49	351,960,604.12
Deferred tax liabilities		**3,628,608,697.29**	146,119,914.93	168,154,335.44
Other non-current liabilities		**31,649,140.04**	800,679,194.44	827,941,314.25
Total non-current liabilities		**31,497,322,009.98**	14,896,172,936.71	10,997,351,811.23
Total liabilities		**79,557,339,005.47**	44,194,497,360.82	34,921,127,073.19

LIABILITIES AND EQUITY	*Notes*	**31 December 2014**	31 December 2013	1 January 2013
Shareholders' equity				
Share capital		**1,999,309,639.00**	1,999,309,639.00	1,999,309,639.00
Capital reserve		**1,288,252,938.51**	758,458,887.62	772,078,911.50
Other comprehensive income		**(342,209,472.70)**	(17,960,938.21)	37,125,123.30
Special reserve		**51,026,772.11**	35,605,889.68	23,089,542.52
Surplus reserve		**3,051,742,591.19**	2,683,223,334.61	2,300,128,466.82
Retained earnings		**26,419,607,056.45**	22,264,536,818.92	19,737,619,540.81
Total equity attributable to the shareholders of the parent		**32,467,729,524.56**	27,723,173,631.62	24,869,351,223.95
Minority interests		**8,386,683,156.04**	6,604,137,739.77	6,529,884,553.55
Total shareholders' equity		**40,854,412,680.60**	34,327,311,371.39	31,399,235,777.50
Total liabilities and shareholders' equity		**120,411,751,686.07**	78,521,808,732.21	66,320,362,850.69

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 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.

There are no significant uncertainties which would otherwise affect the Company's ability for its going concerns in the next 12 months as from the date hereof.

In preparing these financial statements, all the assets (other than certain financial instruments) are carried at historical cost. Non-current assets classified as held-for-sale and assets under disposal group classified as held-to-sale are carried at the lower of fair value less foreseeable expenses or original carrying amount upon satisfying conditions for held-for-sale. If the assets are impaired, corresponding provisions for impairment shall be made according to relevant provisions.

2. 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 "Accounting Standard for Business Enterprises No. 41 – Disclosure of Interests in Other Entities", and issued amendments to "Accounting Standard for Business Enterprises No. 2 – Long-term Equity Investments", "Accounting Standard for Business Enterprises No. 9 – Employee Benefits", "Accounting Standard for Business Enterprises No. 30 – Presentation of Financial Statements" and"Accounting Standard for Business Enterprises No. 33 – Consolidated Financial Statements". The 7 accounting standards above became effective from 1 July 2014, but early adoption was encouraged for entities listed overseas. As a locally and overseas listed company, the Company adopted the 6 accounting standards above except "Accounting Standard for Business Enterprises No. 41 – Disclosure of Interests in Other Entities" in its preparation of the financial statements 2013, and transitional arrangements have been made where appropriate. In June 2014, the MOF amended "Accounting Standard for Business Enterprises No. 37 – Presentation of Financial Instruments", which amendment shall apply to financial reports for 2014 and subsequent periods. The Group adopted the above in its preparation of the foregoing financial statements 2014.

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.

Pursuant to "Accounting Standard for Business Enterprises No. 30 – Presentation of Financial Statements", deferred income, other non-current liabilities, capital reserve, other comprehensive income and exchange difference on foreign currency translation have been reclassified. The main effects on the financial statements for 2014 and 2013 caused by the aforesaid retrospective adjustments are set out below:

The Group

2014

	Opening balance/ Incurred during the year prior to adoption	Adoption of accounting standards of "Accounting Standard for Business Enterprises No. 30 – Presentation of Financial Statements"	Opening balance/ Incurred during the year following adoption
Deferred income	**–**	**641,140,695.49**	**641,140,695.49**
Other non-current liabilities	**1,441,819,889.93**	**(641,140,695.49)**	**800,679,194.44**
Capital reserve	**703,970,229.92**	**54,488,657.70**	**758,458,887.62**
Other comprehensive income	**–**	**(17,960,938.21)**	**(17,960,938.21)**
Exchange differences on foreign currency translation	**36,527,719.49**	**(36,527,719.49)**	**–**

2013

	Opening balance/ Incurred during the year prior to adoption	Adoption of accounting standards of "Accounting Standard for Business Enterprises No. 30 – Presentation of Financial Statements"	Opening balance/ Incurred during the year following adoption
Deferred income	–	351,960,604.12	351,960,604.12
Other non-current liabilities	1,179,901,918.37	(351,960,604.12)	827,941,314.25
Capital reserve	842,375,982.05	(70,297,070.55)	772,078,911.50
Other comprehensive income	–	37,125,123.30	37,125,123.30
Exchange differences on foreign currency translation	(33,171,947.25)	33,171,947.25	–

The Company

2014

	Opening balance/ Incurred during the year prior to adoption	Adoption of accounting standards of "Accounting Standard for Business Enterprises No. 30 – Presentation of Financial Statements"	Opening balance/ Incurred during the year following adoption
Deferred income	**–**	**213,764,174.97**	**213,764,174.97**
Other non-current liabilities	**213,764,174.97**	**(213,764,174.97)**	**–**
Capital reserve	**1,019,475,033.38**	**(8,500,000.00)**	**1,010,975,033.38**
Other comprehensive income	**–**	**8,500,000.00**	**8,500,000.00**

2013

	Opening balance/ Incurred during the year prior to adoption	Adoption of accounting standards of "Accounting Standard for Business Enterprises No. 30 – Presentation of Financial Statements"	Opening balance/ Incurred during the year following adoption
Deferred income	–	161,510,133.16	161,510,133.16
Other non-current liabilities	161,510,133.16	(161,510,133.16)	–
Capital reserve	1,081,878,661.17	(70,297,070.55)	1,011,581,590.62
Other comprehensive income	–	70,297,070.55	70,297,070.55

These financial statements are in compliance with the requirements under the Accounting Standards for Business Enterprises, and truly and completely reflect the financial position of the Company and the Group as at 31 December 2014 and the results of operations and cashflow in 2014.

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, including goodwill arising from the acquisition of the party being absorbed by the ultimate controller, shall be accounted for on the basis of the carrying amounts on the financial statements of the ultimate controller at the combination date. 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 equities 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, 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 equities 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 (or equities 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, the difference is recognized in current profit or loss.

For a business combination involving enterprises not under common control and achieved in stages, the Group remeasures its previously-held equity interest in the acquiree to its fair value at the acquisition date. The difference between the fair value and the carrying amount is recognized as investment income for the current period; the amount recognized in other comprehensive income using the equity method and relating to the previously-held equity interest in the acquiree shall be accounted for in accordance with the same accounting treatment for direct disposal of relevant asset or liability by investee. Movement of other owners' equity (excluding net profit or loss, other comprehensive income and profit distribution) shall be transferred to profit or loss for the current period to which the acquisition date belongs.

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 2014 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.

Where there is no loss of control, the change in minority interests is accounted for as equity transaction.

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");

(e) Forklift trucks production and warehousing technology services ("Forklift trucks and warehouses technology 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, investment income, dividend income, gains from changes in fair value of financial instruments as well as head office expenses are excluded from such measurement.

Other than Forklift trucks and warehouses technology services, 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.

Other than Forklift trucks and warehouses technology services, 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.

	Diesel engines	Automobiles and other major automobile components	Other components	Import & export services	Forklift trucks and warehouses technology services	Total
2014						
Segment revenue:						
Sale to external customers	22,352,005,854.29	34,617,401,072.71	2,575,530,008.25	117,043,378.48	19,975,181,223.40	79,637,161,537.13
Inter-segment sale	5,519,944,215.22	–	671,852,933.36	64,352,197.44	–	6,256,149,346.02
Total	27,871,950,069.51	34,617,401,072.71	3,247,382,941.61	181,395,575.92	19,975,181,223.40	85,893,310,883.15
Adjustment:						
Elimination of inter-segment sale						(6,256,149,346.02)
Revenue						79,637,161,537.13
Segment results	3,899,654,417.48	550,373,138.89	(457,815,504.97)	(78,357,900.15)	1,024,475,081.06	4,938,329,232.31
Adjustment:						
Elimination of inter-segment results						(40,037,734.21)
Interest income						570,965,971.19
Dividend income and unallocated income						2,224,762,579.45
Corporate and other unallocated expenses						(134,273,707.02)
Finance expenses						(594,050,698.85)
Profit before tax						6,965,695,642.87
31 December 2014						
Segment assets	23,787,954,274.27	25,042,687,064.62	10,832,401,075.39	6,863,237,159.04	35,452,527,653.85	101,978,807,227.17
Adjustment:						
Elimination of inter-segment receivables						(9,149,530,927.93)
Corporate and other unallocated assets						27,582,475,386.83
Total assets						120,411,751,686.07
Segment liabilities	15,073,020,200.65	18,109,778,638.28	8,715,284,039.39	506,589,743.46	21,323,858,482.80	63,728,531,104.58
Adjustment:						
Elimination of inter-segment payables						(9,752,792,127.56)
Corporate and other unallocated liabilities						25,581,600,028.45
Total liabilities						79,557,339,005.47
2014						
Other segment information:						
Share of profit and loss from:						
Gain/(loss) from associates	16,070,619.10	(23,575,307.77)	104,169,269.65	95,807.40	6,993,514.23	103,753,902.61
Reversal/(loss) of impairment of inventories	(8,250,487.20)	(120,536,316.63)	(2,180,897.06)	–	(5,394,042.20)	(136,361,743.09)
Reversal/(loss) of impairment of accounts receivable and other receivables	(43,931,435.50)	(33,285,778.73)	(1,875,484.57)	(65,576.21)	(12,711,036.00)	(91,869,311.01)
Depreciation and amortization	(854,206,686.14)	(918,980,808.16)	(108,002,695.56)	(157,394,274.25)	(1,785,728,843.60)	(3,824,313,307.71)
Gain/(loss) from disposal of fixed assets	(6,187,452.49)	(3,960,408.66)	(2,655,391.20)	(12,770.22)	(11,252,526.10)	(24,068,548.67)
Gain/(loss) from disposal of intangible assets	–	9,364,521.04	–	–	–	9,364,521.04
Investment in associates	566,232,838.21	496,964,667.41	–	38,052,091.16	376,476,061.52	1,477,725,658.30
Capital expenditure	(676,350,418.93)	(1,261,493,815.89)	(83,162,227.41)	(225,259,239.34)	(898,930,592.22)	(3,145,196,293.79)

	Diesel engines	Automobiles and other major automobile components	Other components	Import & export services	Forklift trucks and warehouses technology services	Total
2013						
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	4,067,224,680.05	716,215,295.84	(140,586,204.92)	(23,983,235.85)	10,750,201.00	4,629,620,736.12
Adjustment:						
Elimination of inter-segment results						42,502,876.51
Interest income						386,862,308.97
Dividend income and unallocated income						195,527,058.86
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	4,823,186,244.18	7,663,715,242.80	6,631,346,533.88	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)

Given the addition of the forklift trucks and warehouses technology services segment in 2014, the comparative data on the operating segments have been restated for the purpose of information comparison.

Group information

Information about products and services

Revenue from external transactions

	2014	2013
Complete vehicles and key components	**41,577,364,709.03**	35,956,310,848.83
Non-automobile engines	**6,844,525,380.52**	6,872,247,821.59
Other automobile components	**7,599,241,489.76**	12,348,626,495.41
Forklift trucks and warehouses technology services	**19,975,181,223.40**	–
Others	**3,640,848,734.42**	3,134,528,264.48
	79,637,161,537.13	58,311,713,430.31

Geographic information

Revenue from external transactions

	2014	2013
China	**59,330,023,220.86**	50,364,620,679.84
Other countries and regions	**20,307,138,316.27**	7,947,092,750.47
	79,637,161,537.13	58,311,713,430.31

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

Total non-current assets

	31 December 2014	31 December 2013
China	**19,313,448,073.31**	19,532,242,876.22
Other countries and regions	**30,266,803,816.99**	9,610,323,933.43
	49,580,251,890.30	29,142,566,809.65

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 RMB7,577,060,161.55 (2013: RMB6,708,878,491.89) 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 2014	31 December 2013
Bank acceptance bills	**13,755,776,821.57**	14,103,414,397.06
Commercial acceptance bills	**25,103,554.95**	23,536,416.34
	13,780,880,376.52	14,126,950,813.40

Notes receivable that were pledged are presented as follows:

	2014	2013
Bank acceptance bills	**6,557,183,926.52**	2,162,362,220.85

Notes receivable which had been endorsed but not yet expired as at the balance sheet date are presented as follows:

	2014 Derecognition	2013 Derecognition
Bank acceptance bills	**12,796,570,508.51**	8,926,468,662.02

Notes receivable already discounted but not yet expired as at the balance sheet date are presented as follows:

	2014 Derecognition	2013 Derecognition
Bank acceptance bills	**26,831,833.34**	2,149,200.00

As at 31 December 2014 and 31 December 2013, the Group has not transferred any notes into accounts receivable due to issuers' failure in performance.

4. ACCOUNTS RECEIVABLE

The Group trades with its customers primarily on credit terms, and generally requires prepayments or cash on delivery for new customers. Credit period is generally one to six months, 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 2014	31 December 2013
Within 3 months	**7,475,330,179.05**	3,003,682,270.48
3 to 6 months	**918,479,917.73**	593,487,671.09
6 months to 1 year	**949,566,440.38**	586,496,113.69
1 to 2 years	**340,718,426.91**	276,298,860.12
2 to 3 years	**113,710,835.72**	192,233,714.34
Over 3 years	**684,646,310.69**	517,257,771.75
	10,482,452,110.48	5,169,456,401.47
Less: provision for bad debt in respect of accounts receivable	**822,420,507.83**	728,922,061.65
	9,660,031,602.65	4,440,534,339.82

Changes in provision for bad debts of accounts receivable are presented as follows:

	31 December 2014	31 December 2013
Opening balance	**728,922,061.65**	671,668,964.81
Provision for the year	**134,945,691.88**	108,719,527.47
Decrease for the year:		
Reversal	**(40,482,285.79)**	(51,656,826.87)
Write-off	**(1,360,790.35)**	77,382.59
Exchange gains and losses	**395,830.44**	113,013.65
Closing balance	**822,420,507.83**	728,922,061.65

	31 December 2014			
	Gross carrying amount	**Proportion** *(%)*	**Provision for bad debt**	**Percentage** *(%)*
Individually significant items for which provision for bad debt is recognized separately	**613,010,848.57**	**5.85**	**309,797,447.50**	**50.54**
Items for which provision for bad debt is recognized by group with distinctive credit risk characteristics	**9,462,787,340.55**	**90.27**	**437,475,207.60**	**4.62**
Not individually significant items for which provision for bad debt is recognized separately	**406,653,921.36**	**3.88**	**75,147,852.73**	**18.48**
	10,482,452,110.48	**100.00**	**822,420,507.83**	

	31 December 2013			
	Gross carrying amount	Proportion (%)	Provision for bad debt	Percentage (%)
Individually significant items for which provision for bad debt is recognized separately	828,867,793.13	16.03	319,990,851.34	38.61
Items for which provision for bad debt is recognized by group with distinctive credit risk characteristics	3,922,695,710.15	75.89	313,518,126.34	7.99
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	

As at 31 December 2014, individually significant items for which provision for bad debt is recognized separately are presented as follows:

	Gross carrying amount	Provision for bad debt	Percentage	Reasons
FAMIHAO LIMITADA	**81,438,361.52**	**1,106,142.08**	**1%**	Repayment from Sinosure and partially uncollectible
OOO SHANKSIRUS	**61,907,184.06**	**1,118,175.20**	**2%**	Partially uncollectible
China Civil Engineering Construction Corporation	**61,195,995.97**	**36,717,597.58**	**60%**	War in Libya
Shanxi Tong Tai Automobile Sales Services Co., Ltd	**56,927,140.00**	**51,234,426.00**	**90%**	Long credit age
Guangzhou Jinqi Trading Company Limited	**49,159,575.31**	**39,327,660.25**	**80%**	Bad repayment ability
Shaanxi Rong Chang Yuan Trading Co., Ltd	**43,173,316.66**	**34,538,653.33**	**80%**	Not full coverage of preservation
Anhui Anyu Engineering Machinery Sales Co., Ltd	**42,763,993.80**	**17,105,597.52**	**40%**	Bad repayment ability
Dalian Shaanxi Automobile Sales Co., Ltd	**40,556,826.59**	**28,389,778.61**	**70%**	Bad repayment ability
Nanjing Lerong Trading Company Limited	**33,443,140.43**	**26,754,512.34**	**80%**	Assets have been preserved
Datong City Yi Fu Commercial and Trading Co., Ltd	**32,068,898.11**	**12,827,559.24**	**40%**	Bad repayment ability
Others	**110,376,416.12**	**60,677,345.35**	**55%**	Cessation of business etc.
	613,010,848.57	**309,797,447.50**		

As at 31 December 2013, individually significant items for which provision for bad debt is recognized separately are presented as follows:

	Gross carrying amount	Provision for bad debt	Percentage	Reasons
EURL GM TRADE	153,133,472.39	4,541,112.03	3%	Repayment from Sinosure and partially uncollectible
OOO SHANKSIRUS	118,117,599.29	4,456,303.96	4%	Partially uncollectible
China Civil Engineering Construction Corporation	66,348,620.64	26,539,448.26	40%	War in Libya
Shanxi Tong Tai Automobile Sales Services Co., Ltd	56,927,140.00	51,234,426.00	90%	Bad repayment ability
LLC PC ARGO	54,291,747.02	1,989,799.35	4%	Expected to be partially uncollectible
Anhui Anyu Engineering Machinery Sales Co., Ltd	53,909,667.50	32,345,800.50	60%	Legal proceedings
Guangzhou Jinqi Trading Company Limited	49,432,838.31	39,546,270.65	80%	Legal proceedings
Shaanxi Rong Chang Yuan Trading Co., Ltd	43,173,316.66	34,538,653.33	80%	Legal proceedings
Dalian Shaanxi Automobile Sales Co., Ltd	39,813,527.59	23,888,116.55	60%	Bad repayment ability
Datong City Yi Fu Commercial and Trading Co., Ltd	34,171,092.11	10,251,327.63	30%	Bad repayment ability
Others	159,548,771.62	90,659,593.08	57%	Apply for bankruptcy etc.
	828,867,793.13	319,990,851.34		

The Group's accounts receivable for which bad debts are provided for using aging analysis are presented as follows:

	31 December 2014				31 December 2013			
	Gross carrying amount	**Proportion (%)**	**Provision for bad debt**	**Percentage (%)**	Gross carrying amount	Proportion (%)	Provision for bad debt	Percentage (%)
Within 1 year	**4,600,211,695.68**	**92.20**	**230,199,578.80**	**5.00**	3,652,765,389.44	93.11	182,638,269.47	5.00
1 to 2 years	**176,704,041.01**	**3.54**	**26,101,352.11**	**14.77**	123,404,068.25	3.15	20,473,735.73	16.59
2 to 3 years	**27,421,657.60**	**0.55**	**8,254,005.73**	**30.10**	33,549,013.05	0.86	9,220,118.83	27.48
3 to 4 years	**40,286,747.02**	**0.81**	**20,154,109.52**	**50.03**	15,314,726.81	0.39	7,045,107.51	46.00
4 to 5 years	**25,543,732.35**	**0.51**	**20,399,749.75**	**79.86**	17,608,089.06	0.45	14,086,471.25	80.00
Over 5 years	**119,348,934.09**	**2.39**	**119,348,934.09**	**100.00**	80,054,423.54	2.04	80,054,423.55	100.00
	4,989,516,807.75	**100.00**	**424,457,730.00**	**8.51**	3,922,695,710.15	100.00	313,518,126.34	7.99

The Group's accounts receivable for which bad debts are provided for using overdue periods as credit risk profile are presented as follows:

	2014			2013		
	Gross carrying amount	**Percentage (%)**	**Provision for bad debt**	Gross carrying amount	Percentage (%)	Provision for bad debt
An overseas segment combination	**4,473,270,532.80**	**0.29%**	**13,017,477.60**	–	–	–

In 2014, provisions for bad debts in the amount of RMB134,945,691.88 (2013: RMB108,719,527.47) were made, while provisions for bad debts in the amount of RMB40,482,285.79 (2013: RMB51,656,826.87) were reversed or recovered.

In 2014, accounts receivable written off amounted to RMB1,360,790.35 (2013: RMB-77,382.59).

As at 31 December 2014, the top five balances in respect of accounts receivable had a total closing balance of RMB1,079,580,523.62, accounting for 10.31% of the total of closing balance of accounts receivable. The closing balance in respect of bad debt provided for the top five amounted to RMB24,921,378.65.

As at 31 December 2013, the top five balances in respect of accounts receivable had a total closing balance of RMB936,311,552.28, accounting for 18.11% of the total of closing balance of accounts receivable. The closing balance in respect of bad debt provided for the top five amounted to RMB42,250,440.02.

As at 31 December 2014, accounts receivable with carrying amount of RMB1,758,522,549.60 (31 December 2013: Nil) was pledged for securing bank borrowings.

5. NOTES PAYABLE

	31 December 2014	31 December 2013
Bank acceptance bill	**10,387,172,130.11**	6,600,177,677.15
Commercial acceptance bills	**480,511,714.40**	86,973,922.62
Total	**10,867,683,844.51**	6,687,151,599.77

As at 31 December 2014, the Group had no notes payable which were due and outstanding (31 December 2013: Nil).

6. ACCOUNTS PAYABLE

Accounts payable are non-interest bearing, and are generally settled within three to four months.

	31 December 2014	31 December 2013
Accounts payable	**15,922,080,225.78**	13,472,675,550.89

As at 31 December 2014, the aging analysis of accounts payable based on the invoice date is presented as follows:

	31 December 2014	31 December 2013
Within 3 months	**13,124,950,144.57**	11,051,886,336.78
3 to 6 months	**1,626,531,903.78**	1,537,510,610.34
6 months to 1 year	**507,083,580.55**	244,457,038.42
Over 1 year	**663,514,596.88**	638,821,565.35
Total	**15,922,080,225.78**	13,472,675,550.89

As at 31 December 2014, there was no material accounts payable which aged over one year (31 December 2013: nil).

7. REVENUE AND COST OF SALES

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.

	2014		2013	
	revenue	**cost**	revenue	cost
Principal operations	**77,321,314,368.87**	**60,483,137,710.00**	55,962,650,513.12	44,155,628,672.83
Other revenue	**2,315,847,168.26**	**2,064,637,815.88**	2,349,062,917.19	2,132,148,394.07
	79,637,161,537.13	**62,547,775,525.88**	58,311,713,430.31	46,287,777,066.90

Revenue is listed as follows:

	2014	2013
Revenue from principal operations		
Sales of goods and others	**68,277,379,662.47**	55,962,650,513.12
Forklift truck service	**9,043,934,706.40**	–
	77,321,314,368.87	55,962,650,513.12
Other revenue		
Sales of materials	**1,404,176,811.84**	1,608,136,260.84
Sales of power	**27,980,908.99**	27,211,986.04
Lease income	**84,288,504.32**	57,385,395.61
Provision of non-industrial labour	**36,166,037.74**	39,202,613.63
Others	**763,234,905.37**	617,126,661.07
	2,315,847,168.26	2,349,062,917.19
	79,637,161,537.13	58,311,713,430.31

8. TAXES AND SURCHARGES

	2014	2013
Business tax	**8,209,071.38**	18,393,851.84
City construction tax	**133,540,548.99**	141,058,959.97
Educational surtax	**96,696,052.78**	93,523,530.56
Others	**27,639,822.41**	19,467,681.30
	266,085,495.56	272,444,023.67

9. INCOME TAX EXPENSES

	2014	2013
Current tax expenses	**1,027,078,081.21**	888,779,649.39
Deferred tax expenses	**154,121,882.87**	(97,669,964.30)
	1,181,199,964.08	791,109,685.09

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

		2014	2013
Total profit		**6,965,695,642.87**	4,608,745,760.59
Tax at statutory tax rate	*Note*	**1,741,414,125.17**	1,152,247,888.28
Effect of different tax rates applicable to parent company and some subsidiaries		**(364,502,403.15)**	(486,222,467.49)
Effect of difference between effective tax rate and tax rate for deferred tax computation		**8,294,765.80**	–
Adjustments to current tax of previous periods		**12,896,556.39**	(2,814,337.95)
Tax attributable to associates		**(31,480,943.75)**	(1,437,004.33)
Non-taxable income		**(428,787,076.83)**	(5,048,739.42)
Expenses not deductible for tax		**102,158,460.79**	39,043,908.61
Tax incentives on eligible expenditures		**(152,910,515.99)**	(69,703,042.50)
Utilization of deductible losses from prior years		**(33,154,508.33)**	(7,534,254.12)
Unrecognized deductible losses		**250,522,500.94**	154,301,921.06
Effect of unrecognized deductible temporary difference		**76,749,003.04**	18,275,812.95
Tax expense at the Group's effective tax rate		**1,181,199,964.08**	791,109,685.09

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 taxable profits arising in Hong Kong for the period.

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:

	2014	2013
Earnings		
Net profit of the current period attributable to ordinary shareholders of the Company	**5,024,502,354.07**	3,570,791,384.62
Shares		
Weighted average number of the ordinary shares outstanding of the Company	**1,999,309,639**	1,999,309,639
EPS (RMB/share)	**2.51**	1.79

The Company holds no potential shares that are dilutive.

Note: No event has occurred during the period from the balance sheet date to the date of approval of these financial statements which would otherwise result in changes in the number of outstanding ordinary shares or potential ordinary shares.

11. OTHER COMPREHENSIVE INCOME

Other comprehensive income, on a cumulative basis, attributable to parent as shown in balance sheet is as follows:

	1 January 2013	**Increase/ Decrease**	**31 December 2013**	**Increase/ Decrease**	**31 December 2014**
Changes arising from re-measuring net assets or net liabilities of defined benefit plan	–	9,284,134.70	9,284,134.70	(408,684,348.84)	(399,400,214.14)
Share of investee's other comprehensive income not to be reclassified into profit or loss using the equity method	–	(7,196,756.00)	(7,196,756.00)	(162,692,384.76)	(169,889,140.76)
Share of investee's other comprehensive income to be reclassified into profit or loss using the equity method	6,377,070.55	(44,611,280.55)	(38,234,210.00)	64,610,512.58	26,376,302.58
Change of fair value of available-for-sale financial assets	75,200,000.00	(65,200,000.00)	10,000,000.00	46,400,000.00	56,400,000.00
Effective portion of cashflow from hedging	–	–	–	(6,420,300.47)	(6,420,300.47)
Exchange differences on foreign currency translation	(33,171,947.25)	42,857,840.34	9,685,893.09	49,154,086.61	58,839,979.70
Relevant income tax effect	(11,280,000.00)	9,780,000.00	(1,500,000.00)	93,383,900.39	91,883,900.39
	37,125,123.30	(55,086,061.51)	(17,960,938.21)	(324,248,534.49)	(342,209,472.70)

Incurred in current period for other comprehensive income attributable to parent

2014

	Amount before tax	Income tax	Amount after tax
Other comprehensive income not to be reclassified into profit or loss			
Changes arising from re-measuring net assets or net liabilities of defined benefit plan	**(408,684,348.84)**	**(100,343,900.39)**	**(308,340,448.45)**
Share of investee's other comprehensive income not to be reclassified into profit or loss using the equity method	**(162,692,384.76)**	**–**	**(162,692,384.76)**
Other comprehensive income to be reclassified into profit or loss			
Share of investee's other comprehensive income to be reclassified into profit or loss using the equity method	**23,301,360.60**	**–**	**23,301,360.60**
Less: Amount recognised in other comprehensive income in previous period and recognised in profit or loss in current period	**(41,309,151.98)**	**–**	**(41,309,151.98)**
	64,610,512.58	**–**	**64,610,512.58**
Change of fair value of available-for-sale financial assets	**46,400,000.00**	**6,960,000.00**	**39,440,000.00**
Less: Amount recognised in other comprehensive income in previous period and recognised in profit or loss in current period	**–**	**–**	**–**
	46,400,000.00	**6,960,000.00**	**39,440,000.00**
Effective portion of cashflow from hedging	**(6,420,300.47)**	**–**	**(6,420,300.47)**
Less: Amount recognised in other comprehensive income in previous period and recognised in profit or loss in current period – Adjustment on initial recognition upon transfer to hedged items	**–**	**–**	**–**
	(6,420,300.47)	**–**	**(6,420,300.47)**
Exchange differences on foreign currency translation	**3,078,810.43**	**–**	**3,078,810.43**
Less: Amount recognised in other comprehensive income in previous period and recognised in profit or loss in current period	**(46,075,276.18)**	**–**	**(46,075,276.18)**
	49,154,086.61	**–**	**49,154,086.61**
	(417,632,434.88)	**(93,383,900.39)**	**(324,248,534.49)**

2013

	Amount before tax	Income tax	Amount after tax
Other comprehensive income not to be reclassified into profit or loss			
Changes arising from re-measuring net assets or net liabilities of defined benefit plan	9,284,134.70	–	9,284,134.70
Share of investee's other comprehensive income not to be reclassified into profit or loss using the equity method	(7,196,756.00)	–	(7,196,756.00)
Other comprehensive income to be reclassified into profit or loss			
Share of investee's other comprehensive income to be reclassified into profit or loss using the equity method	(38,234,210.00)	–	(38,234,210.00)
Less: Amount recognised in other comprehensive income in previous period and recognised in profit or loss in current period	6,377,070.55	–	6,377,070.55
	(44,611,280.55)	–	(44,611,280.55)
Change of fair value of available-for-sale financial assets	(65,200,000.00)	(9,780,000.00)	(55,420,000.00)
Less: Amount recognised in other comprehensive income in previous period and recognised in profit or loss in current period	–	–	–
	(65,200,000.00)	(9,780,000.00)	(55,420,000.00)
Exchange differences on foreign currency translation	42,857,840.34	–	42,857,840.34
Less: Amount recognised in other comprehensive income in previous period and recognised in profit or loss in current period	–	–	–
	42,857,840.34	–	42,857,840.34
	(64,866,061.51)	(9,780,000.00)	(55,086,061.51)

12. DIVIDENDS

	2014	2013
	RMB'000	*RMB'000*
Proposed final dividends – RMB0.15 (2013: RMB0.15) per ordinary share	**299,896**	299,896

On 30 March 2015, the 2014 profit distribution plan of the Company was considered and approved at the 7th meeting of the 3rd session of the Board: the Company proposed the distribution to all shareholders of a cash dividend of RMB1.50 (including tax) for every 10 shares held and the issuance of 10 shares to all shareholders by capitalization of surplus reserve for every 10 shares held 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 2014 Annual General Meeting, the first general meeting of holders of A Shares in 2015 and the first general meeting of holders of H Shares in 2015.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board, I would like to present the audited annual results of the Company for the year ended 31 December 2014.

I. REVIEW OF OPERATIONS

In 2014, the Chinese government fostered intensified reforms and innovation-driven development of the nation. By adhering to the transformation of the growth model and structural adjustments, the Chinese economy has entered a stage of "new norms", with the economic structure becoming optimized, inflation becoming moderate, new employments becoming stable and the pace of economic growth becoming in line with its potential level. Affected by the dual influence of the heightened constraints on resources in the PRC and the instability in international economic recovery, the PRC reported a gross domestic product of RMB63.65 trillion, representing a year-on-year growth of 7.4%, which was a record-low figure for the past 24 years.

During the reporting period, due to the slowdown in economic growth, the shrink in infrastructure investments and the implementation of more stringent emission regulations, the heavy-duty truck industry experienced a slight drop, delivering sales of 744,000 units, representing a year-on-year decrease of 3.89%. Under such influence, during the reporting period, the Company reported sales of 271,300 units of heavy-duty truck engines, representing a year-on-year drop of 3.1%. The Company's share in the auxiliary market for heavy-duty trucks reached 36.5%, representing an increase of 0.3 percentage point, 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 91,800 units of heavy-duty trucks for the year, representing a year-on-year increase of 7.0%, 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 maintained its leading position in the industry with its aggregate yearly sales of 620,000 units of gear boxes, representing a year-on-year increase of 9.6%.

In 2014, fixed-asset investments in the PRC (excluding agricultural households) reached RMB50.2 trillion, representing a year-on-year growth of 15.7%, a drop of 3.9 percentage points in growth rate year-on-year. The total planned investments for newly-commenced construction projects reached RMB40.6 trillion, representing a year-on-year growth of 13.6%, a drop of 0.6 percentage point in growth rate year-on-year. Investments in property development reached RMB9.5 trillion, representing a year-on-year growth of 10.5%, a drop of 9.3 percentage points in growth rate year-on-year. As such, the market sales of traditional construction machinery industry experienced decline, while the forklift truck market managed to maintain a slight growth which was driven by the performance of the logistics industry. During the reporting period, the construction machinery market in the PRC reported sales of approximately 653,000 units, representing a year-on-year decrease of 7.4%, and among which, the sales volume of wheel loaders with a load capacity of 5 tonnes was 92,100 units, representing a year-on-year decrease of 17.0%. The Company sold a total of 52,900 units of engines for wheel loaders with a load capacity of 5 tonnes, representing a year-on-year decrease of 26.6%. The Company continued to maintain a leading position in the market of wheel loaders with a load capacity of 5 tonnes with its market share of nearly 60%.

During the reporting period, the passenger vehicle market achieved growth while maintaining stability. Benefiting from favorable factors including the accelerated urbanization, China's passenger vehicle market reported an aggregate sales figure of 606,900 units (including non-complete passenger vehicles) in 2014, representing a year-on-year growth of 8.4%. Among such, the light passenger vehicle market continued to maintain its relatively fast growth momentum, and became the major force in driving the growth of the passenger vehicle market. With the support by the Chinese government on policies concerning new-energy vehicles, new-energy passenger vehicles reported good market performance and played a prominent role in driving the growth of the public-transport vehicle market. On the other hand, with a share of the transportation market having been taken up by China's national express rail, and the increasingly stringent regulatory regime on the grant of approvals for and the supervision of passenger lines, the development of the highway passenger transportation market was restricted. During the reporting period, the Company's aggregate sales of engines for use in passenger vehicles amounted to 22,600 units, representing a year-on-year increase of 7.4%, and accounted for 13.8% of the market share of the large-sized and medium-sized passenger vehicles, representing a year-on-year increase of 1.5 percentage points.

During the reporting period, the Company worked around the needs of the market in fostering structural adjustments of its products. Equipped with innovation, the Company led the trend of industrial development and continued to maintain its swift development. In 2014, the Company reported a sales figure of 347,500 units of 10L, 12L and 13L engines, maintaining the stable 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. Meanwhile, the Company's self-researched and self-developed "Landking" WP5 and WP7 engines, to which it owns intellectual property rights, further expanded the scope of auxiliary uses. During the year, it generated total sales of 14,000 units, representing a year-on-year growth of 34.4%. In particular, 11,800 units were used in passenger vehicles, representing a year-on-year growth of 30.5%. This demonstrated the prominent competitive advantages of our integrated engine products. During the reporting period, X3000 driving chamber of Shaanxi Heavy-duty Motor Company Limited, a controlling subsidiary of the Company, successfully passed the collision test conducted under the European standard, signifying that the safety standard of such driving chamber had attained an advanced level under China's or even European standard, thereby laying solid foundation for the overseas promotion of the HX products. The new products of Shaanxi Fast Gear Co., Ltd. delivered exceptional performance. Gear boxes with full aluminium-alloy cases, which have been designed for weight-lightening and energy-saving complete vehicles, demonstrated strong growth, capturing more than 20% of the total sales volume of gear boxes and became a new driver for the stable growth in the Company's production and operation.

During the reporting period, the Company remained committed to the main theme of reforms and innovations. It adhered to the scientific approach of development under the notion of "Grow organically and driven by innovation", expedited the transformation into an international, diversified, innovative and open enterprise, uplifted the all-round quality of development, and attained sound and stable development. Firstly, based on the notion of making ourselves an outstanding market player, we reduced the processing cost by having in mind the perspective of the whole value chain. We strove to create products encompassing the Three Core Competitiveness namely cost, technology and quality and create differentiated values for our customers by enhancing product performance at the outset of product design and enhancing product quality at every detailed stage of the production process. Secondly, we fostered the transformation of our technology system and mechanism, consolidated our resources on research and development and established an engine technology research institute, thereby forming a coordinated model with researches being conducted at the headquarter and applied at the branches. Concurrently, we also streamlined the research and development processes, developed initial linkages connecting research and development with marketing and sales, and further boosted the capability in self-researches and innovations. Thirdly, based on innovative thinking, and by means of organisational reform and workflow renovation, we embarked upon a series of fundamental works involving control over subsidiaries, optimisation of processes and structure, and position management. Meanwhile, the notion of "Production Volume by Teams and Wages by Day" was fully implemented with positive results and the successful pilot run of the delicacy statistic management project contributed to the accumulation of experience for full implementation.

During the reporting period, the Company's revenue increased by 36.6% compared with that in 2013 to approximately RMB79,637 million. The net profit attributable to shareholders of the listed company was approximately RMB5,025 million, representing an increase of approximately 40.7% compared with that in 2013. The basic earnings per share was RMB2.51, representing an increase of approximately 40.2% compared with that in 2013.

II. DIVIDENDS AND CAPITALISATION OF SURPLUS RESERVE

The Company attaches great importance to the shareholders' interests and returns, and has adhered to a stable dividend policy. On 30 March 2015, the 2014 profit distribution plan of the Company was considered and approved at the 7th meeting of the 3rd session of the Board: the Company proposed the distribution to all shareholders of a cash dividend of RMB1.50 (including tax) for every 10 shares held and the issuance of 10 shares to all shareholders by capitalization of surplus reserve for every 10 shares held 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 2014 Annual General Meeting, the first general meeting of holders of A Shares in 2015 and the first general meeting of holders of H Shares in 2015. For details on the closure of registers of members for determining the shareholders who are eligible to attend and vote on the relevant general meetings and to receive final dividend, please refer to the further announcement or notices convening the relevant meetings to be issued by the Company.

III. ACQUISITION AND CONSOLIDATION

In 2014, the Company increased its shareholding in KION Group AG ("KION") from 30% to 33.3% by exercising the Superlift 3.3% call option. On 12 June, the Company became the largest shareholder of KION, following the decrease of the shareholding held by Superlift, the original largest shareholder of KION, from 34.5% to 26.9%. During the year, consolidation of KION's accounts has been successfully completed and the operating results of the Company have been further enhanced.

IV. OUTLOOK AND PROSPECTS

Into 2015, the global economy will continue to maintain its slow recovery. The United States will maintain its relatively strong economic recovery, whilst nations within the Euro zone will adopt more proactive economic policies. In Japan, the negative impact of the policies on consumption tax will gradually diminish. Emerging economies and developing countries will further adjust their economic policies. Various uncertainties will still exist against the global economic growth. As such, it is expected that the world economy will grow at about 3.5% on an annual basis, which will be slightly faster than in 2014. In China, economic growth will enter a stage of "new norms", in which the pace of growth will slow down, the focus will be on structural adjustments, and the growth engine will be more driven by innovations and less by factors of production or investments. In 2015, China's economy will adhere to the overall theme of making progress while maintaining stability. The focus will be on the quality and effectiveness of economic development. Initiatives will be taken to adapt to the new norms of economic development and efforts will be made to maintain economic growth within a reasonable range. At the same time, with the diminishing role of investments in driving economic growth, whilst consumptions and exports fail to play an equally pivotal role for the time being, it is anticipated that the pace of China's economic growth, without changing much from the previous year, will post a GDP growth of approximately 7% on a full year basis.

The Company is cautiously optimistic about the development trend of its related industries. In 2015, the heavy-duty truck market will maintain its slow and stable development and enter a stage of "slight growth" with an expected year-on-year growth rate of about 2.2% in market sales volume, which will be attributable to the following. Firstly, the "seven key investment projects" being promoted by the Chinese government will involve investments amounting to more than RMB10 trillion in the large-scale renovation of shack areas, construction of railways, highways and infrastructure facilities, thereby stimulating demands for heavy-duty trucks to be used for civil and construction works. Secondly, the energy-saving and emission-reduction development initiatives launched by the Chinese Government have stated that 6 million yellow-label (i.e. highly polluting) vehicles and old vehicles will need to be eliminated gradually, which policy will be beneficial to the heavy-duty truck market. Thirdly, the reform of the logistics transportation, the development of free trade zones, as well as regional integration will drive the development of segment markets including tractors and slag-carrying vehicles serving ports.

Under the influence of favorable factors including China's adoption of its strategy of "One Belt and One Road", i.e. the "Silk Road Economic Belt" and the "21st Century Maritime Silk Road", and the investments to be made under the "seven key investment projects", the construction machinery industry is expected to reach a turning point in 2015 at which it will stop declining and will attain stabilization. Firstly, the implementation of the "One Belt and One Road" strategy will drive the robust development of infrastructure development including high-speed railways and highways, and in turn the substantial increase in demand for construction machinery products. Secondly, the "new model" of China's urbanization, the development of Yangtze River Economic Zone and the economic integration of Beijing, Tianjin and Hebei will expedite the urban infrastructure construction and drive the overall demand for construction machinery. Thirdly, the reduction in China's benchmark lending rate by the People's Bank of China and in turn the commencement of China's interest rate reduction cycle will make it easier for downstream customers to obtain financing, contribute positively to property and infrastructure investments to a certain extent, and drive the growth of demand for construction machinery.

From 1 January 2015, China IV Emission Standards have been fully implemented in China. As such, some segments of the market will experience a new round of shuffling. To date, leveraging upon its advanced technology, large-scale production of high-quality products, synergy presented by the availability of global resources and strong base of loyal customers, the Company has fully completed all the preparation work for switching to China IV Emission Standards. Whilst its products gradually augment its competitive strengths, the Company will be well-positioned and poised to maintain its leading position in the markets 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 early 2015, through strategic decoding, the Company identified eleven battles and action plans that it must win, covering various aspects including cultural construction, management enhancement, technological innovation, cost saving and efficiency enhancement, and international development. In the upcoming year, the Company will work strenuously on the following:

Firstly, we will continue to create products with the best competitiveness in terms of cost, technology and quality, enhance our ability of understanding and satisfying customer needs, expedite the structural adjustment of our products and the exploration of emerging markets, and address the trend of vertical integration of the industry in a scientific manner. Secondly, we will further enhance our innovation system and mechanism, mobilize the staff's creation and passion, further increase investments in research and development, expedite the commercialization of our research results, and strenuously build up our core competence. Thirdly, we will review and optimize our operation model by thinking from the perspective of information technology and internet usage. We will adhere to enhancing our operation system, foster the integration of information technology usage and industrialization as well as the innovation on business model, and continue to enhance the efficiency in corporate operations. Fourthly, we will adhere to the continual efforts in promoting cost saving, with particular focus on the processes of procurement, design, craftsmanship, manufacturing and management. A mechanism for narrowing and stopping losses made by subsidiaries will be established according to our corporate structure, and attention will be drawn to loss-making domestic and overseas entities for complete vehicle operations. Fifthly, by streamlining the approach in controlling and managing our subsidiaries, enhancing management workflows and structure and strengthening position management, we will continue to foster our organisational reforms and workflow renovation for continual enhancements in the quality of our corporate management. In our heavy-duty truck segment, we will fully leverage on the advantage as a service-oriented manufacturer and work with different partners to consolidate advantageous resources, set up a mega logistics ecosystem centered on heavy-duty truck products, and proactively address the swift development of the internet, smart trucks, internet of trucks, internet of things, smart transport and mega logistics. Companies producing gear boxes will adjust their product structures in a scientific manner, further expedite their transformation and upgrade, and continue to focus on strategic products including AT hydraulic automatic gear boxes, AMT automatic gear boxes, S super gear boxes and so forth. For the components segment, we will intensify our research and innovation, enhance core competence of our products and make good use of the synergy between the component business segment and the engine business segment.

At the same time, the Company will maintain the direction of developing into an "international, diversified, innovative and open enterprise". Under the principle of "Unified Strategy, Independent Operation, Resources Sharing", we will gradually streamline the mechanism for the control over overseas branches and subsidiaries, coordinate the needs for expanding the domestic and international markets and international business development, accelerate the coordinated development of our business in complete vehicles, powertrains, hydraulics controlling parts, automobile components and after-sales market business segment, in order to fully utilize the synergetic advantage of the brands, technology, manufacturing, market and management of the domestic and overseas companies, continue to enhance the quality and image of the Company's development, and boost the overall capability to manage risks.

V. APPRECIATION

Last but not least, I would like 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 2014 as follows:

I. Industry Analysis

The Company is one of the vehicle and equipment manufacturing conglomerate in the PRC with the best comprehensive strengths. It is a leading company in the markets of powertrain, complete vehicles and machines, hydraulic controlling parts and automotive electronics parts and components. It is equipped with the most comprehensive supply chain of engines, gear boxes and axles and offers the related after-sales market services.

1. *Heavy-duty Vehicle Industry*

During the Year, under the dual pressure exerted by the continual slackened growth in China's economy and instability in the recovery of the global economy, the gross domestic product of the PRC was RMB63.65 trillion, representing a year-on-year growth of 7.4%, which was a record-low-figure for the past 24 years. Factors including the weaker demand, shrinkage in infrastructure investments and the implementation of more stringent emission regulations contributed to the slight decline in the heavy-duty truck industry. The aggregate sales figure of the heavy-duty truck market in the year in the PRC was 744,000 units, representing a year-on-year decrease of 3.89%.

2. *Construction Machinery*

During the reporting period, fixed-asset investments in the PRC reached RMB50.2 trillion, representing a year-on-year growth of 15.7%, a drop of approximately 3.9 percentage points in growth rate compared with that in year 2013. In particular, the total planned investments for newly-commenced projects amounted to approximately RMB40.6 trillion, representing a year-on-year increase of 13.6%, a drop of approximately 0.6 percentage point in growth rate year-on-year. Investment in real estate developments was approximately RMB9.5 trillion, representing a year-on-year increase of 10.5%, a drop of approximately 9.3 percentage points in growth rate year-on-year. As such, with the exception of the forklift truck segment, the traditional construction machinery industry witnessed its decrease in sales volume. In 2014, the aggregate sales in China's construction machinery market were approximately 653,000 units, representing a year-on-year drop of 7.4%. In particular, 92,100 units of wheel loaders with a load capacity of 5 tonnes were sold, representing a substantial year-on-year decrease of 17.0%.

3. *Passenger Vehicle Market*

During the reporting period, benefiting from favorable factors including the accelerated urbanization in China, the government's support and promotion of policies concerning new-energy vehicles, the steady development of the logistics industry, the elevated demand for passenger transportation services in view of the development in the tourism industry, and the rapid growth of the export market, China's passenger vehicle market recorded sales of approximately 606,900 units (including non-complete passenger vehicles), growing by 8.4% year-on-year.

II. The Group's Business

An analysis of the Group's business segments is set out in Note 2 to the 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. In 2014, with the weaker demand in the domestic heavy-duty truck market, the Company sold approximately 271,300 units (2013: approximately 280,000 units) of heavy-duty truck diesel engines, representing a decrease of 3.1% in the corresponding period in 2013. The Company's market share in the market of heavy-duty trucks reached approximately 36.5% (2013: approximately 36.2%), maintaining a 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 in the PRC. Out of the diesel engines sold during the year, approximately 52,900 units (2013: approximately 72,000 units) were engines for wheel loaders with a load capacity of 5 tonnes, representing a decrease of approximately 26.6% compared to that in the corresponding period in 2013. The Company still maintained its leading position in this sector.

For use in Passenger Vehicles

During the Year, the Company sold approximately 22,600 units (2013: approximately 21,000 units) of engines for use in passenger vehicles, representing an increase of 7.4% compared to that in the corresponding period in 2013. The Company's market share in the market of large sized and medium-sized passenger vehicles was 13.8% (2013: approximately 12.3%), representing a year-on-year growth of 1.5 percentage points.

2. *Sale of Heavy-duty Trucks*

During the Year, the Group sold approximately 91,800 units of heavy-duty trucks, representing an increase of 7.0% from approximately 85,800 units recorded for the corresponding period in 2013. 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. Before elimination of intra-group sales, the truck business contributed approximately RMB25,883 million to the Group's revenue this Year.

3. *Sale of Heavy-duty Gear Boxes*

During the Year, the Group sold approximately 620,000 units of heavy-duty gear boxes, representing an increase of 9.6% compared to approximately 565,700 units of heavy-duty gear boxes sold in the corresponding period in 2013, maintaining its leading position in the industry. Before elimination of intra-group sales, the gear boxes business contributed approximately RMB9,059 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, hydraulic controlling parts etc. During this year, the Group's sales of parts and components of engines and trucks and hydraulic controlling parts were approximately RMB3,882 million, representing a year-on-year decrease of approximately 2.2% or a decrease of approximately RMB88 million, compared to the sales revenue of RMB3,970 million in the corresponding period last year.

Last year, the Company budgeted that sales revenue in 2014 would be approximately RMB64.1 billion, representing a growth of approximately 10%. The actual sales revenue was approximately RMB79.6 billion, representing a year-on-year increase of 36.6%. Actual sales revenue exceeded the budgeted sales revenue by approximately RMB15.5 billion or 24.2%, which was mainly attributable to consolidation of KION's operating results for the second half of the year in the Company's consolidated financial statements upon the Company's obtaining effective control over KION on 12 June 2014. Disregarding the consolidation of KION, the actual sales revenue was approximately RMB60.2 billion, which was lower than the budgeted sales revenue by approximately RMB3.9 billion or 6.1%, primarily due to the slackened economic growth and the dropped demand caused by the shrinkage in infrastructure investments.

In 2015, the heavy-duty truck industry is expected to demonstrate slow but steady development. Benefiting from China's adoption of its strategy of "One Belt and One Road", i.e. the "Silk Road Economic Belt" and the "21st Century Maritime Silk Road", and the investments to be made under the "seven key investment projects", the construction machinery industry is expected to reach a turning point at which it will stop declining and will attain stabilization. The Company has fully completed all the preparation work for switching to China IV Emission Standards and its products gradually augment its competitive strengths. As at 31 December 2014, the Company's orders on hand amounted to RMB7.5 billion. The Company budgets a sales revenue of approximately RMB101.6 billion, representing an increase of approximately 27.6% for the year of 2015, while the revenue contribution from KION is budgeted at approximately RMB36.1 billion.

III. Financial Review

1. The Group's Results of Operations

a. Revenue

The Group's revenue increased from approximately RMB58,312 million in the corresponding period in 2013 to approximately RMB79,637 million in the Year, representing an increase of approximately 36.6%. In particular, the revenue from principal operations increased by approximately 38.2%, from approximately RMB55,963 million in the corresponding period in 2013 to approximately RMB77,321 million in the Year. It was mainly attributable to the increase of approximately RMB19,975 million in sales revenue resulting from the consolidation of KION's results of operations in the second half of the Year and the sales growth of Shaanxi Heavy-duty Motor Company Limited (陝西重型汽車有限公司) and Shaanxi Fast Gear Co., Ltd. (陝西法士特齒輪有限責任公司). During the Year, Shaanxi Heavy-duty Motor Company Limited recorded an aggregate sales of approximately 91,800 units of heavy-duty trucks, representing an increase of approximately 7.0% compared to that in the corresponding period last year. Shaanxi Fast Gear Co., Ltd. recorded an aggregate sales of approximately 620,000 units of heavy-duty trucks, representing an increase of approximately 9.6% compared to that in the corresponding period last year. Other revenue remained stable at approximately RMB2,316 million for this year.

b. Profit from Principal Operations

During this year, the Group generated profit from principal operations in the amount of approximately RMB16,838 million, representing an increase of approximately 42.6% as compared to approximately RMB11,807 million recorded in the corresponding period in 2013. The Group's efforts in fostering international development, diversifying product mix and innovating and optimizing product structure have brought the profit margin of principal operations to approximately 21.8%, which was an increase of approximately 0.7 percentage point from 21.1% recorded in the corresponding period in 2013.

c. Distribution and Selling Expenses

Distribution and selling expenses increased by approximately 61.4% to approximately RMB5,088 million this year from approximately RMB3,153 million in the corresponding period of 2013. The distribution and selling expenses as a percentage of revenue increased from approximately 5.4% in the corresponding period of 2013 to approximately 6.4% in this year. It was mainly attributable to the Group's enhanced efforts in market expansion, which have contributed to the higher market expansion expenses, staff costs and travelling expenses. The high distribution and selling expenses as a percentage of revenue incurred by KION also contributed to the increase in the overall distribution and selling expenses percentage.

d. *General and Administrative Expenses*

General and administrative expenses of the Group increased by approximately 66.1% or approximately RMB2,549 million from approximately RMB3,856 million in the corresponding period in 2013 to approximately RMB6,405 million this year. The increase was mainly due to increase in external support expenses in relation to the international development of the Group, the expenses in connection with the integration of the operations of overseas subsidiaries and the consolidation of the general and administrative expenses of KION.

e. *Operating Profit before Finance Expenses*

During this year, the Group's operating profit before finance expenses increased substantially by approximately RMB1,940 million or 41.5% to approximately RMB6,613 million this year from approximately RMB4,673 million in the corresponding period in 2013. It was primarily attributable to the one-off gain of approximately RMB1,622 million in the acquisition of KION during the year, causing the Group's operating margin to rise to approximately 8.3% from approximately 8.0% for the corresponding period of 2013.

f. *Finance Expenses*

Finance expenses decreased from approximately RMB217 million in the corresponding period in 2013 to approximately RMB23 million this year. This change was mainly attributable to the increase in foreign exchange gain in respect of our borrowings in foreign currencies, which was in turn due to the depreciation of the Euro.

g. *Income Tax Expenses*

The Group's income tax expenses increased by approximately 49.3% from approximately RMB791 million in the corresponding period in 2013 to approximately RMB1,181 million in the year. During this year, the Group's average effective tax rate was approximately 17.0%, compared to approximately 17.2% in the corresponding period in 2013. The decrease in effective tax rate was mainly due to the one-off non-taxable gain arising from the consolidation of KION.

h. *Net Profit and Net Profit Margin*

The Group's net profit for this year increased by approximately 51.5% from approximately RMB3,818 million in the corresponding period of 2013 to approximately RMB5,784 million this year. During this year, the net profit margin was approximately 7.3%, representing an increase of approximately 0.7 percentage point from approximately 6.6% recorded in the corresponding period in 2013. This was primarily attributable to the effective control over costs and expenses and the one-off gain incurred during the course of consolidation of KION.

i. Liquidity and Cash Flow

During this year, the Group generated cash flow from operating activities of approximately RMB11,172 million. A portion of such proceeds was applied as investment monies for acquiring 3,263,700 KION shares by exercising the Superlift call option, and for repaying borrowings, paying for the medium-term notes in the amount of RMB1.3 billion, interest payments and the acquisition of property, plant and equipment for the expansion of the Group's business. As at 31 December 2014, the Group had a net cash (cash and cash equivalents net of interest-bearing debts) of approximately RMB1,877 million (31 December 2013: net cash (cash and cash equivalents net of interest-bearing debts) of approximately RMB2,359 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 2013: 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 2014, the Group had total assets of approximately RMB120,412 million, of which approximately RMB64,372 million were current assets. As at 31 December 2014, the Group had cash and cash equivalents of approximately RMB24,434 million (as at 31 December 2013: RMB19,580 million). On the same date, the Group's total liabilities was approximately RMB79,557 million, of which approximately RMB48,060 million were current liabilities. The current ratio was approximately 1.34x (as at 31 December 2013: 1.64x).

c. *Capital Structure*

As at 31 December 2014, the Group had total equity of approximately RMB40,854 million, of which approximately RMB32,468 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 2014 amounted to approximately RMB18,618 million, which included bonds of approximately RMB5,835 million and bank borrowings of approximately RMB12,783 million. The bank borrowings included approximately RMB3,246 million of fixed interest rate bank borrowings and approximately RMB9,537 million of floating interest rate bank borrowings. The borrowings primarily comprised Renminbi-denominated borrowings of approximately RMB3,624 million and Euro-denominated borrowings equivalent to approximately RMB14,642 million. As the revenue of the Group is mainly in Renminbi and Euro, the Group does not consider its currency risk significant. As a policy, the Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to shareholders through improving the debts and equity balance. The Group's overall strategy remains unchanged compared to prior years.

d. *Pledge of Assets*

As at 31 December 2014, bank deposits, notes receivable and accounts receivable of approximately RMB12,276 million (as at 31 December 2013: approximately RMB5,146 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 2014, the Group provided to certain distributors and agents bank guarantee amounting to approximately RMB812 million (as at 31 December 2013: approximately RMB732 million) to secure their obtaining and use of banking facilities.

On 31 December 2014, the Group provided guarantee for joint liabilities in respect of the failure of the lessee under finance lease to settle instalment payments plus interest. Possible risk exposure in respect of the guarantee for joint liabilities amounted to approximately RMB1,142 million (as at 31 December 2013: approximately RMB1,193 million).

f. *Commitments*

As at 31 December 2014, the Group had capital commitments of approximately RMB2,120 million (as at 31 December 2013: approximately RMB933 million), among which contracted capital commitments amounted to approximately RMB2,120 million, principally for the capital expenditure in respect of acquisition of property, plant and equipment. These capital expenditure will be financed by internal resources.

3. *Other Financial Information*

a. *Employees*

As at 31 December 2014, the Group had approximately 65,000 employees. During this year, the Group had paid remuneration of approximately RMB10,228 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 spent approximately RMB21 million on the provision of trainings, including more than 1,800 sessions of trainings at various levels which focused on developing middle and senior management staff members, enhancing international language development of our top management staff members, exchanges with overseas subsidiaries and training of marketing staff members etc.

b. *Major Investment*

During the year, Weichai Power (Luxembourg) Holding S. à r.l. ("Weichai Lux"), a wholly-owned subsidiary of the Company, has exercised the Superlift call option in full and further acquired 3,263,700 KION shares from Superlift Holding, S. à r.l. ("Superlift") at a total consideration of EUR95,333,723, representing 3.3% of the issued share capital of KION, and thereafter Weichai Lux became the holder of 32,933,700 KION shares, representing 33.3% of the issued share capital of KION.

KION is the largest manufacturer of industrial forklift trucks in Europe and the second largest in the world and operates its business in more than 100 countries globally within a network of around 1,300 sales and services outlets, under six brands, namely Linde, STILL, Fenwick, OM STILL, Baoli and Voltas. KION's shares are listed on the Frankfurt Stock Exchange.

Benefiting from the sound performance of the market of industrial forklift trucks in Western Europe and the strong growth in demand from Eastern Europe and Asia, KION achieved sales orders for approximately 155,000 units for the full year, representing an increase of 8.5% and outperforming the market. For the full year of 2014, KION posted a sales revenue and net profit of approximately EUR4,678 million and EUR178 million respectively.

As at 31 December 2014, KION had total assets with a book value of approximately EUR6,129 million, including current assets of approximately EUR1,604 million. On the same date, KION had total liabilities with a book value of approximately EUR4,481 million, including current liabilities of approximately EUR1,793 million.

c. *Major Acquisition and Disposal*

In this year, the Company, through its wholly-owned subsidiary, Weichai Lux, was interested in approximately 33.3% of the issued shares of KION. KION was previously treated as an associated company of the Company and was accounted for by the Company using equity method of accounting in the consolidated financial statements of the Company. Superlift informed the Company that Superlift had completed its disposal of approximately 7.6% of the shares of KION (the "Disposal") on 12 June 2014. Following the Disposal, Superlift's shareholding interest in KION has dropped from approximately 34.5% to approximately 26.9%. Thus, the Company (through Weichai Lux), being the holder of 33.3% of the issued shares of KION, held more KION shares than Superlift did after the Disposal and, accordingly, Weichai Lux became the largest shareholder of KION. Accordingly, under the voting arrangements contained in the KION Shareholders' Agreement, subject to Superlift's and Weichai Lux's respective nomination rights of the shareholder representatives of the supervisory board under the KION Shareholders' Agreement, Superlift would vote at the general meetings of KION in accordance with the voting decision of Weichai Lux in respect of certain specified important matters, namely, the appropriation of profits, the discharge of members of the management board and the supervisory board of KION, the approval of management matters as required by the management board of KION (to the extent that such matter is not a reserved matter requiring unanimous consent of Weichai Lux and Superlift under the KION Shareholders' Agreement), the approval of management matters which have been previously rejected by the supervisory board of KION, and the election of the members of the supervisory board of KION.

The Company considered that since Superlift would have to vote at the general meetings of KION in accordance with the voting decisions made by Weichai Lux in respect of the said matters following the Disposal, the Company would have control over approximately 60.2% of the voting rights of KION in the said respects, the Company had obtained effective control over KION on 12 June 2014. Pursuant to the "Accounting Standard for Business Enterprises No. 33 – Consolidated Financial Statements" (《企業會計準則第33號 – 合併財務報表》), following the Disposal, KION has been accounted for and consolidated into the consolidated financial statements of the Company as a subsidiary.

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

OTHER INFORMATION

Directors' and Supervisors' Interests in Shares and Underlying Shares

As at 31 December 2014, 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	14,710,649 *(Note 1)*	–	0.74%
Zhang Quan	Beneficial owner	3,421,081 *(Note 1)*	–	0.17%
Xu Xinyu	Beneficial owner	3,421,081 *(Note 1)*	–	0.17%
Sun Shaojun	Beneficial owner	3,421,081 *(Note 1)*	–	0.17%
Yeung Sai Hong *(Note 3)*	Held by controlled corporation	45,283,907 *(Note 2)*	–	2.26%
Julius G. Kiss *(Note 4)*	Held by controlled corporation	39,840,000 *(Note 2)*	–	1.99%
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 45,283,907 "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 39,840,000 "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 2014, 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 2014)

	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	542,500,464	27.13%	–	–	–	(75,035,712)	(75,035,712)	467,464,752	23.38%
1. State-owned shares	–	–	–	–	–	–	–	–	–
2. State-owned legal person shares	427,876,464	21.40%	–	–	–	(17,243,712)	(17,243,712)	410,632,752	20.54%
3. Shares held by other domestic entities	114,624,000	5.73%	–	–	–	(57,792,000)	(57,792,000)	56,832,000	2.84%
including: Shares held by domestic non-state-owned legal persons	57,792,000	2.89%	–	–	–	(57,792,000)	(57,792,000)	–	–
Shares held by domestic natural persons	56,832,000	2.84%	–	–	–	–	–	56,832,000	2.84%
4. Shares held by foreign entities	–	–	–	–	–	–	–	–	–
including: Shares held by overseas legal persons	–	–	–	–	–	–	–	–	–
Shares held by overseas natural persons	–	–	–	–	–	–	–	–	–
II. Non-restricted circulating shares	1,456,809,175	72.87%	–	–	–	75,035,712	75,035,712	1,531,844,887	76.62%
1. RMB ordinary shares	971,049,175	48.57%	–	–	–	75,035,712	75,035,712	1,046,084,887	52.32%
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 20 November 2014, 75,035,712 restricted circulating shares became circulating in the market, representing approximately 3.75% of the total share capital of the Company.

(II) Shareholdings of the Substantial Shareholders (as at 31 December 2014)

Total number of Shareholders The number of shareholders is 144,309 among which 144,027 are shareholders of "A" shares and 282 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%	484,268,734	–	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	–	–
Peterson Holdings Company Limited	Overseas legal person	2.26%	45,283,907	–	–
IVM Technical Consultants Wien Gesellschaft m.b.H.	Overseas legal person	1.99%	39,840,000	–	–
Shenzhen Capital Group Co., Ltd	Domestic non-state-owned legal person	1.67%	33,311,743	–	–
Shandong Enterprise Trust Operation Company Limited	Domestic non-state-owned legal person	1.25%	25,085,000	–	–
Guangxi Liugong Group Co., Ltd	State-owned legal person	0.86%	17,243,712	–	–
Tan Xuguang	Domestic natural person	0.74%	14,710,649	14,710,649	–

Shareholdings of the top ten non-restricted shareholders

Name of shareholder	Number of the non-restricted shares held	Types of shares
HKSCC Nominees Limited	484,268,734	Overseas listed foreign shares
Fujian Longyan Construction Machinery (Group) Company Limited	65,100,240	RMB ordinary shares
Peterson Holdings Company Limited	45,283,907	RMB ordinary shares
IVM Technical Consultants Wien Gesellschaft m.b.H.	39,840,000	RMB ordinary shares
Shenzhen Capital Group Co., Ltd	33,311,743	RMB ordinary shares
Shandong Enterprise Trust Operation Company Limited	25,085,000	RMB ordinary shares
Guangxi Liugong Group Co., Ltd	17,243,712	RMB ordinary shares
Credit Suisse (Hong Kong) Limited	10,974,470	RMB ordinary shares
Platinum Investment Management Limited	8,188,294	RMB ordinary shares
Zhuzhou State-owned Assets Investment Holding Group Co., Ltd	8,154,938	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, Shandong Enterprise Trust Operation Company Limited held 250,000 shares through general account, 24,835,000 shares through client account of collateral securities for margin trading at China Securities Co., Ltd., totaling 25,085,000 shares. Zhuzhou State-owned Assets Investment Holding Group Co., Ltd held 8,090,000 shares through general account, 64,938 shares through client account of collateral securities for margin trading at Guotai Junan Securities Company Limited, totaling 8,154,938 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 2014, 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	16.18%	3.93%
Lazard Asset Management LLC	Investment manager	Long	–	–	63,164,476	13.00%	3.16%
Schroders Plc	Investment manager	Long	–	–	43,753,999	9.01%	2.19%
JPMorgan Chase & Co.	Beneficial owner	Long	–	–	3,780,897	0.78%	0.19%
	Custodian – Corporation/ approved lending agent	Long	–	–	58,424,371	12.03%	2.92%
	Trustee (other than a bare trustee)	Long	–	–	576	0.00%	0.00%
	Investment manager	Long	–	–	15,300,856	3.15%	0.77%
					77,506,700	15.96%	3.88%
BlackRock, Inc.	Interest of corporation controlled by the substantial shareholders	Long	–	–	25,290,954	5.21%	1.26%
	Interest of corporation controlled by the substantial shareholders	Short	–	–	3,819,200	0.79%	0.19%
Templeton Investment Counsel, LLC	Investment manager	Long	–	–	34,224,980	7.05%	1.71%
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%

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
					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 2014.

DETAILS OF THE DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES

I. Shareholdings of the directors, supervisors and chief executives

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

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

1. At the board meeting convened on 18 February 2014, the Board considered and approved the appointment of Mr. Hu Haoyan as a Vice President of the Company.

2. At the Board meeting convened on 7 May 2014, the Board:

   (i) agreed that Mr. Chen Xuejian resign as a non-executive director and a member of the strategic development and investment committee of the Company with effect from 7 May 2014; and

(ii) agreed that Mr. Liu Zheng, Mr. Li Shihao and Mr. Li Luwen resign as independent non-executive directors and members of the relevant committees of the Board at the conclusion of the annual general meeting of the shareholders of the Company held on 30 June 2014.

3. At the conclusion of the annual general meeting of the shareholders of the Company held on 30 June 2014, Mr. Wang Yuepu was appointed as a non-executive director and a member of the strategic development and investment committee of the Company, Mr. Zhang Zhong was appointed as an independent non-executive director, the chairman of the remuneration committee and the nomination committee and a member of the audit committee of the Company, Mr. Wang Gongyong was appointed as an independent non-executive director, the chairman of the audit committee and a member of the nomination committee of the Company, and Mr. Ning Xiangdong was appointed as an independent non-executive director and a member of the audit committee 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

On 27 March 2015, the resolution on the acquisition of 4.95% issued shares of KION Group AG was considered and approved at the 2nd provisional meeting of the Board in 2015: The Company proposed to acquire, through its indirect wholly-owned subsidiary Weichai Lux, 4.9 million shares of KION Group AG held by Superlift representing approximately 4.95% of the total issued shares of KION Group AG, at a consideration of EUR38.15 per share or EUR186,935,000 in total. Upon completion of the acquisition, the Company's indirect interest in KION Group AG will increase to 38.25%.

On 30 March 2015, the 2014 profit distribution plan of the Company was considered and approved at the 7th meeting of the 3rd session of the Board: the Company proposed the distribution to all shareholders of a cash dividend of RMB1.50 (including tax) for every 10 shares held and the issuance of 10 shares to all shareholders by capitalization of surplus reserve for every 10 shares held based on the total share capital of the Company as at 31 December 2014. Completion of the proposal is subject to the consideration and approval by the 2014 Annual General Meeting, the first general meeting of holders of A Shares in 2015 and the first general meeting of holders of H Shares in 2015. Upon completion of the aforesaid issue of bonus shares, certain provisions in the articles of association of the Company will be amended accordingly, to reflect the changes in the registered capital and issued capital as a result of such issue of shares.

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. Wang Gongyong, an independent non-executive director. Mr. Wang 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 2015 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 30 March 2015.

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

The 2014 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, 30 March 2015

As at the date of this announcement, the executive Directors of the Company are Mr. Tan Xuguang, Mr. Zhang Quan, Mr. Xu Xinyu, Mr. Li Dakai, Mr. Fang Hongwei and Mr. Sun Shaojun; the non-executive Directors of the Company are Mr. Wang Yuepu, Mr. Yeung Sai Hong, Mr. Julius G. Kiss, Ms. Han Xiaoqun, Mr. Jiang Kui and Mr. Gordon Riske; and the independent non-executive Directors of the Company are Mr. Loh Yih, Mr. Chu, Howard Ho Hwa, Mr. Zhang Zhenhua, Mr. Zhang Zhong, Mr. Wang Gongyong and Mr. Ning Xiangdong.