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 2016

FINANCIAL HIGHLIGHTS

- Revenue was approximately RMB93,184 million, representing an increase of approximately 25.6%.
- Net Profit Attributable to the Shareholders of the Parent was approximately RMB2,441 million, representing an increase of approximately 72.9%.
- Basic Earnings Per Share was approximately RMB0.61, representing an increase of approximately 74.3%.

(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 2016 (the "Year"), together with comparative figures for the corresponding period of 2015 as follows:

CONSOLIDATED INCOME STATEMENT

January to December 2016 (Expressed in Renminbi Yuan)

	Notes	**2016**	2015 (Restated)
Revenue	*7*	**93,183,521,384.54**	74,167,740,555.91
Less: Cost of sales	*7*	**72,099,983,058.63**	57,063,786,786.20
Taxes and surcharges	*8*	**450,858,197.34**	188,297,189.12
Distribution and selling expenses		**7,644,628,984.86**	6,275,023,707.69
General and administrative expenses		**7,651,679,576.71**	7,231,256,933.62
Finance expenses		**198,822,884.84**	482,143,084.06
Impairment loss of assets		**984,410,371.57**	396,214,578.87
Add: Gain or loss on change of fair value		**(155,320,838.99)**	(23,353,073.10)
Investment income		**120,490,092.49**	114,954,618.74
Incl: investment income from associates and jointly controlled enterprises		**87,250,957.31**	32,180,889.65
Operating profit		**4,118,307,564.09**	2,622,619,821.99
Add: Non-operating income		**671,096,042.91**	693,782,715.39
Incl: Gain on disposal of non-current assets		**29,761,449.98**	66,967,177.83
Less: Non-operating expenses		**151,756,835.56**	190,500,931.90
Incl: Loss on disposal of non-current assets		**37,485,076.20**	26,439,247.59
Total profit		**4,637,646,771.44**	3,125,901,605.48
Less: Income tax expenses	*9*	**1,041,393,120.17**	927,787,531.09
Net profit		**3,596,253,651.27**	2,198,114,074.39
Incl: Net profit of the party being absorbed before business combinations involving entities under common control		**39,349,153.82**	35,266,773.68
Net profit attributable to the shareholders of the parent		**2,441,188,631.73**	1,412,273,295.73
Minority interests		**1,155,065,019.54**	785,840,778.66
Earnings per share			
Basic earnings per share	*10*	**0.61**	0.35
Diluted earnings per share		**0.61**	0.35

	Notes	2016	2015 (Restated)
Net other comprehensive income after tax			
Net other comprehensive income attributable to shareholders of the parent after tax	*11*	**207,406,919.44**	(114,022,771.09)
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		**(148,713,028.38)**	18,752,496.53
Share of investee's other comprehensive income not to be reclassified into profit or loss using the equity method		**(928,656.44)**	5,240,567.93
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		**518,499.84**	7,779,405.56
Change of fair value of available-for-sale financial assets		**(5,100,000.00)**	2,380,000.00
Effective portion of cashflow from hedging instrument		**(65,203,170.22)**	10,823,089.03
Exchange differences on foreign currency translation		**426,833,274.64**	(158,998,330.14)
Net other comprehensive income attributable to minority owners after tax		**304,116,926.73**	(15,335,441.49)
Total comprehensive income		**4,107,777,497.44**	2,068,755,861.81
Incl:			
Total comprehensive income attributable to the shareholders of the parent		**2,648,595,551.17**	1,298,250,524.64
Total comprehensive income attributable to minority owners		**1,459,181,946.27**	770,505,337.17

CONSOLIDATED BALANCE SHEET

31 December 2016 (Expressed in Renminbi Yuan)

ASSETS	*Notes*	**31 December 2016**	31 December 2015 (Restated)
Current assets			
Cash and cash equivalents		**27,122,981,855.33**	24,856,509,077.48
Financial assets at fair value through profit or loss		**129,296,023.50**	37,867,082.40
Notes receivable	*3*	**16,742,874,274.52**	9,276,190,961.12
Accounts receivable	*4*	**11,336,192,971.74**	9,001,693,158.45
Prepayments		**595,832,151.19**	401,700,805.42
Interests receivable		**26,284,015.32**	53,906,611.07
Dividends receivable		**9,711,108.40**	6,480,000.00
Other receivables		**820,998,530.88**	811,009,942.53
Inventories		**16,090,656,826.07**	11,922,625,796.59
Non-current assets due within one year		**1,463,427,824.40**	1,289,424,886.40
Other current assets		**2,067,737,279.12**	970,236,409.05
Total current assets		**76,405,992,860.47**	58,627,644,730.51
Non-current assets			
Available-for-sale financial assets		**498,384,350.11**	650,293,280.51
Long-term receivables		**4,029,736,734.00**	3,348,884,733.60
Long-term equity investments		**1,544,970,791.85**	1,447,150,166.18
Investment property		**608,116,592.82**	588,890,842.52
Fixed assets		**25,801,560,424.62**	23,737,017,780.62
Construction in progress		**1,642,494,423.73**	2,589,664,963.45
Materials used in construction		**–**	1,200.00
Disposal of fixed assets		**1,018,823.58**	1,846,883.91
Intangible assets		**25,362,976,371.96**	12,866,967,462.34
Development expenditure		**445,774,466.92**	466,068,766.97
Goodwill		**23,037,674,856.10**	7,786,251,491.45
Long-term prepaid expenses		**332,659,717.20**	314,381,969.58
Deferred tax assets		**4,019,599,412.58**	3,166,825,133.09
Other non-current assets		**259,720,703.00**	248,554,796.59
Total non-current assets		**87,584,687,668.47**	57,212,799,470.81
Total assets		**163,990,680,528.94**	115,840,444,201.32

LIABILITIES AND EQUITY	*Notes*	**31 December 2016**	31 December 2015 (Restated)
Current liabilities			
Short-term loans		**4,771,648,754.00**	2,961,108,213.46
Financial liabilities at fair value through profit or loss		**168,670,171.20**	92,014,803.10
Notes payable	*5*	**8,758,864,180.54**	5,520,153,136.02
Accounts payable	*6*	**21,897,787,394.18**	14,702,630,179.02
Advances from customers		**4,627,211,871.86**	1,629,901,698.66
Payroll payable		**4,168,792,146.69**	3,147,253,190.63
Taxes payable		**2,065,784,483.92**	1,244,878,351.51
Interests payable		**102,059,094.81**	208,738,518.56
Dividends payable		**3,822,409.44**	5,129,313.52
Other payables		**4,998,956,643.14**	3,849,888,402.26
Non-current liabilities due within one year		**4,624,888,126.80**	5,246,338,509.59
Other current liabilities		**2,791,896,442.25**	2,018,326,655.18
Total current liabilities		**58,980,381,718.83**	40,626,360,971.51
Non-current liabilities			
Long-term borrowings		**30,216,115,691.85**	7,283,743,346.45
Bonds payable		**2,756,201,597.01**	5,985,529,194.60
Long-term payables		**7,781,235,810.40**	6,604,099,856.80
Long-term payroll payable		**8,574,795,194.30**	6,928,175,204.92
Special payables		**43,000,000.00**	43,000,000.00
Provision		**311,033,593.20**	286,177,796.80
Deferred income		**2,574,230,514.51**	2,279,402,483.75
Deferred tax liabilities		**8,120,369,699.73**	3,825,631,719.50
Other non-current liabilities		**71,646,849.89**	41,337,675.89
Total non-current liabilities		**60,448,628,950.89**	33,277,097,278.71
Total liabilities		**119,429,010,669.72**	73,903,458,250.22

LIABILITIES AND EQUITY	*Notes*	**31 December 2016**	31 December 2015 (Restated)
Shareholders' equity			
Share capital		**3,998,619,278.00**	3,998,619,278.00
Capital reserve		**30,139,859.91**	226,885,258.23
Other comprehensive income		**(295,101,754.34)**	(502,508,673.78)
Special reserve		**98,711,320.61**	78,839,437.56
Surplus reserve		**–**	1,207,988,900.22
Retained earnings		**27,905,900,916.04**	26,930,133,835.41
Total equity attributable to the shareholders of the parent		**31,738,269,620.22**	31,939,958,035.64
Minority interests		**12,823,400,239.00**	9,997,027,915.46
Total shareholders' equity		**44,561,669,859.22**	41,936,985,951.10
Total liabilities and shareholders' equity		**163,990,680,528.94**	115,840,444,201.32

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2016

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.

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. 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.

3. 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 2016 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, warehousing technology and supply chain solution services ("Forklift trucks and supply chain solution").

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.

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

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

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

	Diesel engines	Automobiles and other major automobile components	Other components	Import & export services	Forklift trucks and supply chain solution	Total
2016						
Segment revenue:						
Sale to external customers	18,463,189,366.08	31,545,481,102.61	1,998,542,946.05	113,326,626.77	41,062,981,343.03	93,183,521,384.54
Inter-segment sale	6,357,716,808.75	5,213.68	1,079,458,822.61	28,654,798.33	–	7,465,835,643.37
Total	24,820,906,174.83	31,545,486,316.29	3,078,001,768.66	141,981,425.10	41,062,981,343.03	100,649,357,027.91
Adjustment:						
Elimination of inter-segment sale						(7,465,835,643.37)
Revenue						93,183,521,384.54
Segment results	2,970,860,299.24	(256,078,160.04)	(250,070,869.32)	10,439,154.82	2,015,511,536.55	4,490,661,961.25
Adjustment:						
Elimination of inter-segment results						(294,021,604.81)
Interest income						791,203,913.76
Dividend income and unallocated income						791,586,135.40
Corporate and other unallocated expenses						(151,756,835.56)
Finance expenses						(990,026,798.60)
Profit before tax						4,637,646,771.44
31 December 2016						
Segment assets	28,992,337,168.54	24,859,881,992.44	15,104,527,870.09	6,147,978,624.90	71,201,290,822.97	146,306,016,478.94
Adjustment:						
Elimination of inter-segment assets						(13,956,301,568.13)
Corporate and other unallocated assets						31,640,965,618.13
Total assets						163,990,680,528.94
Segment liabilities	16,111,956,906.41	21,787,738,673.45	7,355,196,028.18	487,298,077.06	31,295,857,375.20	77,038,047,060.30
Adjustment:						
Elimination of inter-segment liabilities						(9,012,678,315.46)
Corporate and other unallocated liabilities						51,403,641,924.88
Total liabilities						119,429,010,669.72
2016						
Other segment information:						
Share of profit and loss from:						
Gain/(loss) from associates	36,075,296.33	(29,469,794.17)	–	156,716.09	80,488,739.06	87,250,957.31
Reversal/(loss) of impairment of inventories	(76,657,219.59)	(307,698,934.31)	(7,397,198.36)	(1,558,240.21)	(107,175,842.96)	(500,487,435.43)
Reversal/(loss) of impairment of accounts receivable and other receivables	(8,141,938.58)	(143,024,892.08)	(2,472,133.01)	24,231.19	(49,776,505.40)	(203,391,237.88)
Reversal/(loss) of impairment of non-current assets	(2,085,443.66)	(24,000,000.00)	(249,310,454.60)	–	–	(275,395,898.26)
Depreciation and amortization	(857,735,340.16)	(981,757,232.24)	(198,116,876.11)	(25,658,551.92)	(3,963,569,410.52)	(6,026,837,410.95)
Gain/(loss) from disposal of fixed assets	12,518,657.38	(15,938.50)	(6,696,668.31)	114.09	552,672.97	6,358,837.63
Gain/(loss) from disposal of intangible assets	–	–	–	–	–	–
Investment in associates and jointly controlled enterprises	612,503,306.14	465,689,452.01	–	37,060,314.34	429,717,719.36	1,544,970,791.85
Capital expenditure	(303,891,925.12)	(671,812,706.04)	(351,531,162.22)	(2,204,559.41)	(5,438,358,080.40)	(6,767,798,433.19)

	Diesel engines	Automobiles and other major automobile components	Other components	Import & export services	Forklift trucks and supply chain solution	Total
2015						
Segment revenue:						
Sale to external customers	13,856,742,155.35	22,887,613,239.38	1,807,881,511.76	127,424,155.42	35,488,079,494.00	74,167,740,555.91
Inter-segment sale	3,533,770,893.28	–	1,077,699,078.69	31,013,683.48	–	4,642,483,655.45
Total	17,390,513,048.63	22,887,613,239.38	2,885,580,590.45	158,437,838.90	35,488,079,494.00	78,810,224,211.36
Adjustment:						
Elimination of inter-segment sale						(4,642,483,655.45)
Revenue						74,167,740,555.91
Segment results	1,522,353,421.58	(504,145,202.40)	(25,040,400.31)	(60,423,337.86)	1,948,589,164.00	2,881,333,645.01
Adjustment:						
Elimination of inter-segment results						108,474,642.30
Interest income						915,720,889.55
Dividend income and unallocated income						808,737,334.13
Corporate and other unallocated expenses						(190,500,931.90)
Finance expenses						(1,397,863,973.61)
Profit before tax						3,125,901,605.48
31 December 2015						
Segment assets	21,111,090,626.18	21,676,364,487.36	11,614,982,630.41	6,591,253,116.32	36,464,314,470.54	97,458,005,330.81
Adjustment:						
Elimination of inter-segment receivables						(10,021,867,106.57)
Corporate and other unallocated assets						28,404,305,977.08
Total assets						115,840,444,201.32
Segment liabilities	10,260,459,640.27	15,581,716,794.59	7,657,624,815.18	674,649,449.64	22,685,780,958.40	56,860,231,658.08
Adjustment:						
Elimination of inter-segment payables						(8,864,846,861.18)
Corporate and other unallocated liabilities						25,908,073,453.32
Total liabilities						73,903,458,250.22
2015						
Other segment information:						
Share of profit and loss from:						
Gain/(loss) from associates	(16,196,195.63)	(31,255,022.41)	–	220,916.88	79,411,190.81	32,180,889.65
Reversal/(loss) of impairment of inventories	(23,961,552.71)	(104,622,784.83)	(655,959.45)	(975,889.61)	(54,484,424.00)	(184,700,610.60)
Reversal/(loss) of impairment of accounts receivable and other receivables	1,484,935.40	(115,553,763.24)	(1,470,852.97)	(184,320.82)	(57,519,826.00)	(173,243,827.63)
Reversal/(loss) of impairment of non-current assets	(3,000,000.00)	(6,637,369.07)	–	–	(28,284,112.00)	(37,921,481.07)
Depreciation and amortization	(845,929,743.22)	(956,977,770.10)	(184,200,238.47)	(25,782,852.69)	(3,361,092,994.00)	(5,373,983,598.48)
Gain/(loss) from disposal of fixed assets	12,699,756.92	4,955,150.73	(138,404.29)	167.78	(2,771,454.00)	14,745,217.14
Gain/(loss) from disposal of intangible assets	–	1,252,463.67	–	–	–	1,252,463.67
Investment in associates and jointly controlled enterprises	516,578,752.01	500,760,648.66	–	34,876,194.36	394,934,571.15	1,447,150,166.18
Capital expenditure	(1,010,160,552.13)	(979,399,961.35)	(346,202,610.29)	(8,895,732.77)	(4,708,860,104.00)	(7,053,518,960.54)

Group information

Information about products and services

Revenue from external transactions

	2016	2015
Complete vehicles and key components	**37,485,531,426.96**	26,751,074,280.85
Non-automobile engines	**6,632,102,155.29**	4,067,451,221.01
Other non-major automobile components	**4,776,948,770.74**	4,409,349,371.17
Forklift trucks and supply chain solution	**41,062,981,343.03**	35,488,079,494.00
Others	**3,225,957,688.52**	3,451,786,188.88
	93,183,521,384.54	74,167,740,555.91

Geographic information

Revenue from external transactions

	2016	2015
China	**48,804,399,222.66**	33,972,377,776.91
Other countries and regions	**44,379,122,161.88**	40,195,362,779.00
	93,183,521,384.54	74,167,740,555.91

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

Total non-current assets

	31 December 2016	31 December 2015
China	**17,835,356,526.53**	18,680,540,086.07
Other countries and regions	**61,168,233,182.85**	31,347,383,005.54
	79,003,589,709.38	50,027,923,091.61

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

Information about major customers

Revenue of RMB3,002,580,813.97 (2015: RMB1,856,614,955.55) 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 2016	31 December 2015
Bank acceptance bills	**16,738,403,958.52**	9,237,895,961.12
Commercial acceptance bills	**4,470,316.00**	38,295,000.00
	16,742,874,274.52	9,276,190,961.12

Notes receivable that were pledged are presented as follows:

	2016	2015
Bank acceptance bills	**5,263,763,893.86**	2,511,424,512.27

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

	2016		2015	
	Derecognition	**No derecognition**	Derecognition	No derecognition
Bank acceptance bills	**3,868,438,322.72**	**–**	2,907,870,084.96	–
Commercial acceptance bills	**4,345,132.00**	**4,470,316.00**	–	6,893,000.00
	3,872,783,454.72	**4,470,316.00**	2,907,870,084.96	6,893,000.00

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

	2016		2015	
	Derecognition	**No derecognition**	Derecognition	No derecognition
Bank acceptance bills	**5,170,000.00**	**–**	44,487,805.36	–

As at 31 December 2016 and 31 December 2015, 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. Accounts receivable is non-interest bearing.

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

	31 December 2016	31 December 2015
Within 3 months	**8,252,128,633.29**	6,281,212,024.24
3 to 6 months	**1,448,583,141.59**	1,165,007,780.67
6 months to 1 year	**997,629,041.10**	950,444,076.45
1 to 2 years	**508,279,954.23**	697,420,683.66
2 to 3 years	**468,393,039.64**	230,497,732.65
Over 3 years	**805,237,129.91**	614,417,642.49
	12,480,250,939.76	9,938,999,940.16
Less: provision for bad debt in respect of accounts receivable	**1,144,057,968.02**	937,306,781.71
	11,336,192,971.74	9,001,693,158.45

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

	31 December 2016	31 December 2015
Closing balance as of the previous year end	**937,306,781.71**	822,420,507.83
Business combination under common control	**–**	1,217,986.36
Opening balance	**937,306,781.71**	823,638,494.19
Provision for the year	**251,651,180.10**	204,386,461.85
Reversed for the year	**(45,116,426.01)**	(50,639,179.55)
Write-off for the year	**(2,509,812.74)**	(21,782,305.47)
Decrease upon disposal of subsidiaries	**–**	(15,135,439.48)
Adjustment for exchange differences	**2,726,244.96**	(3,161,249.83)
Closing balance	**1,144,057,968.02**	937,306,781.71

	31 December 2016			
	Gross carrying amount	**Proportion** *(%)*	**Provision for bad debt**	**Percentage** *(%)*
Individually significant items for which provision for bad debt is recognized separately	**1,083,724,304.59**	**8.69**	**442,290,597.67**	**40.81**
Items for which provision for bad debt is recognized by group with distinctive credit risk characteristics	**10,941,690,683.36**	**87.67**	**605,279,723.50**	**5.53**
Not individually significant items for which provision for bad debt is recognized separately	**454,835,951.81**	**3.64**	**96,487,646.85**	**21.21**
	12,480,250,939.76	**100.00**	**1,144,057,968.02**	

	31 December 2015			
	Gross carrying amount	Proportion (%)	Provision for bad debt	Percentage (%)
Individually significant items for which provision for bad debt is recognized separately	560,344,327.43	5.64	348,742,189.60	62.24
Items for which provision for bad debt is recognized by group with distinctive credit risk characteristics	9,145,325,078.82	92.01	483,234,359.85	5.28
Not individually significant items for which provision for bad debt is recognized separately	233,330,533.91	2.35	105,330,232.26	45.14
	9,938,999,940.16	100.00	937,306,781.71	

As at 31 December 2016, 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
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	49,122,478.71	100%	Bad repayment ability
Shaanxi Rong Chang Yuan Trading Co., Ltd	43,173,316.66	38,855,985.00	90%	No full coverage of preservation
Anhui Anyu Engineering Machinery Sales Co., Ltd	42,763,993.80	8,552,798.76	20%	Bad repayment ability
Dalian Shaanxi Automobile Sales Co., Ltd	40,516,068.59	32,412,854.87	80%	Bad repayment ability
Hubei Space Shuanglong Special Purpose Vehicle Co., Ltd.	35,611,768.86	28,489,415.09	80%	Company dissolved
Nanjing Lerong Trading Company Limited	32,989,886.43	31,340,392.11	95%	Assets have been preserved
Fujian Zhongxin Dingxing Automobile Sales Service Company Limited	32,641,150.80	13,056,460.32	40%	Litigation
Shaanxi Eurostar Auto Co., Ltd.	28,128,335.47	25,328,330.79	90%	Long credit age
Shandong Liugong Concrete Equipment Company Limited	26,400,747.00	10,560,298.80	40%	Litigation
Others	695,412,321.67	153,337,157.22	22%	Long credit age etc.
	1,083,724,304.59	442,290,597.67		

As at 31 December 2015, 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
Shanxi Tong Tai Automobile Sales Services Co., Ltd	56,927,140.00	51,234,426.00	90%	Long credit age
OOO SHANKSIRUS	50,219,167.38	12,554,791.85	25%	Long credit age
Guangzhou Jinqi Trading Company Limited	49,159,575.31	49,159,575.31	100%	Bad repayment ability
Shaanxi Rong Chang Yuan Trading Co., Ltd	43,173,316.66	38,855,984.99	90%	Not full coverage of preservation
Anhui Anyu Engineering Machinery Sales Co., Ltd	42,763,993.80	17,105,597.52	40%	Bad repayment ability
Hubei Aoma Special Automobile Co., Ltd.	42,054,011.99	8,410,802.40	20%	Legal actions in progress
Dalian Shaanxi Automobile Sales Co., Ltd	40,513,268.59	32,410,614.87	80%	Bad repayment ability
RITA VO CO., LTD (Vietnam)	38,124,056.16	190,620.28	1%	No recourse by bank, account receivable transferred
Hubei Space Shuanglong Special Purpose Vehicle Co., Ltd.	35,611,768.86	24,928,238.20	70%	Company dissolved
Nanjing Lerong Trading Company Limited	33,443,140.43	30,098,826.39	90%	Assets have been preserved
Others	128,354,888.25	83,792,711.79	65%	Cessation of business
	560,344,327.43	348,742,189.60		

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

	31 December 2016				31 December 2015			
	Gross carrying amount	**Proportion (%)**	**Provision for bad debt**	**Percentage (%)**	Gross carrying amount	Proportion (%)	Provision for bad debt	Percentage (%)
Within 1 year	**3,454,618,906.80**	**80.52**	**172,730,945.34**	**5.00**	3,572,430,749.84	82.21	164,482,221.25	4.60
1 to 2 years	**285,450,040.46**	**6.65**	**40,891,768.47**	**14.33**	462,154,018.10	10.63	66,464,086.92	14.38
2 to 3 years	**308,401,874.67**	**7.19**	**91,205,310.70**	**29.57**	141,481,172.05	3.26	42,454,296.62	30.01
3 to 4 years	**88,149,405.72**	**2.05**	**44,074,702.85**	**50.00**	16,179,303.99	0.37	8,081,230.12	49.95
4 to 5 years	**14,446,863.87**	**0.34**	**11,557,491.10**	**80.00**	24,292,305.44	0.56	19,433,844.35	80.00
Over 5 years	**139,550,437.44**	**3.25**	**139,550,437.44**	**100.00**	129,282,060.59	2.97	129,282,060.59	100.00
	4,290,617,528.96	**100.00**	**500,010,655.90**	**11.65**	4,345,819,610.01	100.00	430,197,739.85	9.90

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

	2016				2015			
	Gross carrying amount	**Proportion (%)**	**Provision for bad debt**	**Percentage (%)**	Gross carrying amount	Proportion (%)	Provision for bad debt	Percentage (%)
Neither overdue nor impaired	**4,694,800,367.08**	**70.59**	**–**	**–**	3,636,931,783.63	75.78	–	–
Due and impaired	**764,445,113.78**	**11.49**	**105,269,067.60**	**13.77**	302,437,676.58	6.30	53,036,620.00	17.54
Due and not impaired	**1,191,827,673.54**	**17.92**	**–**	**–**	860,136,008.59	17.92	–	–
	6,651,073,154.40	**100.00**	**105,269,067.60**	**1.58**	4,799,505,468.80	100.00	53,036,620.00	1.11

As at 31 December 2016, the top five balances in respect of accounts receivable had a total closing balance of RMB1,011,623,448.77, accounting for 8.11% of the total of closing balance of accounts receivable. The closing balance in respect of bad debt provided for the top five amounted to RMB29,654,169.13.

As at 31 December 2015, the top five balances in respect of accounts receivable had a total closing balance of RMB570,645,024.37, accounting for 5.74% of the total of closing balance of accounts receivable. The closing balance in respect of bad debt provided for the top five amounted to RMB37,960,889.31.

As at 31 December 2016, no accounts receivable had been pledged for securing bank borrowings (31 December 2015: RMB1,625,574,176.80).

5. NOTES PAYABLE

	31 December 2016	31 December 2015
Bank acceptance bill	**7,896,723,878.02**	5,365,589,759.34
Commercial acceptance bills	**862,140,302.52**	154,563,376.68
Total	**8,758,864,180.54**	5,520,153,136.02

As at 31 December 2016, the Group had no notes payable which were due and outstanding (31 December 2015: Nil).

6. ACCOUNTS PAYABLE

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

	31 December 2016	31 December 2015
Accounts payable	**21,897,787,394.18**	14,702,630,179.02

As at 31 December 2016, the aging analysis of accounts payable based on the invoice date is presented as follows:

	31 December 2016	31 December 2015
Within 3 months	**18,774,819,894.45**	11,683,722,214.26
3 to 6 months	**1,386,917,840.71**	1,602,521,660.38
6 months to 1 year	**951,451,948.60**	634,628,115.29
Over 1 year	**784,597,710.42**	781,758,189.09
Total	**21,897,787,394.18**	14,702,630,179.02

As at 31 December 2016, there was no material accounts payable which aged over one year (31 December 2015: 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.

	2016		2015	
	revenue	**cost**	revenue	cost
Principal operations	**91,147,837,519.65**	**70,166,935,796.12**	72,632,806,564.05	55,699,900,689.19
Other revenue	**2,035,683,864.89**	**1,933,047,262.51**	1,534,933,991.86	1,363,886,097.01
	93,183,521,384.54	**72,099,983,058.63**	74,167,740,555.91	57,063,786,786.20

Revenue is listed as follows:

	2016	2015
Revenue from principal operations		
Sales of goods and others	**50,084,856,176.62**	37,144,805,198.88
Forklift trucks production, warehousing technology and supply chain solution services	**41,062,981,343.03**	35,488,001,365.17
	91,147,837,519.65	72,632,806,564.05
Other revenue		
Sales of materials	**1,378,457,250.81**	878,275,811.23
Sales of power	**51,143,589.11**	33,026,957.35
Lease income	**90,634,219.24**	81,939,932.09
Provision of non-industrial labour	**36,311,349.82**	40,947,385.05
Others	**479,137,455.91**	500,743,906.14
	2,035,683,864.89	1,534,933,991.86
	93,183,521,384.54	74,167,740,555.91

8. TAXES AND SURCHARGES

	2016	2015
Business tax	**21,266,720.78**	8,155,612.39
City construction tax	**149,224,459.50**	89,525,651.41
Educational surtax	**106,722,593.87**	61,900,626.11
Land use tax	**45,168,952.39**	–
Vehicle and vessel tax	**70,418.03**	–
Stamp duty	**27,443,642.06**	–
Property tax	**78,648,803.35**	–
Others	**22,312,607.36**	28,715,299.21
	450,858,197.34	188,297,189.12

9. INCOME TAX EXPENSES

	2016	2015
Current tax expenses	**1,467,719,825.72**	1,192,969,219.02
Deferred tax expenses	**(426,326,705.55)**	(265,181,687.93)
	1,041,393,120.17	927,787,531.09

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

		2016	2015
Total profit		**4,637,646,771.44**	3,125,901,605.48
Tax at statutory tax rate	*Note 1*	**1,159,411,692.86**	781,475,401.37
Effect of different tax rates applicable to parent company and some subsidiaries	*Note 2*	**(269,340,327.32)**	(169,653,745.28)
Effect of tax rate adjustment on opening deferred tax		**(8,406,876.21)**	84,538,819.26
Adjustments to current tax of previous periods		**2,890,836.39**	180,353,655.69
Profit and loss attributable to associates and jointly controlled enterprises		**(7,541,386.53)**	(13,253,600.52)
Non-taxable income		**(127,809,991.84)**	(50,448,361.09)
Expenses not deductible for tax		**111,377,381.60**	93,742,592.37
Tax incentives on eligible expenditures		**(118,835,074.26)**	(64,566,747.46)
Utilization of deductible losses from prior years		**(20,719,117.47)**	(229,768,923.13)
Unrecognized deductible losses		**300,884,554.36**	229,920,171.70
Effect of unrecognized deductible temporary difference		**27,797,496.54**	62,367,297.38
Others		**(8,316,067.95)**	23,080,970.80
Tax expense at the Group's effective tax rate		**1,041,393,120.17**	927,787,531.09

Note 1: The Company is subject to a statutory tax rate of 25%.

Note 2: The PRC 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:

	2016	2015
Earnings		
Net profit of the current year attributable to ordinary shareholders of the Company	**2,441,188,631.73**	1,412,273,295.73
Shares		
Weighted average number of the ordinary shares outstanding of the Company	**3,998,619,278.00**	3,998,619,278.00
EPS (RMB/share)	**0.61**	0.35

The Company holds no potential shares that are significantly dilutive.

11. OTHER COMPREHENSIVE INCOME

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

	1 January 2015	**Increase/ Decrease**	**31 December 2015**	**Increase/ Decrease**	**31 December 2016**
Changes arising from re-measuring net assets or net liabilities of defined benefit plan	(399,400,214.14)	23,664,201.02	(375,736,013.12)	(184,215,626.51)	(559,951,639.63)
Share of investee's other comprehensive income not to be reclassified into profit or loss using the equity method	(169,889,140.76)	5,240,567.93	(164,648,572.83)	(928,656.44)	(165,577,229.27)
Share of investee's other comprehensive income to be reclassified into profit or loss using the equity method	26,376,302.58	7,779,405.56	34,155,708.14	518,499.84	34,674,207.98
Change of fair value of available-for-sale financial assets	56,400,000.00	2,800,000.00	59,200,000.00	(6,000,000.00)	53,200,000.00
Effective portion of cashflow from hedging	(6,420,300.47)	13,089,207.22	6,668,906.75	(66,499,896.80)	(59,830,990.05)
Exchange differences on foreign currency translation	12,563,549.71	(158,998,330.14)	(146,434,780.43)	426,833,274.64	280,398,494.21
Relevant income tax effect	91,883,900.39	(7,597,822.68)	84,286,077.71	37,699,324.71	121,985,402.42
	(388,485,902.69)	(114,022,771.09)	(502,508,673.78)	207,406,919.44	(295,101,754.34)

Incurred in current period for other comprehensive income:

2016

	Incurred pre-tax	Less: Amount recognised in other comprehensive income in previous period and recognised in profit or loss in current period	Less: income tax	Attributable to parent company	Attributable to minority interests
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	**(514,026,803.88)**	**–**	**(122,714,783.28)**	**(148,713,028.38)**	**(242,598,992.22)**
Share of investee's other comprehensive income not to be reclassified into profit or loss using the equity method	**(1,753,632.01)**	**–**	**–**	**(928,656.44)**	**(824,975.57)**
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	**979,111.20**	**–**	**–**	**518,499.84**	**460,611.36**
Change of fair value of available-for-sale financial assets	**(6,000,000.00)**	**–**	**(900,000.00)**	**(5,100,000.00)**	**–**
Exchange portion of cashflow from hedging	**245,600,620.34**	**321,467,546.25**	**(3,229,605.60)**	**(65,203,170.22)**	**(7,434,150.09)**
Exchange differences on foreign currency translation	**981,347,707.89**	**–**	**–**	**426,833,274.64**	**554,514,433.25**
	706,147,003.54	**321,467,546.25**	**(126,844,388.88)**	**207,406,919.44**	**304,116,926.73**

2015

	Incurred pre-tax	Less: Amount recognised in other comprehensive income in previous period and recognised in profit or loss in current period	Less: income tax	Attributable to parent company	Attributable to minority interests
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	99,851,671.98	–	32,072,432.56	18,752,496.53	49,026,742.89
Share of investee's other comprehensive income not to be reclassified into profit or loss using the equity method	13,700,831.20	–	–	5,240,567.93	8,460,263.27
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	2,611,033.60	–	–	7,779,405.56	(5,168,371.96)
Change of fair value of available-for-sale financial assets	2,800,000.00	–	420,000.00	2,380,000.00	–
Effective portion of cashflow from hedging	148,381,917.60	114,161,768.00	5,924,492.00	10,823,089.03	17,472,568.57
Exchange differences on foreign currency translation	(244,124,974.40)	–	–	(158,998,330.14)	(85,126,644.26)
	23,220,479.98	114,161,768.00	38,416,924.56	(114,022,771.09)	(15,335,441.49)

12. DIVIDENDS

	2016	2015
	RMB'000	*RMB'000*
Proposed final dividends – RMB0.25 (2015: RMB0.10) per ordinary share	**999,655**	399,862

On 29 March 2017, the Company's 2016 profit distribution proposal was approved by the Company's 5th meeting of the fourth session of the Board: the Company proposed the distribution to all shareholders of a cash dividend of RMB2.50 (including tax) and 10 bonus shares (including tax) for every 10 shares, based on the total share capital of 3,998,619,278 shares, without any capitalisation of reserve. Completion of the proposal is subject to the consideration and approval by the 2016 Annual General Meeting, the first Class Meeting of the A Shareholders in 2017 and the first Class Meeting of the H Shareholders in 2017.

13. COMPARATIVE FIGURES

The merger and absorption of Weichai (Weifang) Medium-duty Diesel Engine Co., Ltd. during the year, which is considered a business combination under common control, has been accounted for as if it had been consolidated as at the beginning of the period pursuant to the "Accounting Standard for Business Enterprises No. 20 – Business Combination"(《企業會計準則第20號－企業合併》), and opening data are dealt with on a retrospective basis.

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 2016.

I. REVIEW OF OPERATIONS

In 2016, faced with complicated and volatile international and domestic environment, the Chinese government promoted and advanced the "Five-in-One" overall layout and the "Four Comprehensive Strategic Blueprint". It insisted upon the general working theme of making progress while maintaining stability, actively adapting to and pioneering amidst the "new norms" in economic development. Emphasizing structural reforms of the supply aspect and appropriately expanding total demand, the Government facilitated reforms with steadfast commitment and properly responded to challenges posed by risks, cultivating positive social expectations. The overall economic performance has found stability within slowing growth and demonstrated positivity amidst stability. In 2016, the national gross domestic product reached RMB74.4 trillion, representing a year-on-year growth of 6.7%.

During the reporting period, under the influence of a multitude of factors including the implementation of the Guobiao GB1589-2016 standard and the new anti-overloading policies, fostering of PPP (Public Private Partnership) projects and acceleration of infrastructural investments, the heavy-duty truck industry in the PRC realized substantial growth. Annual sales volume reached 733,000 units, representing a year-on-year increase of 33.1%. Further, the transfer to the Company of 100% equity interest in Weichai (Weifang) Medium-duty Diesel Engine Co., Ltd. ("Weichai Medium") was completed in October 2016. During the reporting period, the Company reported sales of 198,000 units of heavy-duty truck engines (including Weichai Medium), representing a year-on-year growth of 67.8%. The Company maintained its leading position in the industry with its market share of 27%. 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 82,000 units of heavy-duty trucks for the year, representing a year-on-year increase of 46.9% and ranked fourth in the domestic heavy-duty truck industry in the PRC, further boosting its competitiveness. 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 sales of 501,000 units of gear boxes, representing a year-on-year increase of 23.2%.

During the reporting period, fixed-asset investments in the PRC (excluding agricultural households) reached RMB59.7 trillion, representing a year-on-year growth of 8.1%, a drop of 1.9 percentage points in growth rate year-on-year. The total planned investments for newly-commenced construction projects reached RMB49.3 trillion, representing a year-on-year growth of 20.9%, an increase of 15.4 percentage points in growth rate year-on-year. Investments in property development reached RMB10.3 trillion, representing a year-on-year growth of 6.9%, an increase of 5.9 percentage points in growth rate year-on-year. As such, the construction machinery industry rebounded from its trough and the trend of recovery was apparent. In 2016, the construction machinery market reported sales of approximately 399,000 units, representing a year-on-year growth of 8.5%, among which, the sales volume of wheel loaders with a load capacity of 5 tonnes was

42,000 units, representing a year-on-year increase of 0.04%.The Company sold a total of 32,000 units of engines for wheel loaders with a load capacity of 5 tonnes, representing a year-on-year increase of 19.4%. The Company continued to maintain a leading position in the market of wheel loaders with a load capacity of 5 tonnes with a market share of 76.2%.

During the reporting period, under the influence of a multitude of factors including downturn in macro-economy conditions and volatility in overseas markets, there was a downturn in the overall passenger vehicles market in 2016, which reported an aggregate sales figure of 543,000 units (including incomplete passenger vehicles) for the whole year, representing a year-on-year decrease of 8.8%. Among such, benefiting from policies on the national subsidy of new energy and regulatory tightening on emissions, the new-energy passenger vehicles reported an aggregate sales figure of 107,000 units, representing a year-on-year increase of 31.5%. The new-energy passenger vehicles segment grew substantially and became a major force in driving the growth of the passenger vehicles market, especially for medium-sized passenger vehicles, which reported an aggregate sales figure of 99,000 units, representing a year-on-year increase of 26.1%. Under the substitution effect of other means of transportation such as national express rail, the performances of long-distance passenger transportation and tourist passenger transportation market sectors were both unsatisfactory, reporting an aggregate sales figure of 103,000 units, representing a year-on-year decrease of 9.6%. During the reporting period, the Company's aggregate sales of engines for use in large and medium-sized passenger vehicles amounted to 22,000 units (including Weichai Medium), representing a year-on-year increase of 5.8%, and accounting for 11.3% of the market share of large-sized and medium-sized passenger vehicles.

During the reporting period, the Company advanced with structural adjustments of its products and businesses based on market conditions, leading to a more healthy and balanced structure with increasing market competitiveness. In 2016, the upgrade of "Landking" engine products was steadily promoted. The sales figure for 10L and 12L engines was 218,000 units, maintaining the stable leading position of heavy-duty engine products in the heavy-duty truck market, the market of wheel loaders with a load capacity of 5 tonnes and the market of passenger vehicles with a span of over 11 metres. Meanwhile, sales of strategic products and in strategic markets grew substantially. The sales of Yangchai VM engines increased by 70.9% year-on-year to 19,023 units, the sales of WP13 engines increased by 11.5 times to 15,494 units, the sales of new-energy power system increased by 5 times to 2,991 units, the sales of engines for use in agricultural equipment increased by 2.9 times to 15,383 units (including Weichai Medium) and the sales of engines for use in forklift trucks increased by 56.5% to 2,417 units. During the same period, Shaanxi Heavy-duty Motor Company Limited, a controlling subsidiary of the Company, completed the product mix allocation for various series of products such as X3000, M3000 and L3000, extending the product platform from heavy-duty trucks to medium-duty trucks, thereby highlighting the advantages of products with their series-based, platform-based and market-leading elements while concurrently achieving first-ranking sales volume growth in the industry. Relying on the advantages of leading quality and technical innovation, Shaanxi Fast Gear Co., Ltd. continued to speed up the structural adjustments of its products. Eight series of products such as the self-developed S-series gear boxes and AMT/AT auto transmission gear boxes, as well as new-energy products such as wheel reducers were competitive in capturing leading market position and enjoyed advantages in terms of scaled development.

During the reporting period, the Company was committed to the main working themes of the three major campaigns of "Cost reduction, loss elimination and fostering innovation", "3+1" formula and the thirteen battles, strictly adhering to the notion of reforms and innovations, fostering structural adjustments, maintaining a positive development trend, and substantially uplifting the quality of operation and profitability. Firstly, we streamlined the cost management and control system of innovative products in order to form an all-series and fully-segmented market gross profit planning, which serves as a benchmark for setting target costs for new product development and lowering the costs of existing products, thereby creating cost differentiation advantages. Secondly, we moved steadfastly towards high-end development by continuing to enhance the technology innovation mechanism and releasing our technicians' vitality of innovation, and kick-starting the high-end engines R&D projects represented by WP13, WP17 and D-series products, striving to become the best in the world. Thirdly, we fostered solid management innovation, committed to using indicators to unify our management language to improve efficiency through order, pin-pointed customers' needs under our methodology and enhanced corporate value with our services, putting in place the WOS management operation system which is feasible, exportable and evaluable. Fourthly, we fostered smart manufacturing base infrastructure and achieved breakthroughs in the five major business areas, which include R&D technology, supply chain, marketing services, functions management and control and infrastructure, and promoted corporate agile manufacturing capabilities with "low cost, high efficiency and high quality". Fifthly, we insisted on the "dual-wheel driving" of both product operation and capital operation, steadily pushing forward our strategy of internationalization and realising export growth against the adversity faced by the market. Overseas businesses, which were in general positive, became an important source of profit which supported our corporate development.

During the reporting period, the Company's revenue increased by 25.6% compared with that in 2015 to approximately RMB93,184 million. The net profit attributable to shareholders of the listed company was approximately RMB2,441 million, representing an increase of 72.9% compared with that in 2015. The basic earnings per share was RMB0.61, representing an increase of 74.3% compared with that in 2015.

II. DIVIDENDS AND ISSUE OF BONUS SHARES

Putting shareholders' interests and returns as its top priority, the Company has maintained a relatively stable dividend policy. On 29 March 2017, the Company's 2016 profit distribution proposal was approved by the Company's 5th meeting of the fourth session of the Board: the Company proposed the distribution to all shareholders of a cash dividend of RMB2.50 (including tax) for every 10 shares held and an issuance of 10 bonus shares (including tax) for every 10 shares held, based on the total share capital of 3,998,619,278 shares, without any capitalisation of reserve. Completion of the proposal is subject to the consideration and approval by the 2016 Annual General Meeting, the first Class Meeting of the A Shareholders in 2017 and the first Class Meeting of the H Shareholders in 2017. Please refer to the further announcement to be issued by the Company for details on the closure of registers of members in determining the shareholders who are eligible for the final dividend.

III. ACQUISITION AND CONSOLIDATION

In 2016, KION Group AG ("KION"), an overseas subsidiary of the Company running with a stable development, acquired the entire interests in Dematic, a globally leading automated logistics supplier, at a consideration of EUR2.1 billion, hence becoming a global leader in the intralogistics solution sector.

In order to further enhance the core competitiveness of the Company, improve the level of its international operation, and strengthen the Group's allocation of quality overseas resources, the Company increased its shareholding in KION to 43.26% through subscribing new offer shares of KION and acquiring shares from the secondary markets, maintaining the Company's status as the single largest shareholder of KION.

In order to become a major operation platform of high speed diesel engine, the Company acquired 100% equity interest of Weichai Medium held by Weichai Group Holdings Limited, speeding up the resource integration of high speed diesel engine business under Weichai Group Holdings Limited.

IV. OUTLOOK AND PROSPECTS

Going into 2017, the global economy will continue to see a sluggish growth with a weak recovery, with factors of uncertainty and instability on the rise. Donald Trump's "America First" policy raised expectations of the growth of the American economy, but also brought immense uncertainty to the global economic recovery. Under the influence of a series of political uncertainties, such as Brexit, the Italian constitutional referendum, elections in France and Germany, and a wave of anti-globalization movements, greater challenges lie ahead for the economic recovery within the European Union. After many years of adjustment, the emerging markets and developing economies have seen increasing momentum in the expansion of their domestic demand, with more stable growth prospects. The pace of growth of these economies is expected to accelerate. Generally speaking, the global economy is expected to grow at approximately 3.4%. Domestically, the Chinese Government settled on the economic policy framework of adapting to the "new norm", guided by the five development visions with supply-side reforms as the centerpiece, taking the approach of making progress while maintaining stability. The Chinese Government will thoroughly implement the policy of decapacitizing, eliminating excessive inventories, deleveraging, cost-cutting and mitigating underlying shortcomings, speeding up the fundamental and key reforms in areas such as state-owned enterprises, taxation, finance and social security, massively revitalizing the real economy and stepping up the coordination and management of the real property sector. The overall Chinese economy will sustain a stable pace of growth, with the annual gross domestic product growth rate estimated at approximately 6.5%.

The Company is cautiously optimistic about the development trend of its related industries. In 2017, it is expected that the Chinese heavy-duty truck market will attain a sales volume of 800,000 units, representing a year-on-year growth of 9.2%. The increase is mainly attributable to the following reasons. Firstly, the prompt implementation of Public Private Partnership projects and "mega infrastructure" projects worth RMB4.7 trillion, has increased the sources of demand for heavy-duty trucks. Secondly, the clean-up of the hazardous chemicals market, the tightened management over the measurement and overloading of trucks and the weighting of trucks in the licensing process accelerated the replacement of heavy-duty trucks. Thirdly, with the emergence of e-commerce logistical planning, the development of logistics industry will become more efficient and standardized, bringing huge opportunities to the heavy-duty truck industry. The engineering vehicles market is expected to recover steadily. The trend of highly efficient logistics and transportation services going high-end is becoming increasingly apparent. The sales volume of high-speed, standardized models will gradually increase, while the demand for high-emission, high-powered vehicles is also on the rise.

In 2017, buoyed by factors such as the investments in infrastructure and newly-commenced construction projects, and a stable demand for replacement vehicles, the construction machinery industry will continue to recover. Firstly, at the macro level, investments in public-private partnership projects are expected to remain strong, improving the likelihood of the implementation of such projects. The State is expected to step up its investments in the fields of transportation infrastructure, ranging from railway systems to urban rail transits. The mining industry can expect to realize short-term rebound. Secondly, at the industry level, the demand for replacement vehicles will remain stable, but the difficult mission of decapacitizing and eliminating excessive inventories lie ahead. Thirdly, at the export level, the state will proceed steadily in implementing the "One Belt and One Road" policy. As the demand for high-end products in the economies in Europe and America keeps growing, there is room for recovery in foreign demand.

With effect from 1 January 2017, the China V Emission Standards will apply to the manufacturing, importing, sale and registration of all petrol-driven light vehicles and diesel-driven heavy-duty vehicles (for passenger, public transportation, environment and hygiene, and postal use) in China. With effect from 1 July 2017, China V Emission Standards will apply to the manufacturing, importing, sale and registration of all diesel-driven heavy-duty vehicles. With effect from 1 January 2018, the China V Emission Standards will apply to the manufacturing, importing, sale and registration of all diesel-driven light vehicles in China. As such, some segments of the market will experience a new round of shuffling and the elimination of backward production capacities will be accelerated. Leveraging upon the synergy presented by its globally coordinated R&D, advanced technology in smart manufacturing, product and service diversity and its strong base of loyal customers, the Company has actively responded by starting its preparation work in advance. Having essentially completed the upgrade and replacement of products of engines and heavy-duty trucks, the Company is poised to maintain its leading position in the market of high-power engines, heavy-duty gear boxes and complete heavy-duty trucks. The Board has full confidence in the development prospect of the Company.

In early 2017, through strategic decoding, the Company identified thirteen battles that it must win and formulated detailed action plans. This year, the Company will commit to the main theme of "strengthening its base and operations, seizing and capturing markets, speeding up innovation and striving to excel in the Company's development", along with the thirteen battles, and work strenuously on the following:

Firstly, the Company will strengthen the development of its "Three Core Competitiveness" in terms of cost, technology and quality by redoubling its efforts at controlling expenses, exploring the potential for cutting costs, developing the advantage of diversified products and costs, and raising the profitability of the Company. Secondly, through diligence and care, and taking a customer-oriented approach, the Company will expand into emerging markets, explore the potential for profits and actively promote the auxiliary application of engines in the strategic markets of passenger vehicles, agricultural machinery, forklift trucks and power generation. Thirdly, the Company will focus on the objective of becoming the best in the world by devoting its top-notch R&D resources to the development of high-end engines and new products and diligently trying to gain a foothold in the strategic high-end markets. Fourthly, the Company will adhere to its strategy of international development by speeding up the consolidation of resources and the coordination of business operations, expanding the breadth and depth of the Company's export business and increasing the profitability of overseas subsidiaries, thereby accelerating the implementation of the strategy of international development. Fifthly, the Company will review and optimize its mode of operation using new mindsets, new tools and new methods to further improve the management operation system, and continue to raise the efficiency of the Company's operations by making use of information technology. In the domestic market, the Company will adopt value marketing in running its heavy-duty vehicles segment, with a focus on increasing the market share of market segment, capturing less favorable markets and expanding corporate clientele to achieve the Company's growth targets. In overseas markets, the Company will expand its business networks with an emphasis on Africa and the Asia-Pacific region, capture major Chinese corporate clients and enlarge its market share. The gear box companies will hold on to their policy of "proactively innovating, achieving strategic goals, supporting development and pioneering the industry" by developing business platforms featuring seriated, smart, systematic, new-energy and diversified products. The Company will stick to its policy of developing highly efficient, smart, environmentally friendly and integrated technologies to expand the scope of application of products primarily based upon gear transmission technology. The Company will also make good use of the synergy among the component segment, the engine segment and the complete vehicles segment.

At the same time, the Company will remain committed to its development goal of "going high-end and seeking to become the best in the world". Under the principle of "Unified Strategy, Independent Operation, Resources Sharing", the Company will accelerate the coordinated development among the business segments of vehicles, construction machinery, powertrains and automobile components, in order to fully utilize the synergetic advantage of the resource-sharing between our domestic and overseas companies, to continually enhance the quality and image of the Company's development, and boost our overall capability to resist 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 to 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 2016 as follows:

I. Industry Analysis

The Company is one of the vehicle and equipment manufacturing conglomerates 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 parts and components. It is equipped with the most comprehensive supply chain of engines, gear boxes and axles and offers related after-sales market services.

1. Heavy-duty Vehicle Industry

During the year, the Chinese economy improved in the midst of stability as the Chinese government proactively guided the economy in adapting to the “new norm” in economic development and appropriately expanded the aggregate demand. In 2016, the gross domestic product of the PRC reached RMB74.4 trillion, representing a year-on-year growth of 6.7%. Under the influence of a number of favorable factors, such as the implementation of policies addressing the overloading of trucks, the progress of Public Private Partnership projects and the acceleration in investments in infrastructure, the domestic heavy-duty truck market witnessed a massive rebound. The aggregate sales figure of the heavy-duty truck market in the year was approximately 733,000 units, representing a year-on-year increase of approximately 33.1%.

2. Construction Machinery

During the reporting period, fixed-asset investments in the PRC (excluding agricultural households) reached RMB59.7 trillion, representing a year-on-year growth of 8.1%. The total planned investments for newly-commenced construction projects reached RMB49.3 trillion, representing a year-on-year growth of 20.9%, an increase of 15.4 percentage points in growth rate year-on-year compared to 2015. Investments in property development reached RMB10.3 trillion, representing a year-on-year growth of 6.9% and an increase of 5.9 percentage points compared to last year. As such, the construction machinery industry rebounded from its trough. In 2016, the construction machinery market reported total sales of approximately 399,000 units, representing a year-on-year growth of approximately 8.5%, among which, the sales volume of wheel loaders with a load capacity of 5 tonnes for use in large construction machinery was 42,000 units, representing a modest increase compared to last year.

3. Passenger Vehicle Market

During the reporting period, due to the substitution effect of other means of transportation such as national express rail, the performance of both long-distance passenger transport and tourism passenger transport markets was unsatisfactory. In 2016, the passenger vehicle market as a whole remained gloomy, except for the medium-sized passenger vehicle market, which benefited from the policies on national subsidy of new energy. The sales volume of passenger vehicle market for the year was approximately 543,000 units (including incomplete passenger vehicles), representing a year-on-year decrease of approximately 8.8%.

4. Forklift Truck and Supply Chain Solution Industry

During the reporting period, riding on the rapid development of electronic commerce and corporate intralogistics and the rise in domestic demand and good performance of the employment market in the United States in the second half of the year, forklift truck and supply chain solutions industry recorded strong growth. Global sales orders for forklift trucks increased from approximately 1.102 million units last year to approximately 1.185 million units this year, representing a year-on-year growth of approximately 7.5%. In particular, Eastern European and Western European markets achieved more outstanding performance, both recording double-digit growth compared with corresponding period of last year, increasing by 19.0% and 11.8% respectively.

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 2016, the heavy-duty truck industry saw a significant growth, with the Company having sold a total of approximately 198,000 units of heavy-duty truck engines (including Weichai Medium) (2015: approximately 118,000 units), representing a substantial year-on-year growth of approximately 67.8%. The Company maintained its leading position in the heavy-duty truck auxiliary market with its market share of 27% (2015: approximately 21.4%), representing a year-on-year increase of approximately 5.6 percentage points.

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 32,000 units (2015: approximately 27,000 units) were engines for wheel loaders with a load capacity of 5 tonnes, representing an increase of approximately 19.4% compared to that in the corresponding period in 2015. The Group's market share increased further to 76.2%, maintaining its leading position in this sector.

For Use in Passenger Vehicles

During the reporting period, benefiting from favorable factors such as the national subsidy policy applicable to new-energy passenger vehicles and the increasingly stringent regulations on emission levels, approximately 99,000 units of medium-sized passenger vehicles were sold in the year, representing an increase of approximately 26.1% compared to last year. During the reporting period, the Company's aggregate sales of engines for use in large and medium-sized passenger vehicles amounted to approximately 22,000 units (including Weichai Medium) (2015: approximately 20,300), representing a year-on-year increase of approximately 5.8%, and accounting for approximately 11.3% of the market share of large-sized and medium-sized passenger vehicles.

2. Forklift Trucks Production, Warehousing Technology and Supply Chain Solution Services

Benefiting from the growth of the forklift truck industry and the leading position of KION in electric forklift truck and the European market, the Group reported an increase of orders for forklift trucks from approximately 165,800 units last year to approximately 178,300 units in 2016, representing a year-on-year growth of approximately 7.5%. Upon completion of the acquisition of Dematic, KION is more capable of providing customers with comprehensively intelligent supply chain solutions. Before elimination of intra-group sales, the forklift trucks production, warehousing technology services and supply chain solution services business contributed sales revenue of approximately RMB41,063 million to the Group during this period.

3. Sale of Heavy-duty Trucks

During the year, the Group sold approximately 82,000 units of heavy-duty trucks, representing an increase of approximately 46.9% from approximately 56,000 units in the corresponding period in 2015. Shaanxi Heavy-duty Motor Company Limited (陝西重型汽車有限公司), a controlling subsidiary of the Company, came fourth in terms of sales in the domestic heavy-duty truck industry in the PRC. Before elimination of intra-group sales, the truck business contributed approximately RMB24,360 million to the Group's revenue this year.

4. ***Sale of Heavy-duty Gear Boxes***

During the year, the Group sold approximately 501,000 units of heavy-duty gear boxes, representing an increase of approximately 23.2% compared to the approximately 407,000 units of heavy-duty gear boxes sold in the corresponding period in 2015, thereby maintaining its leading position in the industry. Before elimination of intra-group sales, the gear boxes business contributed approximately RMB7,589 million to the Group's revenue this year.

5. ***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 the Year, the Group's sales of parts, components of engines and trucks and hydraulic controlling parts increased by approximately RMB40 million from approximately RMB3,524 million in the corresponding period of last year to approximately RMB3,564 million, representing a year-on-year increase of approximately 1.1%.

Last year, the Company budgeted that sales revenue in 2016 would be approximately RMB81.6 billion, representing a growth of approximately 10.7%. The actual sales revenue was approximately RMB93.2 billion, representing a year-on-year increase of approximately 25.6%. Actual sales revenue exceeded the budgeted sales revenue by approximately RMB11.6 billion or 14.2%, mainly because the Company has an ongoing commitment to serving customer needs and expediting the structural adjustments and upgrade of products. While stepping up its investments in research and development, the Company's effective cost control has given its products greater competitive advantages in terms of cost, technology and quality. These advantages translated into a head start for the Company at a time of market recovery. Meanwhile, the Group steadily pushed forward its strategy of internationalization. Overseas businesses, which were in general positive, provided positive support for the overall business of the Group.

Going into 2017, factors of uncertainty have been on the rise. The global economy is expected to see a sluggish growth. Benefiting from favourable factors such as the acceleration in Public Private Partnership projects and "mega infrastructure" projects, the clean-up of the hazardous chemicals market, the tightened management over the overloading and over measurement of trucks and the implementation of the China V Emission Standards, the domestic heavy-duty truck market is expected to keep growing. Benefiting from the continuous expansion in the investments in infrastructure and newly commenced construction projects, the construction machinery industry will keep recovering. Leveraging on the synergy presented by its global research and development, advanced technology in smart manufacturing, product and service diversity and strong base of loyal customers, the Company's products will maintain a leading position in the industry. As at 31 December 2016, orders on hand amounted to approximately RMB25.2 billion. The Company budgets a sales revenue growth of approximately 15% for 2017 to approximately RMB107 billion.

III. Financial Review

1. The Group's Results of Operations

a. Revenue

The Group's revenue increased by approximately RMB19,016 million or approximately 25.6% from approximately RMB74,168 million in 2015 to approximately RMB93,184 million in 2016. This was primarily attributable to the substantial rebound of the heavy-duty truck market in China, the augmented market share under the product advantage of the Group, and satisfactory performance of the Group's overseas business. In particular, the revenue from principal operations increased by approximately 25.5%, from approximately RMB72,633 million in the previous year to approximately RMB91,148 million for the Year. Other revenue increased by approximately 32.6%, from approximately RMB1,535 million in the previous year to approximately RMB2,036 million for the Year.

b. Profit from Principal Operations

During the Year, the Group generated profit from principal operations in the amount of approximately RMB20,981 million, an increase of approximately 23.9% from approximately RMB16,933 million recorded in the corresponding period in 2015. The Group's focus on product research and development, completion of product upgrade ahead of schedule, and increasing competitiveness in terms of cost effectiveness, technology and quality, have contributed to the stable profit margin of its principal businesses at approximately 23.0%.

c. Distribution and Selling Expenses

Distribution and selling expenses increased by approximately 21.8% to approximately RMB7,645 million in the Year from approximately RMB6,275 million in the corresponding period of 2015. The increase of distribution and selling expenses was primarily attributable to the increase in after-sales expenses and products return fee resulting from the increase in sales volume. At the same time, the Company capitalized on the opportunities presented by market recovery by stepping up its efforts and manpower in market expansion for an expanded market share. On the other hand, whilst expanding market, the Company exercised strict control over expenses. As such, the distribution and selling expenses as a percentage of revenue decreased from approximately 8.5% in the corresponding period of 2015 to approximately 8.2% in the Year.

d. *General and Administrative Expenses*

General and administrative expenses increased by approximately RMB421 million or approximately 5.8% from approximately RMB7,231 million in the corresponding period of 2015 to approximately RMB7,652 million in the Year, which was mainly due to the increase in staff costs and expenses on external support in the course of the international development of the Group. Further, KION incurred additional expenses on professional fees paid in connection with its acquisition of the business of the advanced material handling automation solutions business operated by DH Services Luxembourg Holding S.à r.l. through its subsidiaries which operate mainly under the "Dematic" trade name.

e. *Earnings Before Interest and Tax (EBIT)*

During the Year, the Group's EBIT increased by approximately RMB1,723 million or 50.6% to approximately RMB5,130 million from approximately RMB3,407 million in the corresponding period in 2015. The increase was primarily attributable to the increase in sales amount, while the improved EBIT margin from approximately 4.6% in the corresponding period of the previous year to approximately 5.5% this Year was due to our effective control over expenses.

f. *Finance Expenses*

Finance expenses decreased by approximately 58.8% to approximately RMB199 million in the Year from approximately RMB482 million in the corresponding period of 2015. The decrease was mainly attributable to the increase in foreign exchange gain in the Year.

g. *Income Tax Expenses*

The Group's income tax expenses increased by approximately 12.2% from approximately RMB928 million in the corresponding period in 2015 to approximately RMB1,041 million in the Year. The Group's average effective tax rate was approximately 22.5% in the Year, compared to approximately 29.7% in the corresponding period in 2015, marking a decrease of 7.2 percentage points. The decrease in effective tax rate was mainly due to the rebound of profit from our business in China and the lower average effective tax rate in China than overseas.

h. Net Profit and Net Profit Margin

The Group's net profit increased by approximately 63.6% from approximately RMB2,198 million in the corresponding period of 2015 to approximately RMB3,596 million in the Year. During the Year, the net profit margin was approximately 3.9%, representing an increase of approximately 0.9 percentage points from approximately 3.0% recorded in the corresponding period in 2015. This was primarily attributable to the increase in the Group's revenue in general and the increase in the proportion of profit derived from China, under the recovery of the heavy-duty truck industry.

i. Liquidity and Cash Flow

During the Year, the Group generated operating cash flows of approximately RMB8,250 million. A portion of such proceeds was applied to acquiring 9,229,967 additional KION shares (at total consideration of approximately EUR455.6 million), acquiring the U.S.– based Retrotech Inc. (at a consideration of approximately EUR25 million), acquiring DH Services Luxembourg Holding S.à r.l. (at a consideration of approximately EUR2,100 million), acquiring Weichai (Weifang) Medium-duty Diesel Engines Company Limited (at a consideration of approximately RMB252.9 million), repaying borrowings, paying interest and acquiring property, plant and equipment for the expansion of the Group's business. As of 31 December 2016, the Group's gearing ratio (Net interest-bearing debts/(Shareholders' equity + net interest-bearing debts)) was 27.7% (31 December 2015: N/A). As of 31 December 2015, the gearing ratio was not applicable to the Group, as the Group was in a net cash position in view of the Group's cash and cash equivalents net of interest-bearing debts.

2. Financial Position

a. Assets and Liabilities

As at 31 December 2016, the Group had total assets of approximately RMB163,991 million, of which approximately RMB76,406 million were current assets. As at 31 December 2016, the Group had cash and cash equivalents of approximately RMB27,123 million (as at 31 December 2015: approximately RMB24,857 million). On the same date, the Group's total liabilities was approximately RMB119,429 million, of which approximately RMB58,980 million were current liabilities. The current ratio was approximately 1.30x (as at 31 December 2015: approximately 1.44x).

b. *Capital Structure*

As at 31 December 2016, the Group had total equity of approximately RMB44,562 million, of which approximately RMB31,738 million was attributable to equity holders of the Company and the balance was minority interests. The borrowings of the Group as at 31 December 2016 amounted to approximately RMB39,291 million, which included bonds of approximately RMB2,756 million and bank borrowings of approximately RMB36,535 million. Borrowings repayable on demand or within a period not exceeding one year were approximately RMB6,319 million, borrowings repayable within a period of more than one year but not exceeding two years were approximately RMB11,631 million; borrowings repayable within a period of more than two years but not exceeding five years were approximately RMB17,704 million; and borrowings repayable within a period of more than 5 years were approximately RMB881 million. The bank borrowings included approximately RMB3,707 million of fixed interest rate bank borrowings and approximately RMB32,828 million of floating interest rate bank borrowings. Other than Euro-denominated borrowings equivalent to approximately RMB34,063 million, the borrowings are primarily Renminbi-denominated borrowings. The revenue of the Group is mainly in Renminbi and Euro. Contracts have been entered into with financial institutions to swap the USD400 million USD-denominated bonds issued in September 2015 to Euro, and thus 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 the optimization of the debts and equity balance. The Group's overall strategy remains unchanged from prior years.

c. *Pledge of Assets*

As at 31 December 2016, bank deposits, notes receivable and accounts receivable of approximately RMB10,788 million (as at 31 December 2015: approximately RMB7,839 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.

d. Contingencies

On 31 December 2016, the Group provided certain distributors and agents bank guarantee amounting to approximately RMB2,457 million (as at 31 December 2015: approximately RMB1,014 million) to secure their obtaining and use of banking facilities.

As at 31 December 2016, the Group provided guarantee for joint liabilities in respect of failure of the leasee under finance lease to settle instalment payments plus interest. Risk exposure in respect of possible guarantee for joint liabilities amounted to approximately RMB923 million (as at 31 December 2015: approximately RMB728 million).

As at 31 December 2016, the Group's borrowings and other guarantee amounted to approximately RMB662 million (as at 31 December 2015: approximately RMB215 million).

e. Commitments

As at 31 December 2016, the Group had capital commitments of approximately RMB1,892 million (as at 31 December 2015: approximately RMB1,734 million), among which contracted capital commitments amounted to approximately RMB1,892 million, principally for the capital expenditure for the acquisition of property, plant and equipment. The capital expenditure will be financed by internal resources.

As at 31 December 2016, the Group had no investment commitments (as at 31 December 2015: approximately RMB1 million).

3. Other Financial Information

a. Employees

As at 31 December 2016, the Group had approximately 69,800 employees. During the Year, the Group paid remuneration of approximately RMB16,304 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's staff training focused on enhancing the management system, innovations in the mode of training management, fostering a team of diversified talents and enriching training resources. The Group spent approximately RMB13 million on providing trainings, including approximately 1,200 training sessions of various kinds.

b. Major Investment

On 18 July 2016 (Central European Time), KION Group AG ("KION") issued an additional 9,890,000 new shares through an accelerated bookbuilding offering process. The Company has, through its indirectly wholly-owned subsidiary Weichai Power (Luxembourg) Holding S.à r.l. ("Weichai Lux"), subscribed for 60% of the shares offered, equivalent to a total of 5,934,000 new issued shares based on the subscription price of EUR46.44 per KION share at a total consideration of approximately EUR275.6 million. The Company's shareholding in KION therefore increased from 38.25% to 40.23%. On 12 December 2016, the Company announced that it acquired through Barclays Bank 3,295,967 shares in KION from the secondary market at a consideration of approximately EUR180 million. The Company's shareholding in KION further increased to 43.26%.

c. Major Acquisition and Disposal

On 1 March 2016, KION completed the acquisition of the 100% equity interests in Retrotech Inc. at a consideration of approximately EUR25 million.

On 26 September 2016, the Company entered into an equity transfer agreement with Weichai Group Holdings Limited to acquire the entire equity interest in Weichai (Weifang) Medium-duty Diesel Engine Co., Ltd. (formerly known as Weifang Weichai Deutz Diesel Engine Co., Ltd.) at a consideration of approximately RMB252.9 million.

On 1 November 2016 (Central European Time), the subsidiary of the Company, KION, completed the acquisition of all the issued shares of DH Services Luxembourg Holding S.à r.l. and the advanced material handling automation solutions business operated by its subsidiaries which operate mainly under the "Dematic" trade name at a consideration of approximately EUR2.1 billion.

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

OTHER INFORMATION

Directors' and Supervisors' Interests in Shares and Underlying Shares

As at 31 December 2016, 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	29,421,298 *(Note 1)*	–	0.74%
Zhang Quan	Beneficial owner	6,842,162 *(Note 1)*	–	0.17%
Xu Xinyu	Beneficial owner	6,842,162 *(Note 1)*	–	0.17%
Sun Shaojun	Beneficial owner	6,842,162 *(Note 1)*	–	0.17%

Name of supervisor	Capacity	Number of "A" shares held	Number of "H" shares held	Percentage of the issued share capital of the Company
Lu Wenwu	Beneficial owner	300,000	–	0.008%

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. 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 ("KION")	Beneficial owner	227,350 ordinary shares	0.21%
		Interest held by spouse	3,000 ordinary shares	0.003%

Note: Gordon Riske, a non-executive Director, was the beneficial owner of 227,350 shares in KION and he was also deemed to be interested in 3,000 shares in KION which were beneficially held by his wife, Ms. Benita Riske.

Save as disclosed above, as at 31 December 2016, 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 2016)

		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	934,929,504	23.38%	–	–	–	(67,285,989)	(67,285,989)	867,643,515	21.70%
	1. State-owned shares	–	–	–	–	–	–	–	–	–
	2. State-owned legal person shares	821,265,504	20.54%	–	–	–	–	–	821,265,504	20.54%
	3. Shares held by other domestic entities	113,664,000	2.84%	–	–	–	(67,285,989)	(67,285,989)	46,378,011	1.16%
	including: Shares held by domestic non-state-owned legal persons	–	–	–	–	–	–	–	–	–
	Shares held by domestic natural persons	113,664,000	2.84%	–	–	–	(67,285,989)	(67,285,989)	46,378,011	1.16%
	4. Shares held by foreign entities	–	–	–	–	–	–	–	–	–
	including: Shares held by overseas legal persons	–	–	–	–	–	–	–	–	–
	Shares held by overseas natural persons	–	–	–	–	–	–	–	–	–
II.	Non-restricted circulating shares	3,063,689,774	76.62%	–	–	–	67,285,989	67,285,989	3,130,975,763	78.30%
	1. RMB ordinary shares	2,092,169,774	52.32%	–	–	–	67,285,989	67,285,989	2,159,455,763	54.00%
	2. Domestic listed foreign shares	–	–	–	–	–	–	–	–	–
	3. Overseas listed foreign shares	971,520,000	24.30%	–	–	–	–	–	971,520,000	24.30%
	4. Others	–	–	–	–	–	–	–	–	–
III.	Total number of shares	3,998,619,278	100%	–	–	–	–	–	3,998,619,278	100%

(II) Shareholdings of the Substantial Shareholders (as at 31 December 2016)

Total number of Shareholders The number of shareholders is 142,440 among which 142,159 are shareholders of "A" shares and 281 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%	968,535,228	–	N/A
Weichai Group Holdings Limited	State-owned legal person	16.83%	672,952,800	672,952,800	–
Weifang Investment Group Company Limited	State-owned legal person	3.71%	148,312,704	148,312,704	–
China Securities Finance Corporation Limited	Domestic non-state-owned legal person	2.53%	101,160,734	–	–
IVM Technical Consultants Wien Gesellschaft m.b.H.	Overseas legal person	1.93%	77,200,000	–	–
Central Huijin Assets Management Company Limited	State-owned legal person	1.36%	54,246,400	–	–
Hong Zejun	Domestic natural person	1.19%	47,650,000	–	–
Shenzhen Capital Group Co., Ltd	Domestic non-state-owned legal person	0.91%	36,408,569	–	–
Tan Xuguang	Domestic natural person	0.74%	29,421,298	22,065,973	–
Hong Kong Securities Clearing Company Limited *(Note)*	Overseas legal person	0.70%	28,022,407	–	–

Note: Hong Kong Securities Clearing Company Limited holds 28,022,407 A Shares on behalf of shareholders under the Shenzhen - Hong Kong Stock Connect mechanism.

Shareholdings of the top ten non-restricted shareholders

Name of shareholder	Number of the non-restricted shares held	Types of shares
HKSCC Nominees Limited	968,535,228	Overseas listed foreign shares
China Securities Finance Corporation Limited	101,160,734	RMB ordinary shares
IVM Technical Consultants Wien Gesellschaft m.b.H.	77,200,000	RMB ordinary shares
Central Huijin Assets Management Company Limited	54,246,400	RMB ordinary shares
Hong Zejun	47,650,000	RMB ordinary shares
Shenzhen Capital Group Co., Ltd	36,408,569	RMB ordinary shares
Hong Kong Securities Clearing Company Limited	28,022,407	RMB ordinary shares
CITIGROUP GLOBAL MARKETS LIMITED	27,924,295	RMB ordinary shares
Platinum Investment Management Company Limited	27,129,333	RMB ordinary shares
ICBCCS Fund – ICBC – Asset Management for Designated Customers	24,449,815	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, Hong Zejun held 47,650,000 shares through client account of collateral securities for margin trading at China Galaxy Securities Company Limited.

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 2016, 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	672,952,800	22.23%	–	–	16.83%
Shandong Heavy Industry Group Co., Ltd. *(Note 1)*	Held by controlled corporation	Long	672,952,800	22.23%	–	–	16.83%
Brandes Investment Partners, LP *(Note 2)*	Investment manager	Long	–	–	78,578,612	16.18%	3.93%
Lazard Asset Management LLC	Investment manager	Long	–	–	233,959,955	24.08%	5.85%
JPMorgan Chase & Co.	Beneficial owner	Long	–	–	7,768,135	0.80%	0.19%
	Custodian – Corporation/ approved lending agent	Long	–	–	54,742,256	5.63%	1.37%
	Investment manager	Long	–	–	5,282,600	0.54%	0.13%
	Trustee (other than a bare trustee)	Long	–	–	33,664	0.01%	0.00%
					67,826,655	6.98%	1.69%
	Beneficial owner	Short	–	–	1,548,100	0.15%	0.04%
Lazard Emerging Markets Equity Portfolio *(Note 3)*	Investment manager	Long	–	–	23,707,500	5.86%	1.42%
Barclays PLC *(Note 2)*	Person having a security interest in shares	Long	–	–	525,552	0.11%	0.03%
	Interest of corporation controlled by the substantial shareholder	Long	–	–	25,453,050	5.24%	1.27%
					25,978,602	5.35%	1.30%
	Interest of corporation controlled by the substantial shareholder	Short	–	–	24,102,475	4.96%	1.21%
Citigroup Inc.	Interest of corporation controlled by the substantial shareholders	Long	–	–	8,583,174	0.88%	0.22%
	Custodian – Corporation/ approved lending agent	Long	–	–	45,282,835	4.66%	1.13%
	Person having a security interest in shares	Long	–	–	4,811,774	0.50%	0.12%
					58,677,783	6.04%	1.47%
	Interest of corporation controlled by the substantial shareholders	Short	–	–	8,416,876	0.87%	0.21%

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
BlackRock, Inc.	Interest of corporation controlled by the substantial shareholders	Long	–	–	83,681,474	8.61%	2.09%
Schroders Plc	Investment manager	Long	–	–	57,366,000	5.91%	1.43%

Notes:

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

2. The number of H shares reported above by the relevant substantial shareholder does not take into consideration the Company's bonus share issuance on 20 August 2015 as there is no disclosure of interest obligation under the SFO where there is no change in percentage of shareholdings for a substantial shareholder.

3. The number of H shares reported above by the relevant substantial shareholder does not take into consideration the Company's bonus share issuance on 17 August 2012 and 20 August 2015 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 2016.

DETAILS OF THE DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES

There was no appointment or dismissal of any directors, supervisors or chief executives during the reporting period.

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 or any of its subsidiaries a party to any arrangements that enabled 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.

INCOME TAX FOR H SHAREHOLDERS

According to the regulations in the Enterprise Income Tax Law of the People's Republic of China, Implementation Regulations on Enterprise Income Tax Law of People's Republic of China which came into effect in 2008 and the Notice of the State Administration of Taxation on Issues Relating to the Withholding and Remittance of Enterprise Income Tax on Dividends Paid by Chinese Resident Enterprises to Overseas Non-resident Enterprises which hold H Shares (Guo Shui Han [2008] No. 897) (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》(國稅函[2008]897號)) issued by China's State Administration of Taxation on 6 November 2008 (collectively, the "Tax Law"), any domestic enterprise of the PRC which pays dividends to non-resident enterprise shareholders (as defined in the Tax Law) for the year of 2008 and thereafter shall withhold and remit enterprise income tax with the payer as withholding agent. After receiving dividends, non-resident enterprise shareholders may, where applicable, apply for tax refund pursuant to relevant requirements under tax treaty (arrangement).

In accordance with the Tax Law, the Company is obliged to withhold and remit enterprise income tax at the rate of 10% on behalf of the non-resident enterprise holders of H Shares whose names appear on the register of members for H Shares of the Company on the Record Date when distributing dividends to them. For holders of H Shares who are registered in the name of non-natural person registered shareholders (including HKSCC (Nominees) Limited, other corporate nominees, trustees, or other organisations or groups which are all treated as "non-resident enterprise" shareholders) on the register of members for H Shares of the Company on the Record Date, the Company will distribute the cash dividends, after withholding for payment of 10% enterprise income tax.

Pursuant to the Notice on the Tax Policies Concerning the Pilot Program of the Shenzhen-Hong Kong Stock Connect (Cai Shui [2016] No. 127) (《關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》, for mainland corporate investors that invest in a company via the Shenzhen-Hong Kong Stock Connect, corporate income tax will be levied according to the law. In particular, for any dividend to be distributed to resident enterprises in the mainland China which hold H shares for more than 12 consecutive months, corporate income tax may be exempted according to the law. Such mainland enterprises shall declare and pay taxes by themselves in respect of such dividends, which will not be withheld by such H share company.

According to the Notice of the Ministry of Finance and the State Administration of Taxation on Certain Policies Regarding Individual Income Tax (Caishui [1994] No. 20) (《財政部、國家稅務總局關於個人所得稅若干政策問題的通知》(財稅字 [1994]第20號)), foreign individual resident shareholders are exempt from personal income tax in respect of the dividends or bonus received from domestic foreign invested enterprises for now. As the Company is a foreign invested enterprise, for all natural person shareholders whose names are registered on the register of members for H Shares of the Company on the Record Date, the Company does not need to withhold personal income tax. The Company shall obtain latest updates by consulting relevant tax authorities in the PRC in due course.

In respect of dividends for the H shares of a company invested in by mainland individual investors on the Hong Kong Stock Exchange through the Shenzhen-Hong Kong Stock Connect, the H share company shall apply to China Securities Depository and Clearing Co.,Ltd., which will then provide the H share company with the register of mainland individual investors. The H share company shall withhold an individual income tax at the rate of 20% on such dividends.

For dividends received by investors (including enterprise and individual investors) in the Hong Kong market from investing in A shares listed on the Shenzhen Stock Exchange, and before Hong Kong Securities Clearing Company Limited is able to furnish China Securities Depository and Clearing Co., Ltd. with the identity, holding period and other detailed data of the investors in the Hong Kong market , the differentiated tax treatment based on the holding period of shares will not be implemented temporarily. Listed companies shall withhold income tax at the rate of 10% and make withholding filings with the relevant tax authorities. For those investors who are tax residents of other countries and the tax rate applicable to dividends is lower than 10% under the tax treaty between China and the relevant countries, such investors may, by themselves or request the withholding agent to act on their behalf to, apply to the relevant tax authorities in respect of the listed company for the preferential relevant treatment under the relevant treaties. With the relevant tax authorities, the amount being the difference between the tax withheld and the tax calculated at the rate as prescribed under the corresponding tax treaty shall be refunded.

If anyone would like to change the identity of the holders in the register of members, please enquire about the relevant procedures with the nominees or trustees. The Company will withhold for payment of the enterprise income tax for its non-resident enterprise shareholders strictly in accordance with the relevant laws and requirements of the relevant government departments and adhere strictly to the information set out in the Company's register of members on the Record Date.

MAJOR CUSTOMERS AND SUPPLIERS

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

The aggregate purchase during the Year 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 did a director, a supervisor, an associate of a director or a shareholder of the Company, which to the knowledge of the directors, own more than 5% of the Company's share capital, have an interest in any of the Group's five largest suppliers or customers.

SUBSEQUENT EVENTS

1. On 29 March 2017, the Company's 2016 profit distribution proposal was approved by the Company's 5th Meeting of the Fourth Session of the Board. The Company proposed a distribution to all shareholders of a cash dividend of RMB2.50 (including tax) and an issuance of 10 bonus shares (including tax) for every 10 shares held, based on the total share capital of 3,998,619,278 shares, without any capitalisation of reserve. Completion of the proposal is subject to the consideration and approval by the 2016 Annual General Meeting, the first Class Meeting of the A Shareholders in 2017 and the first Class Meeting of the H Shareholders in 2017. Upon completion of implementation of the aforesaid bonus issue, corresponding amendments shall be made to the articles of association of the Company, to reflect the change in registered capital and issued share capital as a result of the bonus issue.

2. In January 2017, the comprehensive facility agreement of KION Group AG, a subsidiary of the Company, was extended for one year. As such, the revolving credit facility in the amount of EUR1,150 million under the agreement will be valid until February 2022.

   On 4 July 2016, in connection with the acquisition of Dematic, KION Group AG entered into financing agreements with various banks. Under the agreements, there were three tranches of bridge loans with different amounts and maturities, comprising the first tranche in the amount of EUR343.2 million which will mature in February 2018, the second tranche in the amount of EUR1,200 million which will mature in November 2018, and the third tranche in the amount of EUR1,000 million which will mature in November 2021. In February 2017, KION Group AG conducted a refinancing in the form of coupons in the amount of EUR958 million for the full repayment of the aforesaid first tranche of loan and partial repayment of the second tranche of loan, settling EUR343.2 million and EUR611.8 million respectively. The coupons issued will be repaid on a one-off basis on the maturity dates, namely May 2022, April 2024 and April 2027 respectively. Upon maturity, coupon interest will be paid at fixed or floating rates. Such coupons are unsecured.

3. On 20 March 2017 (United States time), the Company approved the entering by Weichai America Corp, a wholly-owned subsidiary of the Company, into an equity purchase agreement with Power Solutions International Inc. for the purchase of the Company of 2,728,752 ordinary shares and 2,385,624 preferred shares (convertible into 4,771,248 ordinary shares in the future), with an expected investment amount of USD60 million. Upon full conversion of the aforesaid preferred shares into ordinary shares, the Company will, through Weichai America Corp, hold shares representing 40.71% of the total issued share capital of Power Solutions International Inc.. Completion is expected to take place in March 2017.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") comprises all 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

During 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 adopted a code of conduct regarding securities transactions by directors on terms no less 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 during the Year.

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

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 2017 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 29 March 2017.

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

The 2016 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, 29 March 2017

As at the date of this announcement, the executive Directors of the Company are Mr. Tan Xuguang, Mr. Zhang Quan, Mr. Xu Xinyu, and Mr. Sun Shaojun; the non-executive Directors of the Company are Mr. Wang Yuepu, Mr. Jiang Kui and Mr. Gordon Riske; and the independent non-executive Directors of the Company are Mr. Loh Yih, Mr. Zhang Zhong, Mr. Wang Gongyong and Mr. Ning Xiangdong.