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 2018

FINANCIAL HIGHLIGHTS

- Revenue was approximately RMB159,256 million, representing an increase of approximately 5.1%.
- Net Profit Attributable to the Shareholders of the Parent was approximately RMB8,658 million, representing an increase of approximately 27.2%.
- Basic Earnings Per Share was approximately RMB1.08, representing an increase of approximately 27.2%.

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

The board of directors (the "Board") of Weichai Power Co., Ltd. (the "Company") is pleased to announce the audited consolidated financial statements of the Company and its subsidiaries (the "Group") prepared in accordance with the Mainland Accounting Standards for the year ended 31 December 2018 (the "Year"), together with comparative figures for the corresponding period of 2017 as follows:

CONSOLIDATED INCOME STATEMENT

January to December 2018 (Expressed in Renminbi Yuan)

	Notes	**2018**	2017
Revenue	*5*	**159,255,832,286.92**	151,569,392,236.63
Less: Cost of sales	*5*	**123,686,413,712.22**	118,467,630,098.34
Taxes and surcharges	*6*	**723,216,029.13**	738,068,687.50
Distribution and selling expenses		**10,619,172,364.29**	10,337,770,491.89
General and administrative expenses		**6,259,505,543.37**	5,869,208,641.49
Research & development expenses		**4,320,202,297.54**	3,732,379,103.17
Finance expenses		**75,343,939.85**	590,752,971.58
Incl: Interest expenses		**1,150,950,408.70**	1,395,035,066.86
Interest income		**1,059,722,329.53**	957,162,142.94
Impairment loss of assets		**633,519,321.29**	1,950,139,536.86
Impairment loss of credit		**210,300,037.17**	–
Add: Other income		**232,190,063.55**	162,038,898.12
Investment income		**464,812,907.17**	153,922,745.85
Incl: investment income from associates and jointly controlled enterprises		**173,768,638.90**	84,871,118.66
Gain on change of fair value		**177,062,305.75**	100,768,888.41
Gain on disposal of assets		**1,501,183.76**	84,730,636.32
Operating profit		**13,603,725,502.29**	10,384,903,874.50
Add: Non-operating income		**307,054,979.29**	298,582,901.77
Less: Non-operating expenses		**52,496,406.05**	161,219,278.15
Total profit		**13,858,284,075.53**	10,522,267,498.12
Less: Income tax expenses	*7*	**2,232,550,533.06**	1,343,900,720.30
Net profit		**11,625,733,542.47**	9,178,366,777.82
Breakdown by continuity of operations			
Net profit from continuing operations		**11,625,733,542.47**	9,178,366,777.82
Net profit from discontinued operations		**–**	–
Breakdown by attributable interests			
Net profit attributable to shareholders of the parent		**8,657,527,308.21**	6,808,342,544.23
Minority interests		**2,968,206,234.26**	2,370,024,233.59

	Notes	**2018**	2017
Net other comprehensive income after tax			
Net other comprehensive income attributable to shareholders of the parent after tax	*9*	**(36,596,730.76)**	(1,107,993,627.48)
Incl: Those other comprehensive income not to be reclassified into profit or loss			
Changes arising from re-measuring of defined benefit plan		**9,319,184.93**	77,224,147.46
Other comprehensive income not to be reclassified into profit or loss using the equity method		**3,130,071.69**	3,280,767.28
Change in fair value of investment in other equity instruments		**(242,977,232.68)**	–
Those other comprehensive income to be reclassified into profit or loss			
Other comprehensive income to be reclassified into profit or loss using the equity method		**1,037,935.29**	1,967,785.30
Change in fair value of available-for-sale financial assets		**–**	9,271,806.53
Cashflow hedging reserve (effective portion of cashflow hedging)		**(11,148,493.39)**	(33,967,485.76)
Exchange differences on foreign currency translation		**204,041,803.40**	(1,165,770,648.29)
Net other comprehensive income attributable to minority owners after tax		**93,647,018.66**	(786,314,023.80)
Total comprehensive income		**11,682,783,830.37**	7,284,059,126.54
Incl:			
Total comprehensive income attributable to the shareholders of the parent		**8,620,930,577.45**	5,700,348,916.75
Total comprehensive income attributable to minority owners		**3,061,853,252.92**	1,583,710,209.79
Earnings per share	*8*		
Basic earnings per share		**1.08**	0.85
Diluted earnings per share		**1.08**	0.85

CONSOLIDATED BALANCE SHEET

31 December 2018 (Expressed in Renminbi Yuan)

ASSETS	*Notes*	**31 December 2018**	31 December 2017
Current assets			
Cash and cash equivalents		**38,209,952,558.31**	34,221,837,770.90
Financial assets held for trading		**4,115,199,600.23**	–
Financial assets at fair value through profit or loss		**–**	384,067,087.32
Notes receivable and accounts receivable	*3*	**38,148,028,169.82**	38,863,774,260.96
Prepayments		**1,109,227,313.17**	559,802,492.16
Other receivables		**1,087,148,524.03**	888,122,035.12
Inventories		**20,674,287,133.47**	19,850,822,463.67
Contract assets		**935,892,539.90**	–
Assets classified as held-for-sale		**5,525,306.60**	–
Non-current assets due within one year		**2,127,858,173.40**	1,778,971,213.80
Other current assets		**1,692,343,618.45**	3,792,776,498.74
Total current assets		**108,105,462,937.38**	100,340,173,822.67
Non-current assets			
Available-for-sale financial assets		**–**	594,847,216.31
Investment in other equity instruments		**1,315,633,672.96**	–
Long-term receivables		**6,483,298,008.60**	5,197,814,237.00
Long-term equity investments		**4,463,591,313.13**	2,638,935,915.48
Other non-current financial assets		**192,949,412.40**	–
Investment property		**593,459,307.58**	569,210,526.81
Fixed assets		**29,454,072,247.73**	27,068,307,958.45
Construction in progress		**2,848,101,239.62**	1,218,747,351.06
Intangible assets		**23,299,455,749.37**	23,839,954,192.45
Development expenditure		**440,148,223.16**	515,853,805.25
Goodwill		**23,037,386,296.04**	22,583,192,662.42
Long-term prepaid expenses		**228,459,134.85**	283,430,938.92
Deferred tax assets		**4,458,451,001.33**	4,533,525,646.91
Other non-current assets		**355,896,630.03**	254,172,355.79
Total non-current assets		**97,170,902,236.80**	89,297,992,806.85
Total assets		**205,276,365,174.18**	189,638,166,629.52

LIABILITIES AND EQUITY	*Notes*	**31 December 2018**	31 December 2017
Current liabilities			
Short-term loans		**5,472,765,901.24**	3,174,887,395.62
Financial liabilities at fair value through profit or loss		**–**	482,880,099.94
Financial liabilities held for trading		**213,435,765.47**	–
Notes payable and accounts payable	*4*	**46,794,371,199.93**	43,016,241,784.82
Advances from customers		**–**	5,814,905,624.90
Contract liabilities		**8,722,443,043.80**	–
Payroll payable		**5,184,666,613.19**	4,810,305,393.38
Taxes payable		**2,506,794,642.37**	2,700,258,706.06
Other payables		**6,502,173,092.72**	8,026,100,946.56
Non-current liabilities due within one year		**6,898,699,368.61**	5,596,251,134.50
Other current liabilities		**6,321,615,150.06**	4,851,696,489.11
Total current liabilities		**88,616,964,777.39**	78,473,527,574.89
Non-current liabilities			
Long-term borrowings		**10,908,512,233.85**	15,678,594,729.35
Bonds payable		**12,265,020,075.27**	10,459,780,084.07
Long-term payables		**9,895,419,535.20**	9,241,432,433.10
Long-term payroll payable		**9,580,057,732.13**	9,236,773,057.02
Accruals and provisions		**364,979,471.20**	344,923,046.70
Deferred income		**3,056,191,818.80**	3,121,664,308.58
Deferred tax liabilities		**5,772,705,450.50**	6,500,274,764.52
Other non-current liabilities		**2,557,186,306.15**	226,205,400.79
Total non-current liabilities		**54,400,072,623.10**	54,809,647,824.13
Total liabilities		**143,017,037,400.49**	133,283,175,399.02

LIABILITIES AND EQUITY	*Notes*	**31 December 2018**	31 December 2017
Shareholders' equity			
Share capital		**7,997,238,556.00**	7,997,238,556.00
Capital reserve		**113,699,432.76**	135,898,754.99
Less: Treasury shares		**499,911,217.21**	–
Other comprehensive income		**(1,570,594,557.01)**	(1,527,566,155.73)
Special reserve		**155,056,854.10**	118,355,897.38
Surplus reserve		**674,283,390.61**	616,811,881.87
Retained earnings		**32,443,962,374.77**	27,898,783,968.43
Total equity attributable to the shareholders of the parent		**39,313,734,834.02**	35,239,522,902.94
Minority interests		**22,945,592,939.67**	21,115,468,327.56
Total shareholders' equity		**62,259,327,773.69**	56,354,991,230.50
Total liabilities and shareholders' equity		**205,276,365,174.18**	189,638,166,629.52

1. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

a. 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. Disposal groups held for sale are presented at the lower of carrying amount and the net amount of fair value minus disposal expenses. If the assets are impaired, corresponding provisions for impairment shall be made according to relevant provisions.

b. Business combination

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 equities securities issued) and the equity interests in the acquiree held prior to the date of acquisition is conducted. If the review indicates that the fair value of the sum of the consideration paid (or equities securities issued) and equity interests in the acquiree held prior to the date of acquisition is indeed less than the fair value of the share of the attributable net identifiable assets of the acquiree, the difference is recognized in current profit or loss.

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

c. Consolidated financial statements

The consolidation scope of consolidated financial statements is determined on the basis of control, including the financial statements 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.

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.

d. Change of accounting policies and according estimates

In 2017, the MOF issued Accounting Standards for Business Enterprises No. 14 – Revenue (the "New Standard on Revenue"); Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments; Accounting Standards for Business Enterprises No. 23 – Transfer of Financial Assets; Accounting Standards for Business Enterprises No. 24 – Hedge Accounting; and Accounting Standards for Business Enterprises No. 37 – Presentation of Financial Instruments (the "New Standard on Financial Instruments"). With effect from 1 January 2018, the Group has adopted the newly amended accounting standards set out above for accounting treatment. According to the transitional requirements, no adjustment is made to information for the comparative period. Adjustments arising from the difference in first adopting the new standards and the original standards will be dealt with in the opening retained earnings or other comprehensive income on a retrospective basis.

New Standard on Revenue

The New Standard on Revenue establishes a new model to recognize revenue arising from contracts with customers. According to the New Standard on Revenue, the method of revenue recognition should reflect the model under which goods and services are delivered to a customer. Revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for delivering goods and services to a customer. The standard also provides for the judgments and estimates to be made on each part of revenue recognition. Adjustments are only made to the cumulative effect of contracts that remain outstanding as of 1 January 2018. For changes in contracts incurred before 1 January 2018, a simplified approach is adopted in respect of the final arrangements for all contracts based on changes in contracts, identify performance obligations that have been performed or remain outstanding, determine the transaction price and apportion the transaction price between performance obligations that have been performed or remain outstanding.

Except for certain indirect leasing business and construction contracts – project contracts being affected by the New Standard on Revenue and leading to changes in the time of revenue recognition, for major sales contracts, service contracts and construction contracts, there have been no material changes in the time and manner of revenue recognition. On 1 January 2018, adjustments are only made to the cumulative effect of contracts that remain outstanding, and contracts entered into and performed prior to 1 January 2018 under the aforesaid indirect leasing business were all completed prior to 1 January 2018, thus has no impacts on the opening retained earnings; the aforesaid changes in time of revenue recognition for construction contracts have given rise to an increase of RMB46,813,800.00 in contract assets, a decrease of RMB62,418,400.00 in contract liabilities, a decrease of RMB19,505,750.00 in deferred tax assets, and an increase of RMB89,726,450.00 in opening retained earnings.

The application of the New Standard on Revenue has the following effect on the financial statements of 2018:

Consolidated Income Statement

	As stated in financial statements	Based on the original standards	Effect
Revenue	159,255,832,286.92	161,190,481,686.92	(1,934,649,400.00)
Cost of sales	123,686,413,712.22	125,342,522,680.64	(1,656,108,968.42)
Distribution and selling expenses	10,619,172,364.29	10,831,198,795.87	(212,026,431.58)
Income tax expenses	2,232,550,533.06	2,251,784,533.06	(19,234,000.00)
Net profit	11,625,733,542.47	11,668,543,542.47	(42,810,000.00)

The aforesaid effect was primarily because of the changes under the New Standard on Revenue arising from the recognition and measurement of indirect lease contracts, construction contracts, apportionments of transportation service for sales of merchandises and consideration payable to customers.

New Standard on Financial Instruments

The New Standard on Financial Instruments has changed the classification and measurement of financial assets, affirming three major categories of measurement, namely at amortised cost, fair value through other comprehensive income and fair value through profit or loss. Such categorization takes into account the entity's own business model and the characteristics of the contract cashflow of its financial assets. An investment in equity instruments is required to be measured at fair value through profit or loss with the irrevocable option at inception to be measured at fair value through other comprehensive income for equity instruments not held for trading.

The New Standard on Financial Instruments requires the measurement of impairment of financial assets be changed from the "incurred loss model" to the "expected credit loss model", which is applicable to financial assets measured at amortized cost, financial assets at fair value through other comprehensive income, loan commitments and financial guarantee contracts.

The new hedge accounting model has strengthened the link between enterprises' risk management and financial statements, broadened the scope of hedging instruments and hedged items, abandoned retrospective validity test, introduced a re-balancing mechanism and the concept of cost of hedging. Based on the Group's evaluation, all hedging relationships still satisfy the criteria of validity of hedging and subsequent treatment will be based on the continuation of such hedging relationships.

The yields for wealth management products held by the Group depend on the yield rates of the subject assets. Prior to 1 January 2018, such products were classified as available-for-sale financial assets. After 1 January 2018, the Group analyzed that the contract cashflow not only represented payment of principal plus interest on outstanding principal amount. Therefore, such products were re-classified as financial assets at fair value through profit or loss for the current period, and presented as financial assets held for trading.

The yields for some structured deposits held by the Group are linked to variables such as bullion and foreign exchanges. Prior to 1 January 2018, the derivatives embedded in structured deposits were accounted for separately, and the host debt contracts were presented as cash and cash equivalents. After 1 January 2018, the Group analyzed that the contract cashflow not only represented payment of principal plus interest on outstanding principal amount. Therefore, such structured deposits were re-classified as financial assets at fair value through profit or loss for the current period, and presented as financial assets held for trading.

In its day-to-day capital management, the Group endorses or discounts some of its bank acceptance notes. The business model for managing the aforesaid notes receivable is for the dual purposes of receipt of contract cashflow and sale. Therefore, after 1 January 2018, such notes receivable were re-classified as financial assets at fair value through other comprehensive income, and presented as notes receivable and accounts receivable.

After 1 January 2018, some of the equity investments held by the Group were designated as financial assets at fair value through other comprehensive income and presented as investments in other equity instruments.

On the date of first adoption, the categorization and measurement of financial assets conducted according to the standards on the recognition and measurement of financial instruments before and after amendment are compared as follows:

The Group

	Standards on the recognition and measurement of financial instruments before amendment		Standards on the recognition and measurement of financial instruments after amendment	
	Measurement categories	**Carrying amount**	**Measurement categories**	**Carrying amount**
Notes receivable	Amortized cost (Loans and receivables)	25,291,238,910.52	Amortized cost	18,244,008,954.57
			Fair value through other comprehensive income (required by standard)	7,047,229,955.95
Accounts receivable	Amortized cost (Loans and receivables)	13,572,535,350.44	Amortized cost	13,605,102,150.64
			Fair value through profit or loss (required by standard)	145,122,780.00

	Standards on the recognition and measurement of financial instruments before amendment		Standards on the recognition and measurement of financial instruments after amendment	
	Measurement categories	**Carrying amount**	**Measurement categories**	**Carrying amount**
Long-term receivables	Amortized cost (Loans and receivables)	5,197,814,237.00	Amortized cost	5,054,002,243.40
			Fair value through profit or loss (required by standard)	143,811,993.60
Other non-current debt investments	Amortized cost (Loans and receivables)	17,227,478.40	Fair value through profit or loss (required by standard)	17,227,478.40
Equity investments	Fair value through other comprehensive income (Available-for-sale)	319,262,446.10	Fair value through profit or loss (required by standard)	3,378,395.90
	Cost method (Available-for-sale)	275,584,770.21	Fair value through other comprehensive income (designated)	438,106,427.08
			Long-term equity investments	190,118,644.10
Wealth management products	Fair value through other comprehensive income (Available-for-sale)	2,365,000,000.00	Fair value through profit or loss (required by standard)	2,365,000,000.00

The Company

	Standards on the recognition and measurement of financial instruments before amendment		Standards on the recognition and measurement of financial instruments after amendment	
	Measurement categories	**Carrying amount**	**Measurement categories**	**Carrying amount**
Equity investments	Fair value through other comprehensive income (Available-for-sale)	224,800,000.00	Fair value through other comprehensive income (designated)	255,670,000.00
	Cost method (Available-for-sale)	31,680,000.00		

On the date of first adoption, the original carrying amount of the financial assets and the new carrying amount of the financial assets as categorized and measured according to the standards on the recognition and measurement of financial instruments after amendment are reconciled as follows:

The Group

	Carrying amount presented according to the original standard applicable to financial instruments 31 December 2017	Reclassified	Re-measured	Carrying amount presented according to the New Standard on Financial Instruments 1 January 2018
Financial assets measured at amortized cost				
Notes receivable				
Balance presented according to the original standard applicable to financial instruments	25,291,238,910.52	–	–	–
Less: Transferred to fair value through other comprehensive income (New Standard on Financial Instruments)	–	(7,047,229,955.95)	–	–
Balance presented according to the New Standard on Financial Instruments				18,244,008,954.57
Accounts receivable				
Balance presented according to the original standard applicable to financial instruments	13,572,535,350.44	–	–	–
Less: Transferred to fair value through profit or loss (New Standard on Financial Instruments)	–	(145,122,780.00)	–	–
Re-measured: Allowance for expected credit losses	–	–	177,689,580.20	–
Balance presented according to the New Standard on Financial Instruments				13,605,102,150.64
Long-term receivables				
Balance presented according to the original standard applicable to financial instruments	5,197,814,237.00	–	–	–
Less: Transferred to fair value through profit or loss (New Standard on Financial Instruments)	–	(143,811,993.60)	–	–
Balance presented according to the New Standard on Financial Instruments				5,054,002,243.40
Other non-current assets				
Balance presented according to the original standard applicable to financial instruments	17,227,478.40	–	–	–
Less: Transferred to fair value through profit or loss (New Standard on Financial Instruments)	–	(17,227,478.40)	–	–
Balance presented according to the New Standard on Financial Instruments				–

	Carrying amount presented according to the original standard applicable to financial instruments 31 December 2017	Reclassified	Re-measured	Carrying amount presented according to the New Standard on Financial Instruments 1 January 2018
Financial assets at fair value through other comprehensive income				
Notes receivable				
Balance presented according to the original standard applicable to financial instruments	–	–	–	–
Add: Transferred to fair value through other comprehensive income (the New Standard on Financial Instruments)	–	7,047,229,955.95	–	–
Balance presented according to the New Standard on Financial Instruments				7,047,229,955.95
Equity investments – Available-for-sale financial assets (Note 1)				
Balance presented according to the original standard applicable to financial instruments	594,847,216.31	–	–	–
Less: Transferred to fair value through profit or loss (New Standard on Financial Instruments)	–	(3,378,395.90)	–	–
Transferred to fair value through other comprehensive income-Equity instruments (New Standard on Financial Instruments)	–	(401,350,176.31)	–	–
Transferred to long-term equity investments	–	(190,118,644.10)	–	–
Add: Transferred to fair value through other comprehensive income-Equity instruments (New Standard on Financial Instruments)	–	401,350,176.31	–	–
Remeasured: Cost method changed to measurement of fair value	–	–	36,756,250.77	–
Balance presented according to the New Standard on Financial Instruments				438,106,427.08
Wealth management products – Available-for-sale financial assets (Note 2)				
Balance presented according to the original standards applicable to financial instruments	2,365,000,000.00	–	–	–
Less: Transferred to fair value through profit or loss (New Standard on Financial Instruments)	–	(2,365,000,000.00)	–	–
Balance presented according to the New Standard on Financial Instruments				–

	Carrying amount presented according to the original standard applicable to financial instruments 31 December 2017	Reclassified	Re-measured	Carrying amount presented according to the New Standard on Financial Instruments 1 January 2018
Financial assets at fair value through profit or loss				
Financial assets held for trading				
Balance presented according to the original standard applicable to financial instruments	384,067,087.32	–	–	–
Add: Transferred to fair value through profit or loss (the New Standard on Financial Instruments)	–	2,510,122,780.00	–	–
Balance presented according to the New Standard on Financial Instruments				2,894,189,867.32
Other non-current financial assets				
Balance presented according to the original standard applicable to financial instruments	–	–	–	–
Add: Transferred to fair value through profit or loss (the New Standard on Financial Instruments)	–	164,417,867.90	–	–
Balance presented according to the New Standard on Financial Instruments				164,417,867.90

The Company

	Carrying amount presented according to the original standard applicable to financial instruments 31 December 2017	Reclassified	Re-measured	Carrying amount presented according to the New Standard on Financial Instruments 1 January 2018
Financial assets at fair value through other comprehensive income				
Equity investments – Available-for-sale financial assets (Note 1)				
Balance presented according to original standard applicable to financial instruments	256,480,000.00	–	–	–
Less: Transferred out to fair value through other comprehensive income – Equity instruments (the New Standard on Financial Instruments)	–	(256,480,000.00)	–	–
Add: Transferred in to fair value through other comprehensive income – Equity instruments (the New Standard on Financial Instruments)	–	256,480,000.00	–	–
Remeasured: Cost method changed to measurement of fair value	–	–	(810,000.00)	–
Balance presented according to the New Standard on Financial Instruments				255,670,000.00

Note 1: The investment in equity instruments was strategic investments aiming to uplift the Group's long term profitability through equity participation. The Group designated that such investments shall be measured at fair value through other comprehensive income.

Note 2: The wealth management products did not pass the contract cashflow characteristics test under the New Standard on Financial Instruments. They were measured at fair value through profit or loss as required by the standard.

On the date of first adoption, the original provision for impairment of financial assets as of 31 December 2017 and the new provision for loss of financial assets as categorized and measured according to the standards applicable to the financial instruments after amendment are reconciled as follows:

The Group

Measurement categories	Provision for loss made according to the original standard applicable to financial instruments	Reclassified	Re-measured	Provision for loss made according to the New Standard on Financial Instruments
Loans and receivables (Original standard applicable to financial instruments)/ Financial assets measured at amortized cost (the New Standard on Financial Instruments)				
Accounts receivable	1,433,114,728.64	–	(177,689,580.20)	1,255,425,148.44
Other receivables	48,508,702.99	–	–	48,508,702.99

The Company

Measurement categories	Provision for loss made according to the original standard on financial instruments	Reclassified	Re-measured	Provision for loss made according to the New Standard on Financial Instruments
Loans and receivables (Original standard applicable to financial instruments)/ Financial assets measured at amortized cost (the New Standard on Financial Instruments)				
Accounts receivable	89,097,053.93	–	–	89,097,053.93
Other receivables	14,749,851.41	–	–	14,749,851.41

Other than such adjustments as have arisen from the change in the "Formats of financial statements" mentioned below, major impacts of the changes in accounting policies arising from the New Standard on Revenue and the New Standard on Financial Instruments stated above on the financial statements as at 1 January 2018 are as follows:

The Group

		Reclassified		Re-measured		
	Carrying amount presented according to the original standards 31 December 2017	Impact of the New Standard on Revenue	Impact of the New Standard on Financial Instruments	Impact of the New Standard on Revenue	Impact of the New Standard on Financial Instruments	Carrying amount presented according to the new standards 1 January 2018
Financial assets at fair value through profit or loss	384,067,087.32	–	(384,067,087.32)	–	–	–
Financial assets held for trading	–	–	2,894,189,867.32	–	–	2,894,189,867.32
Accounts receivable	13,572,535,350.44	(1,590,884,422.70)	(145,122,780.00)	–	177,689,580.20	12,014,217,727.94
Contract assets	–	735,764,692.30	–	46,813,800.00	–	782,578,492.30
Inventories	19,850,822,463.67	(735,764,692.30)	–	–	–	19,115,057,771.37
Other current assets	3,792,776,498.74	–	(2,365,000,000.00)	–	–	1,427,776,498.74
Available-for-sale financial assets	594,847,216.31	–	(594,847,216.31)	–	–	–
Investment in other equity instruments	–	–	401,350,176.31	–	36,756,250.77	438,106,427.08
Other non-current financial assets	–	–	164,417,867.90	–	–	164,417,867.90
Long-term receivables	5,197,814,237.00	–	(143,811,993.60)	–	–	5,054,002,243.40
Long-term equity investments	2,638,935,915.48	–	190,118,644.10	–	–	2,829,054,559.58
Deferred tax assets	4,533,525,646.91	–	–	(19,505,750.00)	(58,453,657.62)	4,455,566,239.29
Other non-current assets	254,172,355.79	–	(17,227,478.40)	–	–	236,944,877.39
Receipts in advance	(5,814,905,624.90)	5,814,905,624.90	–	–	–	–
Contract liabilities	–	(7,417,610,663.24)	–	62,418,400.00	–	(7,355,192,263.24)
Other payables	(7,723,245,808.19)	2,811,214,342.64	–	–	–	(4,912,031,465.55)
Other current liabilities	(4,851,696,489.11)	382,375,118.40	–	–	–	(4,469,321,370.71)
Deferred income	(3,121,664,308.58)	305,225,976.00	–	–	–	(2,816,438,332.58)
Deferred tax liabilities	(6,500,274,764.52)	–	–	–	(9,295,050.00)	(6,509,569,814.52)
Other non-current liabilities	(226,205,400.79)	(305,225,976.00)	–	–	–	(531,431,376.79)
Retained earnings	(27,898,783,968.43)	–	–	(89,726,450.00)	(119,172,330.20)	(28,107,682,748.63)
Other comprehensive income	1,527,566,155.73	–	–	–	(27,644,503.70)	1,499,921,652.03
Minority interests	(21,115,468,327.56)	–	–	–	119,710.55	(21,115,348,617.01)

The Company

	Carrying amount presented according to the original standards 31 December 2017	Reclassified: Impact of the New Standard on Revenue	Reclassified: Impact of the New Standard on Financial Instruments	Re-measured: Impact of the New Standard on Revenue	Re-measured: Impact of the New Standard on Financial Instruments	Carrying amount presented according to the new standards 1 January 2018
Accounts receivable	1,492,883,648.61	(397,204,441.44)	–	–	–	1,095,679,207.17
Available-for-sale financial assets	256,480,000.00	–	(256,480,000.00)	–	–	–
Investment in other equity instruments	–	–	256,480,000.00	–	(810,000.00)	255,670,000.00
Deferred tax assets	724,662,933.48	–	–	–	121,500.00	724,784,433.48
Receipts in advance	(53,587,374.55)	53,587,374.55	–	–	–	–
Other payables	(2,497,504,438.30)	1,503,283,483.34	–	–	–	(994,220,954.96)
Contract liabilities	–	(1,159,666,416.45)	–	–	–	(1,159,666,416.45)
Other comprehensive income	(26,180,000.00)	–	–	–	688,500.00	(25,491,500.00)

Formats of financial statements

As required by the Notice on Revising and Circulating General Corporate Financial Statement Formats 2018 (Cai Kuai [2018] No.15), other than the changes in presentation arising from the adoption of the aforesaid New Standard on Financial Instrument and the New Standard on Revenue, “notes receivable and “accounts receivable” are classified under the new “notes receivable and accounts receivable” item; “dividend receivable” and “interest receivable’ are classified under the “other receivables” item; “disposal of fixed assets” are classified under the “fixed assets” item; “materials used in construction” are classified under the “construction in progress” item; “notes payable” and “accounts payable” are classified under the new “notes payable and accounts payable” item; “special payables” are classified under the “long-term payables” item; the “research & development expenses” item is separated from the “general and administrative expenses” in the income statement; the “interest expenses” and “interest income” items are separately listed under the finance expenses item; the new item of “transfer of changes in defined benefit plan to retained earnings” has been added under the statement of changes in equity; and the Group has restated the financial statements for the comparative period on a retrospective basis. The changes in accounting policies has no impact on consolidated and company net profit and shareholders’ equity.

Major impacts of the retrospective adjustment arising from the changes in accounting policies stated above on the balance sheet as at 31 December 2017 are as follows:

The Group

	Closing balance before changes in accounting policies	Adjustment arising from changes in accounting policies	Closing balance after changes in accounting policies
Notes receivable	25,291,238,910.52	(25,291,238,910.52)	–
Accounts receivable	13,572,535,350.44	(13,572,535,350.44)	–
Notes receivable and accounts receivable	–	38,863,774,260.96	38,863,774,260.96
Interests receivable	25,264,533.85	(25,264,533.85)	–
Dividends receivable	5,228,280.90	(5,228,280.90)	–
Other receivables	857,629,220.37	30,492,814.75	888,122,035.12
Fixed assets	27,067,404,030.16	903,928.29	27,068,307,958.45
Construction in progress	1,218,157,893.32	589,457.74	1,218,747,351.06
Materials used in construction	589,457.74	(589,457.74)	–
Disposal of fixed assets	903,928.29	(903,928.29)	–
Notes payable	12,361,446,846.30	(12,361,446,846.30)	–
Accounts payable	30,654,794,938.52	(30,654,794,938.52)	–
Notes payable and accounts payable	–	43,016,241,784.82	43,016,241,784.82
Interests payable	95,394,487.50	(95,394,487.50)	–
Dividends payable	207,460,650.87	(207,460,650.87)	–
Other payables	7,723,245,808.19	302,855,138.37	8,026,100,946.56
Long-term payables	9,218,432,433.10	23,000,000.00	9,241,432,433.10
Special payables	23,000,000.00	(23,000,000.00)	–

The Company

	Closing balance before changes in accounting policies	Adjustment arising from changes in accounting policies	Closing balance after changes in accounting policies
Notes receivable	23,018,971,007.38	(23,018,971,007.38)	–
Accounts receivable	1,492,883,648.61	(1,492,883,648.61)	–
Notes receivable and accounts receivable	–	24,511,854,655.99	24,511,854,655.99
Interests receivable	23,116,750.00	(23,116,750.00)	–
Dividends receivable	240,204,169.02	(240,204,169.02)	–
Other receivables	360,439,484.91	263,320,919.02	623,760,403.93
Notes payable	9,339,569,093.38	(9,339,569,093.38)	–
Accounts payable	8,360,166,067.65	(8,360,166,067.65)	–
Notes payable and accounts payable	–	17,699,735,161.03	17,699,735,161.03

Affected items in income statements for the year of 2017:

The Group

	Incurred before changes in accounting policies	Adjustment arising from changes in accounting policies	Incurred after changes in accounting policies
General and administrative expenses	9,601,587,744.66	(3,732,379,103.17)	5,869,208,641.49
Research & development expenses	–	3,732,379,103.17	3,732,379,103.17

The Company

	Incurred before changes in accounting policies	Adjustment arising from changes in accounting policies	Incurred after changes in accounting policies
General and administrative expenses	2,252,123,730.11	(1,455,492,475.18)	796,631,254.93
Research & development expenses	–	1,455,492,475.18	1,455,492,475.18

Change in items presented on cashflow from government grants related to assets

Pursuant to the "Issues Related to Revising the Formats for Publishing General Corporate Financial Statement 2018" and the "Digest of Issues Related to the General Corporate Financial Statement Formats 2018" (Cai Kuai [2018] No. 15) issued by the MOF, the government grants received by an enterprise, whether related to assets or related to income, are presented as cashflow from operating activities in the preparation of cashflow statements. Accordingly, in preparing cashflow statements, cashflow originally presented as cashflow from investing activities was changed to be presented as cashflow from operating activities. Corresponding adjustments have been made to the comparative figures on a retrospective basis. This change in accounting policy has resulted in a decrease in net cashflow from investing activities in the consolidated and company cashflow statement and an increase (in equal magnitude) in net cashflow from operating activities. This has had no influence on the net increase in cash and cash equivalents.

2017

The Group

	Incurred before changes in accounting policies	Adjustment arising from changes in accounting policies		Incurred after changes in accounting policies
Other cash received relating to operating activities	1,129,420,486.63	184,782,284.00	–	1,314,202,770.63
Other cash received relating to investing activities	186,453,087.75	–	(184,782,284.00)	1,670,803.75

The Company

	Incurred before changes in accounting policies	Adjustment arising from changes in accounting policies		Incurred after changes in accounting policies
Other cash received relating to operating activities	297,947,330.33	51,350,000.00	–	349,297,330.33
Other cash received relating to investing activities	51,350,000.00	–	(51,350,000.00)	–

Standards to come into effect

The revised Accounting Standards for Business Enterprises No. 21 – Leases were issued by the MOF in 2018. The Group will adopt these standards with effect from 1 January 2019. Based on information currently available, the effect of the standard has been assessed.

Changes in standards on leases

Under the revised Accounting Standards for Business Enterprises No. 21 – Leases, the distinguishment of finance lease and operating lease is abandoned for the leasee; a leasee is required to recognize right-of-use assets and lease liabilities for all leases (except for short-term leases and low-value asset leases for which the simplified approach is elected), and depreciation and interest expenses are recognized respectively.

Pursuant to the revised Accounting Standards for Business Enterprises No. 21– Leases, the Group will adjust the respective amounts of the opening retained earnings and other related items in the financial statements based on the cumulative effect of the first adoption of the new standards on leases in the year of first adoption, but will not adjust those figures in the comparative period. Based on information currently available, the Group has assessed and concluded that the changes in the said standard will affect the gearing ratio of the Group to a certain extent, but will not significantly affect the operating results of the Group.

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 reported 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 and losses 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 other comprehensive income, derivative instruments, dividends receivable, interests receivable, 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
2018						
Segment revenue:						
Sale to external customers	33,460,919,031.99	63,173,752,504.96	2,158,272,533.52	154,726,594.58	60,308,161,621.87	159,255,832,286.92
Inter-segment sale	11,397,063,456.27	26,393,862.02	1,238,603,548.28	95,807,170.21	231,945,587.12	12,989,813,623.90
Total	44,857,982,488.26	63,200,146,366.98	3,396,876,081.80	250,533,764.79	60,540,107,208.99	172,245,645,910.82
Adjustment:						
Elimination of inter-segment sale						(12,989,813,623.90)
Revenue						159,255,832,286.92
Segment results	7,310,300,369.65	1,820,665,409.19	131,498,157.22	10,869,809.76	3,635,653,852.59	12,908,987,598.41
Adjustment:						
Elimination of inter-segment results						128,206,630.81
Interest income						1,059,722,329.53
Dividend income and unallocated income						948,930,192.21
Corporate and other unallocated expenses						(52,496,406.05)
Finance expenses						(1,135,066,269.38)
Profit before tax						13,858,284,075.53
31 December 2018						
Segment assets	38,342,387,280.54	29,704,349,607.56	19,372,419,842.97	13,975,511,178.08	82,463,781,937.58	183,858,449,846.73
Adjustment:						
Elimination of inter-segment assets						(26,648,491,505.38)
Corporate and other unallocated assets						48,066,406,832.83
Total assets						205,276,365,174.18
Segment liabilities	31,689,514,776.99	28,184,102,034.41	13,320,370,609.02	2,669,437,918.09	41,655,028,050.88	117,518,453,389.39
Adjustment:						
Elimination of inter-segment liabilities						(18,325,913,660.73)
Corporate and other unallocated liabilities						43,824,497,671.83
Total liabilities						143,017,037,400.49
2018						
Other segment information:						
Share of profit and loss from:						
Gain/(loss) from associates	98,476,778.40	56,389,341.45	(210,339.46)	(74,895,064.93)	94,007,923.44	173,768,638.90
Reversal/(loss) of impairment of inventories	(51,847,585.08)	(250,841,576.62)	(513,580.00)	–	(148,252,283.20)	(451,455,024.90)
Reversal/(loss) of impairment of accounts receivable and other receivables	28,101,534.38	(172,829,165.67)	(2,440,355.34)	2,562.92	(63,134,613.46)	(210,300,037.17)
Reversal/(loss) of impairment of non-current assets	(6,865,120.49)	(131,926,714.64)	(343,900.00)	–	(42,928,561.26)	(182,064,296.39)
Depreciation and amortization	(782,021,414.12)	(873,358,768.70)	(254,972,232.89)	(18,422,431.94)	(5,475,140,914.63)	(7,403,915,762.28)
Gain/(loss) from disposal of fixed assets	4,669,003.02	(11,459,602.47)	(154,738.11)	6,819.99	8,439,701.33	1,501,183.76
Investment in associates and jointly controlled enterprises	1,267,940,098.58	739,936,301.21	2,473,625.91	1,721,525,828.15	731,715,459.28	4,463,591,313.13
Capital expenditure	(1,352,206,532.64)	(1,675,439,010.38)	(270,963,966.75)	(960,886.76)	(9,818,639,217.53)	(13,118,209,614.06)

	Diesel engines	Automobiles and other major automobile components	Other components	Import & export services	Forklift trucks and supply chain solution	Total
2017						
Segment revenue:						
Sale to external customers	31,240,773,383.89	59,295,565,900.92	2,529,752,004.40	126,981,153.52	58,376,319,793.90	151,569,392,236.63
Inter-segment sale	12,561,380,911.27	4,438,065.98	1,104,843,160.59	25,166,329.85	116,828,998.13	13,812,657,465.82
Total	43,802,154,295.16	59,300,003,966.90	3,634,595,164.99	152,147,483.37	58,493,148,792.03	165,382,049,702.45
Adjustment:						
Elimination of inter-segment sale						(13,812,657,465.82)
Revenue						151,569,392,236.63
Segment results	6,730,786,447.00	1,430,858,159.89	186,969,364.32	(37,211,928.27)	2,865,653,334.14	11,177,055,377.08
Adjustment:						
Elimination of inter-segment results						(456,090,165.26)
Interest income						957,162,142.94
Dividend income and unallocated income						553,274,536.03
Corporate and other unallocated expenses						(161,219,278.15)
Finance expenses						(1,547,915,114.52)
Profit before tax						10,522,267,498.12
31 December 2017						
Segment assets	37,778,526,803.73	32,471,332,085.77	18,251,755,485.49	11,966,343,480.78	75,034,006,890.41	175,501,964,746.18
Adjustment:						
Elimination of inter-segment assets						(25,214,008,750.78)
Corporate and other unallocated assets						39,350,210,634.12
Total assets						189,638,166,629.52
Segment liabilities	27,027,000,538.90	31,023,164,678.62	13,019,140,067.07	1,492,306,272.60	35,725,701,796.40	108,287,313,353.59
Adjustment:						
Elimination of inter-segment liabilities						(17,957,220,509.52)
Corporate and other unallocated liabilities						42,953,082,554.95
Total liabilities						133,283,175,399.02
2017						
Other segment information:						
Share of profit and loss from:						
Gain/(loss) from associates	60,012,621.52	8,683,712.74	–	(87,742,088.80)	103,916,873.20	84,871,118.66
Reversal/(loss) of impairment of inventories	(43,401,333.98)	(399,497,255.78)	313,303.81	–	(80,592,577.26)	(523,177,863.21)
Reversal/(loss) of impairment of accounts receivable and other receivables	(20,683,378.31)	(200,317,397.70)	(3,900,195.52)	111,285.96	(109,819,217.99)	(334,608,903.56)
Reversal/(loss) of impairment of non-current assets	(261,236,754.62)	(343,488,614.19)	(373,375,706.97)	–	(114,251,694.31)	(1,092,352,770.09)
Depreciation and amortization	(799,649,068.19)	(953,848,008.82)	(257,140,564.18)	(25,774,122.50)	(5,328,339,390.24)	(7,364,751,153.93)
Gain/(loss) from disposal of fixed assets	4,483,133.39	30,557,433.65	21,286,009.28	–	(261,172.72)	56,065,403.60
Gain/(loss) from disposal of intangible assets	–	20,292,433.24	–	–	–	20,292,433.24
Investment in associates and jointly controlled enterprises	1,173,738,285.10	732,362,510.22	515,793,344.24	217,041,775.92	–	2,638,935,915.48
Capital expenditure	(499,159,014.83)	(698,831,978.35)	(267,750,153.96)	(855,191.70)	(6,991,232,548.82)	(8,457,828,887.66)

Group information

Information about products and services

Revenue from external transactions

	2018	2017
Engines, complete vehicles and key components	**82,874,860,825.64**	77,639,455,555.51
Other non-major automobile components	**10,311,044,913.94**	9,913,699,950.11
Forklift trucks and supply chain solution	**60,308,161,621.88**	58,376,319,793.90
Others	**5,761,764,925.46**	5,639,916,937.11
	159,255,832,286.92	151,569,392,236.63

Geographic information

Revenue from external transactions

	2018	2017
China	**95,048,646,506.80**	86,199,110,885.11
Other countries and regions	**64,207,185,780.12**	65,370,281,351.52
	159,255,832,286.92	151,569,392,236.63

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

Total non-current assets

	31 December 2018	31 December 2017
China	**17,812,200,295.51**	17,096,411,403.27
Other countries and regions	**66,908,369,846.00**	61,858,166,824.96
	84,720,570,141.51	78,954,578,228.23

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

Information about major customers

Revenue of RMB7,207,594,901.91 (2017: RMB6,615,166,611.85) 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 AND ACCOUNTS RECEIVABLE

	31 December 2018	31 December 2017
Notes receivable	**24,992,664,675.62**	25,291,238,910.52
Accounts receivable	**13,155,363,494.20**	13,572,535,350.44
	38,148,028,169.82	38,863,774,260.96

Notes receivable

	31 December 2018	31 December 2017
Commercial acceptance bills	**89,602,575.97**	31,956,300.00
Bank acceptance bills	**24,903,062,099.65**	25,259,282,610.52
	24,992,664,675.62	25,291,238,910.52

As at 31 December 2018, the Group's notes receivable measured at amortized cost amounted to RMB18,056,440,277.52, and its notes receivable at fair value through other comprehensive income amounted to RMB6,936,224,398.10.

Among which, notes receivable which had been pledged are presented as follows:

	31 December 2018	31 December 2017
Commercial acceptance bills	**34,142,935.00**	–
Bank acceptance bills	**11,998,543,246.32**	8,862,401,073.29
	12,032,686,181.32	8,862,401,073.29

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

	31 December 2018		31 December 2017	
	Derecognized	**Not derecognized**	Derecognized	Not derecognized
Commercial acceptance bills	**–**	**500,000.00**	–	7,321,000.00
Bank acceptance bills	**10,293,024,756.84**	**51,739,351.00**	11,897,133,700.14	–
	10,293,024,756.84	**52,239,351.00**	11,897,133,700.14	7,321,000.00

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

	31 December 2018		31 December 2017	
	Derecognized	**Not derecognized**	Derecognized	Not derecognized
Bank acceptance bills	**80,882,470.11**	**–**	19,718,076.84	–

As at 31 December 2018, the Group had not transferred any notes into accounts receivable due to issuers' failure in performance (31 December 2017: Nil).

As at 31 December 2018, the right of use of notes receivable with a carrying value of RMB12,032,686,181.32 (31 December 2017: RMB8,862,401,073.29) was restricted as pledged to secure notes payable.

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 2018	31 December 2017
Within 3 months	**10,103,238,883.37**	11,174,158,713.17
3 months to 6 months	**1,220,352,210.75**	973,070,634.78
6 months to 1 year	**1,506,786,694.46**	980,112,626.07
1 to 2 years	**369,976,898.67**	597,200,935.15
2 to 3 years	**298,548,409.40**	190,287,768.61
Over 3 years	**1,081,174,541.83**	1,090,819,401.30
	14,580,077,638.48	15,005,650,079.08
Less: provision for bad debts in respect of accounts receivable	**1,424,714,144.28**	1,433,114,728.64
	13,155,363,494.20	13,572,535,350.44

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

	2018	2017
Opening balance	**1,433,114,728.64**	1,144,057,968.02
Opening effect of changes in accounting policies	**(177,689,580.20)**	–
Opening balance under the new standards	**1,255,425,148.44**	1,144,057,968.02
Provision for the year	**286,420,152.44**	370,477,690.97
Decrease during the year:		
Reversal	**(80,698,124.50)**	(33,037,659.83)
Decrease upon disposal of subsidiaries	**(7,188,013.81)**	–
Eliminated	**(25,405,904.25)**	(45,663,345.00)
Written off	**–**	(1,984,107.32)
Adjustments for exchange differences	**(3,839,114.04)**	(735,818.20)
Closing balance	**1,424,714,144.28**	1,433,114,728.64

	31 December 2018			
	Gross carrying amount	**Proportion** *(%)*	**Provision for bad debt**	**Percentage** *(%)*
Items for which provision for bad debts is recognized separately	**3,101,867,667.31**	**21.27**	**959,850,396.54**	**30.94**
Items for which provision for bad debts is recognized by group with distinctive credit risk characteristics	**11,478,209,971.17**	**78.73**	**464,863,747.74**	**4.05**
	14,580,077,638.48	**100.00**	**1,424,714,144.28**	**9.77**

	31 December 2017			
	Gross carrying amount	Proportion *(%)*	Provision for bad debt	Percentage *(%)*
Individually significant items for which provision for bad debt is recognized separately	1,558,286,912.47	10.38	541,702,763.60	34.76
Items for which provision for bad debt is recognized by group with distinctive credit risk characteristics	12,820,513,104.70	85.44	759,675,762.97	5.93
Not individually significant items for which provision for bad debt is recognized separately	626,850,061.91	4.18	131,736,202.07	21.02
	15,005,650,079.08	100.00	1,433,114,728.64	9.55

As at 31 December 2018, items for which provision for bad debts is recognized and expected credit loss is assessed separately are presented as follows:

	Gross carrying amount	**Provision for bad debt**	**Percentage**	**Reasons**
Customer 1	**139,866,808.83**	**139,866,808.83**	**100%**	Bad repayment ability
Customer 2	**56,927,140.00**	**56,927,140.00**	**100%**	Long credit age
Customer 3	**49,159,575.31**	**49,159,575.31**	**100%**	Bad repayment ability
Customer 4	**47,883,191.17**	**47,883,191.17**	**100%**	Bad repayment ability
Customer 5	**40,516,068.59**	**38,490,265.16**	**95%**	Bad repayment ability
Customer 6	**37,449,568.86**	**35,577,090.42**	**95%**	Liquidation
Customer 7	**32,989,886.43**	**32,989,886.43**	**100%**	Assets have been preserved
Customer 8	**32,623,150.80**	**29,360,835.72**	**90%**	Litigation
Customer 9	**29,745,233.41**	**27,638,613.63**	**93%**	Bad repayment ability
Customer 10	**26,400,747.00**	**25,080,709.65**	**95%**	Litigation
Others	**2,608,306,296.91**	**476,876,280.22**		Long credit age etc.
	3,101,867,667.31	**959,850,396.54**		

As at 31 December 2017, 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
Customer 1	56,927,140.00	56,927,140.00	100%	Long credit age
Customer 2	49,159,575.31	49,159,575.31	100%	Bad repayment ability
Customer 3	40,516,068.59	38,490,265.16	95%	Bad repayment ability
Customer 4	37,449,568.86	35,577,090.42	95%	Liquidation
Customer 5	32,989,886.43	32,456,366.43	98%	Assets have been preserved
Customer 6	32,623,150.80	26,098,520.64	80%	Litigation
Customer 7	29,745,233.41	21,312,766.31	72%	Bad repayment ability
Customer 8	28,369,816.49	26,663,258.86	94%	Long credit age
Customer 9	26,400,747.00	25,080,709.65	95%	Litigation
Customer 10	24,671,392.36	19,737,113.89	80%	Bad repayment ability
Others	1,199,434,333.22	210,199,956.93		Long credit age etc.
	1,558,286,912.47	541,702,763.60		

The Group's accounts receivable for which grouping of expected credit loss is determined using aging analysis are presented as follows:

	31 December 2018			31 December 2017		
	Carrying amount estimated to be in default	**Expected credit loss rate** (%)	**Expected credit loss during the entire subsistence**	Gross carrying amount	Percentage (%)	Provision for bad debt
Within 1 year	**2,739,496,401.28**	**4.95**	**135,535,329.96**	4,153,297,472.89	5.68	235,956,825.77
1 to 2 years	**156,025,486.22**	**23.74**	**37,047,858.92**	179,278,257.61	12.93	23,184,910.36
2 to 3 years	**83,623,407.61**	**26.55**	**22,200,464.58**	115,587,025.62	27.13	31,359,396.59
3 to 4 years	**76,916,263.87**	**50.30**	**38,691,421.82**	179,392,572.43	46.41	83,254,744.56
4 to 5 years	**65,664,316.88**	**90.94**	**59,712,116.54**	38,460,830.81	74.84	28,784,084.45
Over 5 years	**137,110,859.43**	**99.04**	**135,790,891.79**	142,884,643.24	100.00	142,884,643.24
	3,258,836,735.29	**13.16**	**428,978,083.61**	4,808,900,802.60	11.34	545,424,604.97

The Group's accounts receivable for which grouping of expected credit loss is determined using overdue ages are presented as follows:

	2018		
	Carrying amount estimated to be in default	**Expected credit loss rate** (%)	**Expected credit loss during the entire subsistence**
Not overdue or overdue for less than 90 days	**7,026,511,254.02**	**0.05**	**3,817,909.19**
Overdue for more than 90 days but less than 180 days	**219,004,165.07**	**2.21**	**4,836,018.31**
Overdue for more than 180 days	**179,185,225.96**	**4.55**	**8,144,872.95**
	7,424,700,645.05	**0.23**	**16,798,800.45**

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

	31 December 2017			
	Amount	Proportion *(%)*	Provision for bad debt	Percentage *(%)*
Neither overdue nor impaired	6,211,411,030.00	77.53	–	–
Overdue and impaired	229,356,410.80	2.86	214,251,158.00	93.41
Overdue and not impaired	1,570,844,861.30	19.61	–	–
	8,011,612,302.10	100.00	214,251,158.00	2.67

Bad debt provisions for the Group's accounts receivable with good credit history are presented as follows:

	31 December 2018		
	Carrying amount estimated to be in default	**Expected credit loss rate** *(%)*	**Expected credit loss during the entire subsistence**
Accounts receivable with good credit history	**794,672,590.83**	**2.40**	**19,086,863.68**

As at 31 December 2018, the top five balances in respect of accounts receivable (at historical cost) had a sum of closing balance of RMB1,179,592,972.06 (31 December 2017: RMB1,460,834,595.71), accounting for 8.09% (31 December 2017: 9.74%) of the total of closing balance of accounts receivable (at historical cost). The closing balance in respect of bad debt provided for the top five amounted to RMB148,165,056.20 (31 December 2017: RMB62,847,994.57).

In 2018, provision for bad debts of RMB286,420,152.44 (2017: RMB370,477,690.97) was made, and provision for bad debts of RMB80,698,124.50 (2017: RMB33,037,659.83) was reversed.

In 2018, no accounts receivable was written off (2017: RMB1,984,107.32).

4. NOTES PAYABLE AND ACCOUNTS PAYABLE

	31 December 2018	31 December 2017
Notes payable	**15,925,016,265.08**	12,361,446,846.30
Accounts payable	**30,869,354,934.85**	30,654,794,938.52
	46,794,371,199.93	43,016,241,784.82

Notes payable

	31 December 2018	31 December 2017
Commercial acceptance bills	**63,822,851.51**	169,119,826.48
Bank acceptance bills	**15,861,193,413.57**	12,192,327,019.82
	15,925,016,265.08	12,361,446,846.30

As at 31 December 2018, the Group had no outstanding notes payable which were due (31 December 2017: Nil).

Accounts payable

As at 31 December 2018, the aging analysis of accounts payable based on invoice dates is as follows:

	31 December 2018	31 December 2017
Within 3 months	**25,790,622,056.71**	25,318,485,036.54
3 months to 6 months	**3,587,333,365.53**	4,290,483,494.50
6 months to 1 year	**832,856,320.45**	411,725,923.30
Over 1 year	**658,543,192.16**	634,100,484.18
	30,869,354,934.85	30,654,794,938.52

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

As at 31 December 2018, there was no accounts payable which was significant and aged over one year (31 December 2017: Nil).

5. 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 values of goods sold or the value of services rendered, after allowances for returns and trade discounts; and gross rental income received and receivable from investment properties.

	2018		2017	
	Revenue	**Cost**	Revenue	Cost
Revenue from principal operations	**155,535,615,800.98**	**120,602,707,888.48**	147,928,875,941.24	115,141,628,613.82
Other revenue	**3,720,216,485.94**	**3,083,705,823.74**	3,640,516,295.39	3,326,001,484.52
	159,255,832,286.92	**123,686,413,712.22**	151,569,392,236.63	118,467,630,098.34

The revenue is listed as follows:

	2018	2017
Revenue from principal operations		
Sales of goods and others	**95,227,454,179.10**	89,552,556,147.34
Forklift trucks production, warehousing technology and supply chain solution services	**60,308,161,621.88**	58,376,319,793.90
	155,535,615,800.98	147,928,875,941.24
Other revenue		
Sales of materials	**2,563,512,961.78**	2,651,520,228.76
Lease income	**82,402,134.42**	109,938,790.82
Sales of power	**104,074,150.72**	107,269,705.33
Provision of non-industrial labour	**13,137,855.41**	35,518,016.04
Others	**957,089,383.61**	736,269,554.44
	3,720,216,485.94	3,640,516,295.39
	159,255,832,286.92	151,569,392,236.63

Breakdown of revenue (including rental income)

2018

Reporting segment	Diesel engines	Automobiles and other major automobile components	Other components	Import & export services	Forklift trucks and supply chain solution	Total
Based on customers' locations:						
Mainland China	32,478,333,143.17	57,799,947,064.74	689,590,850.85	12,977,674.85	4,067,797,773.19	95,048,646,506.80
Other countries and regions	982,585,888.82	5,373,805,440.22	1,468,681,682.67	141,748,919.73	56,240,363,848.68	64,207,185,780.12
Total	33,460,919,031.99	63,173,752,504.96	2,158,272,533.52	154,726,594.58	60,308,161,621.87	159,255,832,286.92
Time for recognition of revenue:						
Goods (transferred at a certain point of time)	33,257,706,124.57	62,933,834,618.19	2,106,930,258.33	139,533,664.99	38,962,537,152.66	137,400,541,818.74
Services (provided at a certain period of time)	203,212,907.42	239,917,886.77	51,342,275.19	15,192,929.59	21,345,624,469.21	21,855,290,468.18
Total	33,460,919,031.99	63,173,752,504.96	2,158,272,533.52	154,726,594.58	60,308,161,621.87	159,255,832,286.92

Information related to revenue expected to be recognized in respect of outstanding performance obligations under contracts

	2018
Within 1 year	**15,823,825,080.96**
1 to 2 years	**3,976,784,068.30**
2 to 3 years	**1,409,492,789.50**
3 to 4 years	**887,168,654.20**
4 to 5 years	**429,192,378.90**
Over 5 years	**289,353,492.90**
	22,815,816,464.76

6. TAXES AND SURCHARGES

	2018	2017
City construction tax	**231,859,959.87**	242,314,233.46
Educational surtax	**167,314,736.11**	174,571,328.09
Property tax	**133,012,043.84**	131,515,330.38
Others	**191,029,289.31**	189,667,795.57
	723,216,029.13	738,068,687.50

7. INCOME TAX EXPENSES

	2018	2017
Current tax expenses	**2,989,527,974.04**	3,383,858,150.73
Deferred tax expenses	**(756,977,440.98)**	(2,039,957,430.43)
	2,232,550,533.06	1,343,900,720.30

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

		2018	2017
Total profit		**13,858,284,075.53**	10,522,267,498.12
Tax at statutory tax rate	*Note 1*	**3,464,572,984.25**	2,630,566,874.53
Effect of different tax rates applicable to parent company and some subsidiaries	*Note 2*	**(860,669,504.18)**	(636,856,922.41)
Effect of tax rate change on opening balance of deferred income tax		**(20,193,040.77)**	(709,009,626.43)
Adjustments to current tax of previous periods		**(267,072,930.00)**	(135,364,765.99)
Profits and losses attributable to associates and jointly-controlled enterprises		**(32,196,232.96)**	24,345,057.42
Income not subject to tax		**(74,565,976.52)**	(216,861,142.24)
Expenses not deductible for tax		**180,787,984.35**	197,019,189.82
Tax incentives on eligible expenditures		**(414,410,818.11)**	(220,304,739.96)
Utilization of deductible losses from prior years		**(13,978,986.92)**	(40,694,150.62)
Unrecognized deductible losses		**260,133,258.95**	390,457,907.61
Effect of unrecognized deductible temporary difference		**23,098,693.84**	86,627,127.35
Others		**(12,954,898.87)**	(26,024,088.78)
Tax expense at the Group's effective tax rate		**2,232,550,533.06**	1,343,900,720.30

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.

8. 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:

	2018	2017
Earnings		
Net profit of the current period attribute to ordinary shareholders of the Company	**8,657,527,308.21**	6,808,342,544.23
Shares		
Weighted average number of the ordinary shares outstanding of the Company	**7,995,250,123.12**	7,997,238,556.00
EPS (RMB/share)	**1.08**	0.85

The Group holds no potential shares that are significantly dilutive.

9. OTHER COMPREHENSIVE INCOME

Other comprehensive income, on a cumulative basis, attributable to shareholders of parent company as shown in the consolidated balance sheet is as follows:

	1 January 2017	Increase/Decrease	31 December 2017	Adjustments upon changes in standards	1 January 2018
Changes arising from re-measuring defined benefit plan	(559,951,639.63)	104,152,091.25	(455,799,548.38)	–	(455,799,548.38)
Those other comprehensive income not to be taken to profit or loss under equity method	(165,577,229.27)	3,280,767.28	(162,296,461.99)	–	(162,296,461.99)
Those other comprehensive income to be taken to profit or loss under equity method	34,674,207.98	1,967,785.30	36,641,993.28	–	36,641,993.28
Change in fair value of available-for-sale financial assets	53,200,000.00	6,353,967.55	59,553,967.55	(59,553,967.55)	–
Change in fair value of investment in other equity instruments	–	–	–	96,451,054.25	96,451,054.25
Effective portion of cashflow hedging	(59,830,990.05)	(25,984,960.43)	(85,815,950.48)	–	(85,815,950.48)
Exchange differences on foreign currency translation	155,927,720.30	(1,165,770,648.29)	(1,009,842,927.99)	–	(1,009,842,927.99)
Relevant income tax effect	121,985,402.42	(31,992,630.14)	89,992,772.28	(9,252,583.00)	80,740,189.28
	(419,572,528.25)	(1,107,993,627.48)	(1,527,566,155.73)	27,644,503.70	(1,499,921,652.03)

	1 January 2018	Increase/Decrease	Transfer within shareholders' equity	31 December 2018
Changes arising from re-measuring defined benefit plan	(455,799,548.38)	(18,540,701.01)	–	(474,340,249.39)
Those other comprehensive income not to be taken to profit or loss under equity method	(162,296,461.99)	3,130,071.69	–	(159,166,390.30)
Those other comprehensive income to be taken to profit or loss under equity method	36,641,993.28	1,037,935.29	–	37,679,928.57
Change in fair value of investment in other equity instruments	96,451,054.25	(261,607,020.12)	(34,076,174.22)	(199,232,140.09)
Effective portion of cashflow hedging	(85,815,950.48)	(28,641,048.32)	–	(114,456,998.80)
Exchange differences on foreign currency translation	(1,009,842,927.99)	204,041,803.40	–	(805,801,124.59)
Relevant income tax effect	80,740,189.28	63,982,228.31	–	144,722,417.59
	(1,499,921,652.03)	(36,596,730.76)	(34,076,174.22)	(1,570,594,557.01)

Incurred in current period for other comprehensive income as shown in the consolidated income statement:

	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 shareholders of parent company	Attributable to minority interests
Other comprehensive income not to be reclassified into profit or loss					
Changes arising from re-measuring defined benefit plan	**(19,186,962.39)**	**–**	**(28,830,980.20)**	**9,319,184.93**	**324,832.88**
Those other comprehensive income not to be taken to profit or loss under equity method	**6,886,479.37**	**–**	**–**	**3,130,071.69**	**3,756,407.68**
Change in fair value of investment in other equity instruments	**(289,857,984.84)**	**–**	**(18,630,598.09)**	**(242,977,232.68)**	**(28,250,154.07)**
Other comprehensive income to be reclassified into profit or loss					
Those other comprehensive income to be taken to profit or loss under equity method	**2,283,564.30**	**–**	**–**	**1,037,935.29**	**1,245,629.01**
Cashflow hedging reserve	**31,643,041.26**	**137,135,691.41**	**(40,138,939.50)**	**(11,148,493.39)**	**(54,205,217.26)**
Exchange differences on foreign currency translation	**374,817,323.82**	**–**	**–**	**204,041,803.40**	**170,775,520.42**
	106,585,461.52	**137,135,691.41**	**(87,600,517.79)**	**(36,596,730.76)**	**93,647,018.66**

2017

	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 shareholders of parent company	Attributable to minority interests
Those other comprehensive income not to be reclassified into profit or loss in subsequent periods					
Changes arising from re-measuring net liabilities or net assets of defined benefit plan	223,974,228.22	–	62,244,252.66	77,224,147.46	84,505,828.10
Share of investee's other comprehensive income not to be reclassified into profit or loss using the equity method					
Those other comprehensive income to be reclassified into profit or loss in subsequent periods	7,583,835.60	–	–	3,280,767.28	4,303,068.32
Share of investee's other comprehensive income to be reclassified into profit or loss using the equity method	4,548,740.90	–	–	1,967,785.30	2,580,955.60
Change in fair value of available-for-sale financial assets	44,067,793.70	–	(2,337,898.70)	9,271,806.53	37,133,885.87
Effective portion of cashflow hedging	(273,099,700.92)	(274,062,041.78)	18,452,439.50	(33,967,485.76)	16,477,387.12
Exchange differences on foreign currency translation	(2,097,085,797.10)	–	–	(1,165,770,648.29)	(931,315,148.81)
	(2,090,010,899.60)	(274,062,041.78)	78,358,793.46	(1,107,993,627.48)	(786,314,023.80)

10. DIVIDEND

	2018	2017
	RMB'000	*RMB'000*
Proposed final dividends – RMB0.28 (2017: RMB0.25) per ordinary share	**2,221,485**	1,999,310

On 25 March 2019, the Company's 2018 profit distribution proposal was approved by the Company's third meeting of the fifth session of the Board. The Company proposed a distribution to all shareholders of a cash dividend of RMB2.80 (including tax) for every 10 shares held, based on the 7,933,873,895 shares available for distribution after deducting treasury shares as at 31 December 2018, without any capitalisation of reserve. Completion of the proposal is subject to the consideration and approval by the 2018 Annual General Meeting.

11. COMPARATIVE FIGURES

As stated in Note 1.d, in compliance with the requirement under the Notice on Revising and Circulating General Corporate Financial Statement Formats 2018 (Cai Kuai [2018] No.15), adjustments have been made to the accounting treatment and presentation of certain items in the financial statements and the amounts in financial statements in order to conform with the new requirements. Accordingly, certain prior year data have been adjusted and certain comparative data have been reclassified and restated to conform with the requirements on presentation and accounting treatment in the current year.

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 2018.

I. REVIEW OF OPERATIONS

In 2018, the Chinese government insisted upon the general keynote of making progress while maintaining stability, with firm commitment to putting the philosophy of new development into practice and promoting high-quality development while fostering unity and cohesion and overcoming difficulties. As efforts in the supply-side structural reform and the Reform and Opening-Up of the People's Republic of China (the "PRC") have been stepped up, the nationwide economic performance maintained within a reasonable range, sustaining a general trend of stability with positive development. In 2018, the national gross domestic product reached RMB90.0 trillion, representing a year-on-year growth of 6.6%.

During the reporting period, driven by the rapid development of domestic logistics transportation and the investment in infrastructure in the PRC, as well as benefiting from a multitude of favorable factors such as the imposition of more stringent emission standards and the Blue Sky Defending Plan, the heavy-duty truck market continued to perform well, delivering sales of 1,148,000 units in total, representing a year-on-year increase of 2.8%. During the reporting period, the Company reported sales of 363,000 units of heavy-duty truck engines, remaining basically at the same level as last year, and maintained its leading position in the industry with a market share of 31.6%. Shaanxi Heavy-duty Motor Company Limited (陝西重型汽車有限公司), a controlling subsidiary of the Company, reported aggregate sales of 153,000 units of heavy-duty trucks for the year, representing a year-on-year increase of 2.7%, with a 13.3% market share and ranking among the first-tier enterprises 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, maintained an absolute leading position in the industry with its aggregate sales of 909,000 units of gear boxes (including the sales of 869,000 units of gear boxes for use in heavy-duty trucks), representing a year-on-year increase of 8.9% and a market share of approximately 75.7%. KION Group AG ("KION"), an overseas controlling subsidiary of the Company, generated revenue of EUR8,000 million for the Year, representing an increase of 5.2% from last year.

In 2018, fixed-asset investments in the PRC (excluding agricultural households) reached RMB63.6 trillion, representing a year-on-year growth of 5.9%, and a drop of 1.3 percentage points in growth rate year-on-year. Investments in property development reached RMB12.0 trillion, representing a year-on-year growth of 9.5%, and an increase of 2.5 percentage points in growth rate year-on-year. Under such influence, during the reporting period, the construction machinery industry continued its trend of growth, delivering sales of 711,000 units for the whole construction machinery industry (including fork-lift trucks using combustion engines), representing a year-on-year increase of 21.5%, among which the sales volume of wheel loaders with a load capacity of 3 tonnes and above was 106,000 units, representing a year-on-year increase of 20.6%. In the PRC, the Company sold a total of 89,000 units of engines for wheel loaders with a load capacity of 3 tonnes and above, representing a year-on-year increase of 14.8%, maintaining its leading position in this sector.

During the reporting period, the Company adhered to the market-oriented approach and sped up its technological upgrade and "aiming at high-end" product development initiative, and hence continued to strengthen its market competitiveness and maintain its relatively rapid development momentum. In 2018, the Company reported sales of 220,000 units of 12L and 13L engines, representing a 1.6% growth year-on-year, and maintaining its stable leading position in the market of heavy-duty trucks, the market of wheel loaders with a load capacity of 3 tonnes and above and the market of passenger vehicles of over 11 metres long. Meanwhile, sales of strategic products and sales in strategic markets grew substantially. The sales of Yangchai engines increased by 16.1% year-on-year to 118,000 units; the sales of WP9H/WP10H engines increased by 100.1% year-on-year to 58,000 units; the sales of engines for use in agricultural equipments increased by 49.1% year-on-year to 42,000 units; and the sales of engines for use in forklift trucks increased by 18.7% year-on-year to 4,000 units. During the reporting period, guided by the work policy of "implementing strategies, driving innovation, rising to self-challenges and aiming at high-end" and directed by customer demand, Shaanxi Heavy-duty Motor Company Limited, a controlling subsidiary of the Company, led the industry in raising emission standards by completing the planning for the full China VI series of products. It explored the segment markets of plowing tractors, environmentally-friendly grout trucks, natural gas tankers, and tractors used at ports, which contributed to the overall increase in sales volume and in turn a consolidated leading position in the market. Shaanxi Fast Gear Co., Ltd., a controlling subsidiary of the Company, strived to manufacture stable and reliable high-quality products and established the novel and highly-efficient quality management system that adopts an integrated four-in-one standard. Key research and development (R&D) projects including those of speed reducers and 8AT proceeded smoothly. The Sino-foreign joint venture high-tech project jointly formed with the US-based Eaton Corporation plc was implemented successfully, signifying a key step in our international development. KION, an overseas controlling subsidiary of the Company, is the world's No.2 and Europe's No.1 provider of forklift trucks and services, and the world's No.1 provider of supply chain solutions. We proactively capitalized on the opportunities presented by the rapid development of electronic commerce and increasingly refined global supply chain services, intensively integrated automation and digitalization, and build ourselves into a provider of holistic solutions of intra-logistics, so that our customers build up their competitive strengths in their industries.

During the reporting period, having adopted a proactive attitude towards changes in approaches, structural adjustments and effectiveness enhancement, the Company firmly seized market opportunities and laid down solid foundation in its management, with a view to manufacturing the most competitive products and achieving high-quality corporate development and unprecedented operating results. Firstly, the Company focused on its core businesses and achieved continual growth in its operating results. The Company stepped up efforts in research on segment markets and achieved breakthroughs in its key markets one by one, thereby maintaining its solid position in the industry. Through adopting smart and digitized means, the Company organized its production in a scientific manner and engaged in sales activities such as "Work hard for 100 days to achieve a production and sales volume of 250,000 units" and "Work hard for the third quarter to achieve a production and sales volume of 250,000 units" to mobilize staff members to achieve high production, realizing significant development goals amidst a new round of industry opportunities. Secondly, the Company enhanced the system of technological innovation, in the firm direction of aiming at high-end. In response to the state's call, the Company worked with global strategic partners to put forth the "Blue Sky Defending Plan" initiative, lead the industry in raising emission standards, contribute to the prevention and control of pollution and build a beautiful China. The Company was the first in the industry to have completed the development and certification of the full China VI series of engines and satisfied the conditions for small-scale production of the same. Many of Weichai's engine models had obtained Euro VI-d certification. Innovation centres had been established in Tokyo and Silicon Valley, whereas the North America innovation centre and Germany innovation centre became important pillars to Weichai's global platform for technological innovation. In 2018, the Company was awarded the First Class Award of National Science and Technology Progress Award (國家科技進步一等獎) in respect of the project of "Heavy-duty Commercial Vehicles Powertrain Key Technologies and Applications" (重型商用車動力總成關鍵技術及應用項目). Thirdly, the Company worked intensively on the "Belt and Road" initiative and saw positive development in its overseas businesses in all respects. Under the attention of the government leaders of both the PRC and Belarus, the Weichai-MAZ project commenced production in November 2018, which was in the same year as the construction of the plants involved. Weichai-MAZ project was the first corporation in the Great Stone Industrial Park that commenced plant construction and product production in the same year. The Company also entered into a framework agreement on strategic cooperation with the Russia-based KAMAZ Group, pursuant to which the manufacturing and sale of Weichai's engines are expected to become increasingly localized. Fourthly, we consolidated the high-quality resources of new energy and expedited the replacement of "Old-power" with "New-power". We took the lead in undertaking a major project of the PRC regarding the commercialization of fuel cells, and entered into strategic cooperation with each of the UK-based Ceres Power Holdings plc ("Ceres Power") and the Canada-based Ballard Power Systems Inc. ("Ballard"), continuously fostering the implementation of commercialization of new energy. By establishing new technology research institutes and smart technology companies, we consolidated resources, including new energy, electric control, smart driving and so forth, thereby creating a new business platform and environment. Fifthly, the Company holistically pressed ahead with the enhancement and implementation of Weichai's WOS. The Company won the third China Quality Award in respect of its "WOS quality management system". Based on the requirements of customer satisfaction and precise appraisal, the Company introduced an innovative, customer-oriented mechanism in various segments in the entire value chain, including management, R&D, manufacturing, marketing and procurement, achieving precise appraisal, strengthening process control, and bringing the management level of the Company to a new height.

During the reporting period, the Company's revenue increased by 5.1% compared with that in the corresponding period of 2017 to approximately RMB159,256 million. The net profit attributable to shareholders of the Company was approximately RMB8,658 million, representing an increase of 27.2% compared with that in the corresponding period of 2017. The basic earnings per share was RMB1.08, representing an increase of 27.2% compared with that in the corresponding period of 2017.

II. DIVIDENDS AND CAPITALISATION OF RESERVE

On 25 March 2019, the Company's 2018 profit distribution proposal was approved by the Company's third meeting of the fifth session of the Board. The Company proposed a distribution to all shareholders of a cash dividend of RMB2.80 (including tax) for every 10 shares held, based on the 7,933,873,895 shares available for distribution after deducting treasury shares as at 31 December 2018, without any capitalisation of reserve. Completion of the proposal is subject to the consideration and approval by the 2018 Annual General Meeting.

III. ACQUISITION AND CONSOLIDATION

1. Grasping core technology and leading global development of new energy

On 16 May 2018, the Company entered into a strategic co-operation agreement with Ceres Power, the world's leading supplier of Solid Oxide Fuel Cells ("SOFC"), pursuant to which the Company would invest more than £40 million to subscribe for new shares issued by Ceres Power in two tranches. To date, the Company had subscribed for 20% of the shares in Ceres Power. Going forward, the Company and Ceres Power will form a joint venture company in Weifang, Shandong Province, the PRC to foster and realize the commercialization of the SOFC technology in the PRC market. The joint venture company will have a registered capital of RMB140 million, 51% of which will be held by the Company and 49% of which will be held by Ceres Power. Ceres Power will grant the joint venture company a right in the PRC market to use, on a combination of exclusive and non-exclusive basis, the SteelCell® technology and to produce and sell fuel-cell systems, electric piles and electric cells to be applied to commercial vehicles, passenger vehicles and specific markets of electricity generation. This strategic co-operation is an important milestone in Weichai's proactive attainment of the 2020-2030 strategic goals, and will provide a driving force for the development of the new-energy sectors of the PRC.

On 13 November 2018, through Weichai Power (Hong Kong) International Development Co., Ltd., its wholly-owned subsidiary, the Company subscribed for a 19.9% shareholding in Ballard at a consideration of US$164 million and became the largest shareholder of Ballard. Meanwhile, the Company and Ballard invested a total of RMB1.1 billion to establish a joint venture company in Weifang, Shandong Province. The joint venture company is owned as to 51% by the Company and 49% by Ballard. The joint venture company possesses the exclusive right to use Ballard's "next-generation proton exchange membrane fuel cells, electric piles and modular technology products" in the markets of passenger vehicles, commercial trucks and forklift trucks in the PRC. Through this transaction, the Company will leverage on the cooperation with the world-renowned enterprise to consolidate global resources, establish its all-round presence in the hydrogen-fueled electric cells sector, expedite the breakthroughs in the core technology of hydrogen-fueled electric cells, press ahead with the implementation of Weichai's new energy strategy, and lead the transformation and improvement of the commercial vehicle and forklift truck industries in the PRC.

2. **Strategic acquisition of shareholding in XCMG and first-time cooperation at capital level**

In July 2018, the Company and Weichai Power (Shanghai) Technology Development Co., Ltd. (濰柴動力(上海)科技發展有限公司), a subsidiary of the Company, subscribed for a strategic stake of 367,957,139 shares in XCMG Construction Machinery Co., Ltd. (徐工集團工程機械股份有限公司, "XCMG") through Huzhou Yingcan Investment Partnership LLP (湖州盈燦投資合夥企業) by way of private placement, representing 4.70% of the total number of shares as enlarged by the private placement. This investment exemplified the use of capital in fostering industrial development to the full play, and is beneficial in facilitating further cooperation between two groups.

IV. OUTLOOK AND PROSPECTS

In 2019, the global economy is expected to see greater downside risks, and is estimated to grow at around 3.5%. Meanwhile, the escalated US-China trade conflict, policy uncertainties and augmented global debts will also constitute potential risks. After nine years of economic expansion, the United States has entered the final stage of economic recovery with diminished potential for economic growth. Faced with internal and external uncertainties, including sluggish consumption, Brexit and intensified protectionism, Europe will experience a period of further slowdown in economic growth. Under financial pressure and tension in bulk trade of commodities, emerging markets and developing countries will experience increasingly steady economic growth. The East Asian and South Asian regions will remain the world's most dynamic economies and continue to be the global leaders in terms of economic growth rate. In respect of the PRC, 2019 will mark the 70th anniversary of the establishment of contemporary China, and will be a key year in securing a decisive victory in building a "moderately prosperous" society and implementing the Thirteenth Five-year Period Plan of the PRC. Faced with new circumstances, problems and challenges, the PRC will, under the general keynote of making progress while maintaining stability, continue to adopt the current strategies and utilize its government policies in the best possible manner by focusing on major conflicts with appropriate rhythm and to appropriate extent, with the key emphasis on developing the domestic market. It is anticipated that the economy of the PRC will face relatively high downside pressure in 2019, with a GDP growth ranging from 6.0% to 6.5% on a full-year basis.

The Company remains cautiously optimistic about the development of the industry in which the Company operates. In 2019, it is estimated that the heavy-duty truck market will remain steady, which is mainly attributable to the following reasons. Firstly, subsequent to the advancement of "Investment Stability", being one of the "Six Stabilities" propounded by the Chinese Government, the relevant governmental authorities have stepped up their efforts in approving new projects, and the policy of "making up for shortfalls" in infrastructure will become an important part of the efforts to intensify supply-side structural reform, and thus the heavy-duty truck and construction vehicle markets will see steady demand. Secondly, under the more stringent emission standards, the government has been stepping up its efforts in preventing and controlling the pollution caused by mechanically-propelled vehicles, pursuant to which the elimination of China III and older generations of vehicles will bring forth vast replacement demand. Thirdly, as the Chinese economy transforms into a more consumption-driven one, segment markets including courier transportation, cold chain logistics and green logistics will continue to grow, which will favour the development of the industry. Fourthly, as the "Belt and Road" initiative gains momentum, there will be greater room for the overseas export businesses to grow.

In 2019, favorable factors including the supply-side reform and the drive by relevant state policies will persist. In particular, the implementation of policies to "make up for shortfalls" in infrastructure is anticipated to increase the growth rate of infrastructure investment, and the steady development of the construction machinery sector will continue. Along with the accelerated implementation of village revitalization strategies, the construction of new villages and agricultural irrigation works will boost the sales volume of small-scale construction machineries including compact excavators and wheeled excavators. The more stringent regulatory regime will further foster the upgrade and replacement of products such as construction machineries and so forth.

In 2018, the "Opinions on Strengthening Protection of Ecological Environment in All Aspects and Firmly Winning the Battle of Preventing and Controlling Pollution" (《關於全面加強生態環境保護堅決打好污染防治攻堅戰的意見》) and the Three-Year Blue Sky Defending Plan (《打贏藍天保衛戰三年行動計劃》) were successively promulgated by the Chinese Government, upholding the state's determination in addressing environmental issues. It was emphasized that the transportation structure shall be adjusted in a proactive manner, that a green transportation system shall be developed and that the sea and road transportation structure should be improved by promoting the use of new-energy vehicles, rigorously eliminating old generations of vehicles and pressing ahead with the replacement and upgrade of maritime vessels. Leveraging on the synergy presented by its global research and development, the Company has provided a high-end and cutting-edge platform for technology, seizing opportunities and being proactively responsive. At present, the Company is the first in the industry to have completed the development and marketing of road-going China VI engines, and has been one year ahead of the state requirements for finishing preparatory works for non-road-going China Stage IV engines, in full endorsement for the Blue Sky Defending Plan. The Board has full confidence in the Company's future development prospects.

In 2019, the Company will take guidance from the "2020-2030 Strategy" in speeding up in achieving the "dual-million" target regarding engines and increasing its pace of technological innovation, continuing to optimize its business structure, consolidating its strengths in development, manufacturing high-end products with core competitiveness, and continuing to foster the high-quality, proactive and steady growth of the Company. It will work strenuously on the following:

Firstly, the Company will utilize its strengths in product mix and win the battle of market expansion. Adhering to the customer-oriented approach and capitalizing on the opportunities presented by the more stringent emission standards in the industry, the Company will fine-tune its product strategies on the segment markets, solidify strategic markets and explore new markets, thereby reaching the budget target for 2019 in all respects. Secondly, the Company will expedite its efforts in achieving breakthroughs in core technologies and set a new trend of the same. Leveraging on the globally coordinated research and development platform, the Company will step up its R&D efforts, expedite the formation of a novel, three-in-one system of engineering technology, science technology and basic research, consolidate the foundation of its traditional businesses, increase the pace of development of its new businesses, and forge the core competitiveness of the enterprise. Thirdly, the Company will enhance its business layout and expedite the replacement of "Old-power" with "New-power". It will be in full gear pressing ahead with the development of high-end products, new-energy renovation projects, and the creation and implementation of new investment projects by firmly grasping the key strengths in business structure optimization and power replacement in order to fuel the high-end development of the Company and achieve high-quality development. Fourthly, the Company will work intensively on the "Belt and Road" initiative and fortify its international branding. Efforts will be made to step up overseas market expansion and product sale, promote technology export and international capacity cooperation, optimize the opening up of channels, achieve a well-balanced product mix, and contribute to the ongoing enhancement of the influence of the Weichai brand. Fifthly, the Company will press ahead with its transformation towards a more digitized direction and build a smart enterprise. It will fully utilize the strengths of the Group's industry chain, expedite the formation of the information system that covers all business processes, and enhance the value of the full life cycle of its products. It will continue to raise the level of smart manufacturing, expedite the formation of big data and cloud platforms, and fortify the support offered by information technology to the operating efficiency of the enterprise. Sixthly, the Company will enhance process control and promote management efficiency. Aiming to achieve refined management, the Company will enhance the full-process control vis-à-vis all staff members, innovate upon ways and avenues of management, and continue to press ahead with cost reduction and efficiency enhancement. Seventhly, the Company will intensify team building and cultivate the best working environment. Innovative mechanisms will be put in place to absorb, incentivize and develop talents, providing the best working environment for staff members and creating a team of international talents with unified cultural values, a reasonable mix of age groups, and a hierarchy of medium and high levels of science, so as to enhance the Company's core competitiveness.

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 2018 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 electronics and parts and components. It is equipped with the most comprehensive supply chain of engines, gear boxes and axles and offers related aftersales market services. Meanwhile, with the Group's leading advantage in intelligent logistics, it could provide comprehensive solutions to its customers.

1. Heavy-duty Vehicle Industry

In 2018, the Chinese government insisted upon the general keynote of making progress while maintaining stability, firmly promoting high-quality development. The nationwide economic performance maintained within a reasonable range, sustaining a general trend of stability with positive development. In 2018, the gross domestic product of the PRC reached RMB90.0 trillion, representing a year-on-year growth of 6.6%. Driven by favorable factors including the rapid development of domestic logistics transportation, the imposition of more stringent emission standards and the investment in infrastructure in the PRC, the heavy-duty truck market continued to perform well, delivering sales of approximately 1,148,000 units in total, representing a modest year-on-year increase of approximately 2.8%.

2. Construction Machinery

During the year, fixed-asset investments in the PRC (excluding agricultural households) reached RMB63.6 trillion, representing a year-on-year growth of approximately 5.9%. Among which, investments in property development reached RMB12.0 trillion, representing a year-on-year growth of approximately 9.5% or an increase of approximately 2.5 percentage points. As such, the growth trend of construction machinery market in the PRC continued this year, delivering sales of approximately 711,000 units for the whole construction machinery industry (including fork-lift trucks using combustion engines), representing a year-on-year increase of approximately 21.5%, amongst which, the sales of wheel loaders with a load capacity of 3 tonnes and above was approximately 106,000 units, representing a year-on-year increase of 20.6%.

3. Forklift Truck and Supply Chain Solutions Industry

During the reporting period, driven by the robust development of electronic commerce, there had been increases in the need for warehouse expansions and automated systems for enterprises, which in turn resulted in the continual growth of the forklift truck and supply chain solutions industry. Global sales orders for forklift trucks increased from approximately 1.397 million units last year to approximately 1.541 million units this year, representing a year-on-year growth of 10.3%. In particular, Asia-Pacific and Eastern Europe achieved a relatively strong growth, increasing by 13.3% and 20.0%, respectively, from the corresponding period last year.

II. The Group's Business

An analysis of the Group's business segments is set out in Note 2 to the consolidated financial statements. The following is an overview of the operating conditions of the major products of the Group:

1. Sale of Diesel Engines

For Use in Heavy-duty Trucks

The Group is the largest supplier of diesel engines among major manufacturers of heavy-duty trucks with a load capacity of 15 tonnes (and above) in the PRC. In 2018, the sales volume in the heavy-duty truck market remained high, with the Company having sold a total of approximately 363,000 units of heavy-duty truck engines (2017: approximately 363,000 units), remaining flat compared to the previous year. The Company maintained its leading position in the heavy-duty truck auxiliary market with its market share of 31.6%.

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 3 tonnes and above in the PRC. Approximately 89,000 units (2017: approximately 78,000 units) of diesel engines for wheel loaders with a load capacity of 3 tonnes and above were sold during the Year, representing a year-on-year increase of approximately 14.8%, maintaining the Group's leading position in this sector.

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

Benefiting from the continual growth of the forklift truck and supply chain solution industry, the Group recorded sales orders for forklift trucks of approximately 216,700 units during the Year, representing a year-on-year increase of approximately 7.6% from approximately 201,400 units in the corresponding period last year. Sales orders for forklift trucks and related services amounted to EUR6,211 million, an increase of approximately 6.0% from last year, whilst sales orders for supply chain solutions services amounted to EUR2,425 million, an increase of approximately 15.5% from last year. Before elimination of intra-group sales, the forklift trucks production, warehousing technology services and supply chain solutions services business contributed approximately RMB60,540 million to the Group's sales revenue during the Year. representing an increase of approximately 3.5% from approximately RMB58,493 million last year.

3. Sale of Heavy-duty Trucks

During the Year, the Group reported an aggregate sales of approximately 153,000 units of heavy-duty trucks, representing an increase of approximately 2.7% from approximately 149,000 units sold during the corresponding period of 2017. Shaanxi Heavy-duty Motor Company Limited, a controlling subsidiary of the Company, led the industry in raising emission standards by completing the planning for the full China VI series of products, and achieved higher sales volume than last year in a number of segment markets. Last year, Shaanxi Heavy-duty Motor Company Limited ranked among the first-tier players in the domestic heavy-duty truck industry in the PRC. Before elimination of intra-group sales, the heavy-duty trucks business contributed approximately RMB51,120 million to the Group's sales revenue during the Year.

4. Sale of Heavy-duty Gear Boxes

During the Year, the Group sold approximately 909,000 units of heavy-duty gear boxes, representing an increase of approximately 8.9% compared to the approximately 835,000 units of heavy-duty gear boxes sold in the corresponding period in 2017, maintaining a stable leading position in the industry. Before elimination of intra-group sales, the gear boxes business contributed approximately RMB13,924 million to the Group's revenue this Year.

5. *Sale of Parts and Components of Engines 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 decreased by approximately RMB166 million from approximately RMB4,166 million in the corresponding period of last year to approximately RMB4,000 million, representing a year-on-year decrease of approximately 4.0%.

Last year, the Company budgeted that sales revenue in 2018 would be approximately RMB166.7 billion, representing a growth of approximately 10%. The actual sales revenue was approximately RMB159.3 billion, representing a year-on-year increase of approximately 5.1%. The actual sales revenue was lower than the budgeted sales revenue by approximately RMB7.4 billion or 4.4%, mainly due to factors including the escalated US-China trade conflict, Brexit, and intensified protectionism. However, the Company maintained a steadfast commitment in serving the market and expedited the upgrade of technology and products, thereby boosting its market competitiveness on an ongoing basis and achieving high-quality development, which in turn resulted in the sustainably rapid development of the Group in 2018 and improved sales in all major products of the Group.

In 2019, with increasing uncertainties underlying the global economy and intensified protectionism, economic development will further slow down. It is expected that China's economy will see greater downside pressure. In 2019, the Company will take guidance from the "2020 to 2030 Strategy" to solidify its development strengths; leverage on the cooperation with world-renowned enterprises to foster the implementation of new-energy strategy; and continue to optimize its business structure, in pursuit of the goal of driving high-quality and steady growth of the Company. As at 31 December 2018, orders on hand amounted to approximately RMB38.9 billion. The Company budgets a sales revenue growth of approximately 10% for 2019 to approximately RMB175 billion.

III. Financial Review

1. *The Group's Results of Operations*

a. *Revenue*

The Group's revenue increased by approximately RMB7,687 million or approximately 5.1% from approximately RMB151,569 million in 2017 to approximately RMB159,256 million in 2018. This was primarily because the heavy-duty truck market of the PRC continued to perform well, and also attributable to the breakthrough achieved by Shaanxi Heavy-duty Motor Company Limited, a controlling subsidiary of the Company, in the heavy-duty truck segment market, as well as the continual increase in sales of other major products of the Group. In particular, the revenue from principal operations increased by approximately RMB7,607 million or approximately 5.1%, from approximately RMB147,929 million in the previous year to approximately RMB155,536 million for the Year. Other revenue increased by approximately 2.2%, from approximately RMB3,641 million in the previous year to approximately RMB3,720 million for the Year.

b. Profit from Principal Operations

During the Year, the Group generated profit from principal operations in the amount of approximately RMB34,933 million, an increase of 6.5% from approximately RMB32,787 million recorded in the corresponding period in 2017, primarily attributable to the increase in both revenue and profit margin from principal operations. The Group has completed the development and certification for the full China VI series of engines. Having adopted effective control measures over costs while continually stepping up investments in research and development, the profit margin of the Group's principal operations increased from approximately 22.2% last year to approximately 22.5% this Year.

c. Distribution and Selling Expenses

Distribution and selling expenses increased by approximately 2.7% to approximately RMB10,619 million in the Year from approximately RMB10,338 million in the corresponding period of 2017. The increase of distribution and selling expenses was primarily attributable to the increase in staff costs and marketing expenses in the course of market expansion. However, with strict cost control and quality enhancement, after-sale expenses and maintenance costs decreased, bringing down the distribution and selling expenses as a percentage of revenue slightly to approximately 6.7% in the Year.

d. General and Administrative Expenses

General and administrative expenses increased by approximately RMB391 million or approximately 6.7% from approximately RMB5,869 million in the corresponding period of 2017 to approximately RMB6,260 million in the Year, which was mainly due to the increase in staff costs and external support fees as the Group actively developed its supply chain solution services after the merger of Dematic. The general and administrative expenses as a percentage of revenue was approximately 3.9% in the Year.

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

During the Year, the Group's EBIT increased by approximately RMB2,990 million or 27.3% to approximately RMB13,950 million from approximately RMB10,960 million in the corresponding period in 2017. The increase was primarily attributable to the improvement in economies of scale which increased as sales increased, while the improved EBIT margin from approximately 7.2% in the corresponding period of the previous year to approximately 8.8% this Year was due to the Company's effective reduction of finance expenses.

For a business combination involving enterprises not under common control, the cost of business combination should be allocated between the identifiable assets and liabilities acquired on the date of acquisition, and assets and liabilities should be accounted for at fair value and are subsequently measured ("purchase price allocation"). The purchase price allocation of the Group primarily arose from the acquisition of KION and Dematic. In this year, the two purchase price allocations stated above resulted in a decrease in profit before tax of RMB1,372 million (2017: RMB2,306 million). After adjustment for the purchase price allocation, total profit amounted to approximately RMB15,230 million, representing an increase of approximately 18.7% from approximately RMB12,828 million in the corresponding period of last year.

f. Finance Expenses

Finance expenses decreased substantially by approximately 87.3% to approximately RMB75 million in the Year from approximately RMB591 million in the corresponding period of 2017. This was mainly attributable to the effective control over capital structure, with decrease in interest expenses and exchange losses, and increase in interest income on deposits.

g. Income Tax Expenses

The Group's income tax expenses increased by approximately 66.1% from approximately RMB1,344 million in the corresponding period in 2017 to approximately RMB2,233 million in the Year. The Group's average effective tax rate was approximately 16.1% in the Year, compared to approximately 12.8% in the corresponding period in 2017, marking an increase of 3.3 percentage points. The increase in effective tax rate was mainly due to the effect of the one-off deferred income tax income arising from the adjustment of the United States corporate income tax rate from 35% to 21%.

h. Net Profit and Net Profit Margin

The Group's net profit increased by approximately 26.7% from approximately RMB9,178 million in the corresponding period of 2017 to approximately RMB11,626 million in the Year. During the Year, the net profit margin was approximately 7.3%, representing an increase of approximately 1.2 percentage points from approximately 6.1% recorded in the corresponding period in 2017. This was primarily attributable to the upturn of the heavy-duty truck industry, the effective operation by the Group and the effective control over costs.

i. Liquidity and Cash Flow

During the Year, the Group generated operating cashflows of approximately RMB22,262 million. A portion of such proceeds was applied to acquiring approximately 2,053,558 additional KION shares (at a total consideration of approximately EUR146 million), subscribing for 367,957,139 shares in XCMG by way of private placement through the acquisition of Hangzhou Gaomu Asset Management Company Limited, subscribing for new shares issued by Ceres Power Holdings plc (at a total consideration of approximately £48 million), subscribing for approximately 19.9% shareholding in Ballard Power Systems Inc. (at a total consideration of approximately US$164 million), repaying borrowings, paying interest and acquiring property, plant and equipment for the expansion of the Group's business. As of 31 December 2018, the Group's gearing ratio (Net interest-bearing debts/(Shareholders' equity + net interest-bearing debts)) was 32.9% (31 December 2017: 35.5%).

2. Financial Position

a. Assets and Liabilities

As at 31 December 2018, the Group had total assets of approximately RMB205,276 million, of which approximately RMB108,105 million were current assets. As at 31 December 2018, the Group had cash and cash equivalents of approximately RMB38,210 million (as at 31 December 2017: approximately RMB34,222 million). On the same date, the Group's total liabilities was approximately RMB143,017 million, of which approximately RMB88,617 million were current liabilities. The current ratio was approximately 1.22x (as at 31 December 2017: approximately 1.28x).

b. Capital Structure

As at 31 December 2018, the Group had total equity of approximately RMB62,259 million, of which approximately RMB39,314 million was attributable to equity holders of the Company and the balance was minority interests. Interest attributable to minority interest holders includes the issue of perpetual capital securities in the principal amount of US$775 million in September 2017. The borrowings of the Group as at 31 December 2018 amounted to approximately RMB30,516 million, which included bonds of approximately RMB12,265 million and bank borrowings of approximately RMB18,251 million. Borrowings repayable on demand or within a period not exceeding one year were approximately RMB7,343 million, borrowings repayable within a period of more than one year but not exceeding two years were approximately RMB2,808 million; borrowings repayable within a period of more than two years but not exceeding five years were approximately RMB7,941 million; and borrowings repayable within a period of more than 5 years were approximately RMB159 million. The bank borrowings included approximately RMB2,136 million of fixed interest rate bank borrowings and approximately RMB16,115 million of floating interest rate bank borrowings. Other than Euro-denominated borrowings equivalent to approximately RMB15,473 million, USD-denominated borrowings equivalent to approximately RMB674 million and GBP-denominated borrowings equivalent to approximately RMB241 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 and the USD775 million USD-denominated perpetual capital securities issued in September 2017 to Euro, and thus the Group does not consider the currency risk facing its future general cash outflow 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 2018, bank deposits and notes receivable of approximately RMB15,863 million (as at 31 December 2017: approximately RMB16,830 million) were pledged to banks to secure the Group's notes payable, letter of guarantee, letter of credit and etc. 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 balance sheet date was 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 2018, the Group provided certain distributors and agents bank guarantee amounting to approximately RMB2,482 million (as at 31 December 2017: approximately RMB3,522 million) to secure their obtaining and use of banking facilities.

As at 31 December 2018, 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 RMB2,303 million (as at 31 December 2017: approximately RMB1,507 million).

As at 31 December 2018, the Group's other guarantee amounted to approximately RMB702 million (as at 31 December 2017: approximately RMB376 million).

e. Commitments

As at 31 December 2018, the Group had capital commitments of approximately RMB3,584 million (as at 31 December 2017: approximately RMB1,803 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 2018, the Group had no other investment commitments (as at 31 December 2017: approximately RMB5 million).

3. Other Financial Information

a. Employees

As at 31 December 2018, the Group had approximately 76,800 employees (including approximately 33,100 employees of KION). During the Year, the Group paid remuneration of approximately RMB23,440 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.

In the Year, guided under the Group's corporate strategies and business development plan, the Group focused on projects to develop high-end talents and diversified talents. A total of 1.433 million training hours were provided for the full year to 182,000 participants, which translated to 114.6 training hours per participant. The Group spent approximately RMB44 million in aggregate on providing such trainings during the year.

b. Major Investment

During the Period, the Group, through Barclays Bank, acquired from the secondary market 2,053,558 shares of KION, a non-wholly-owned subsidiary of the Company which is a stock corporation incorporated in Germany whose shares are listed on the Frankfurt Stock Exchange, at a consideration of approximately EUR146 million. Following the completion of the transaction, the Company has through its indirect wholly-owned subsidiary Weichai Power (Luxembourg) Holding S.a r.l. become the holder of 53,140,500 KION shares, and accordingly the Group has increased its shareholding in KION from approximately 43.26% to 45%.

c. Major Acquisition and Disposal

In July 2018, the Company and Weichai Power (Shanghai) Technology Development Co., Ltd. ("Shanghai Technology"), a subsidiary of the Company, entered into the Agreement on Participating in (Withdrawing from) Huzhou Yingcan Investment Partnership (Limited Partnership) with, among others, Hangzhou Gaomu Asset Management Company Limited, pursuant to which the Company and Shanghai Technology as a limited partner and a general partner respectively, participated in Huzhou Yingcan Investment Partnership (Limited Partnership) ("Yingcan Investment") by way of taking up the subscription amounts of RMB1,405,800,000 and RMB200,000. Yingcan Investment subscribed for 367,957,139 shares of XCMG Construction Machinery Co., Ltd. ("XCMG") by way of private placement, representing 4.7% of the total shares of XCMG upon completion of the capital increase.

During the period, the Company, through Weichai Power (Hong Kong) International Development Co., Ltd., its wholly-owned subsidiary, subscribed for new shares issued by Ceres Power Holdings plc representing approximately 20.0% of its enlarged share capital, at a total consideration of approximately £48 million, and subscribed for shares representing approximately 19.9% shareholding in Ballard Power Systems Inc. at a total consideration of approximately US$164 million.

The aforesaid acquisitions are funded by the Group's internal resources or bank financings.

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

d. Subsequent Events

(i) On 25 March 2019, the Company's 2018 profit distribution proposal was approved by the Company's third meeting of the fifth session of the Board. The Company proposed a distribution to all shareholders of a cash dividend of RMB2.80 (including tax) for every 10 shares held, based on the 7,933,873,895 shares available for distribution after deducting treasury shares as at 31 December 2018, without any capitalisation of reserve. Completion of the proposal is subject to the consideration and approval by the 2018 Annual General Meeting.

(ii) Repurchase and Cancellation of A Shares

On 21 September 2018, the Company opened a dedicated securities account at the Shenzhen branch of China Securities Depository and Clearing Corporation Limited. As of 28 December 2018, 63,364,661 A Shares in aggregate had been repurchased by way of centralized bidding. Pursuant to relevant requirements, the relevant A shares repurchased no longer carry rights from the date of transfer to the dedicated account for such repurchase. On 7 January 2019, the Company completed the formalities of repurchase and cancellation of the relevant A shares at the Shenzhen branch of China Securities Depository and Clearing Corporation Limited.

OTHER INFORMATION

Directors' and Supervisors' Interests in Shares and Underlying Shares

As at 31 December 2018, 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	58,842,596 *(Note 1)*	–	0.74%
Zhang Quan	Beneficial owner	13,684,324 *(Note 1)*	–	0.17%
Xu Xinyu	Beneficial owner	13,684,324 *(Note 1)*	–	0.17%
Sun Shaojun	Beneficial owner	13,684,324 *(Note 1)*	–	0.17%
Yuan Hongming	Beneficial owner	1,000,440 *(Note 1)*	–	0.013%
	Interest held by spouse	444 *(Note 1)*	–	0.000006%
Yan Jianbo	Beneficial owner	1,052,404 *(Note 1)*	–	0.013%
Wen Daocai	Beneficial owner	21,940	–	0.0003%

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	600,000	–	0.008%
Wu Hongwei	Beneficial owner	4,789,516	–	0.06%

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.

3. The percentages disclosed in the above table were calculated based on the total number of issued Shares of the Company as at 31 December 2018, i.e. 7,997,238,556 shares (comprised of 6,054,198,556 A shares and 1,943,040,000 H shares). A total number of 63,364,661 A shares were repurchased by the Company from 8 October 2018 to 28 December 2018 and those shares were cancelled on 7 January 2019.

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	114,060 ordinary shares	0.10%
		Interest held by spouse	93,940 ordinary shares	0.08%

Note: Gordon Riske, a non-executive Director, was the beneficial owner of 114,060 shares in KION and he was also deemed to be interested in 93,940 shares in KION which were beneficially held by his wife, Ms. Benita Riske.

Save as disclosed above, as at 31 December 2018, 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 2018)

	Before the movement		Increase/decrease in the movement (+, –)					After the movement	
	No. of shares	Percentage (%)	New shares issued	Bonus Issue	Transfer of surplus to capital	Others	Sub-total	No. of shares	Percentage (%)
I. Restricted circulating shares	1,738,866,299	21.74%	–	–	–	8,128,474	8,128,474	1,746,994,773	21.84%
1. State-owned shares	–	–	–	–	–	–	–	–	–
2. State-owned legal person shares	1,642,531,008	20.54%	–	–	–	–	–	1,642,531,008	20.54%
3. Shares held by other domestic entities	96,335,291	1.20%	–	–	–	8,128,474	8,128,474	104,463,765	1.31%
including: Shares held by domestic non-state-owned legal persons	–	–	–	–	–	–	–	–	–
Shares held by domestic natural persons	96,335,291	1.20%	–	–	–	8,128,474	8,128,474	104,463,765	1.31%
4. Shares held by foreign entities	–	–	–	–	–	–	–	–	–
including: Shares held by overseas legal persons	–	–	–	–	–	–	–	–	–
Shares held by overseas natural persons	–	–	–	–	–	–	–	–	–
II. Non-restricted circulating shares	6,258,372,257	78.26%	–	–	–	(8,128,474)	(8,128,474)	6,250,243,783	78.16%
1. RMB ordinary shares	4,315,332,257	53.96%	–	–	–	(8,128,474)	(8,128,474)	4,307,203,783	53.86%
2. Domestic listed foreign shares	–	–	–	–	–	–	–	–	–
3. Overseas listed foreign shares	1,943,040,000	24.30%	–	–	–	–	–	1,943,040,000	24.30%
4. Others	–	–	–	–	–	–	–	–	–
III. Total number of shares	7,997,238,556	100%	–	–	–	–	–	7,997,238,556	100%

(II) Shareholdings of the Substantial Shareholders (as at 31 December 2018)

Total number of Shareholders The number of shareholders is 169,760 among which 169,498 are shareholders of "A" shares and 262 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	24.23%	1,937,955,016	–	N/A
Weichai Group Holdings Limited	State-owned legal person	17.58%	1,406,100,000	1,345,905,600	–
Hong Kong Securities Clearing Company Limited *(Note)*	Overseas legal person	4.12%	329,538,318	–	–
Weifang Investment Group Company Limited	State-owned legal person	3.71%	296,625,408	296,625,408	–
China Securities Finance Corporation Limited	Domestic non-state-owned legal person	2.05%	163,608,906	–	–
IVM Technical Consultants Wien Gesellschaft m.b.H.	Overseas legal person	1.78%	142,510,000	–	–
Central Huijin Assets Management Company Limited	State-owned legal person	1.36%	108,492,800	–	–
Shandong Enterprise Trust Operation Company Limited	Domestic non-state-owned legal person	0.86%	68,540,160	–	–
Tan Xuguang	Domestic natural person	0.74%	58,842,596	44,131,947	–
National Social Security Fund – 102 Portfolio	Funds and wealth management products etc.	0.63%	49,999,898	–	–

Note: Hong Kong Securities Clearing Company Limited holds 329,538,318 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	1,937,955,016	Overseas listed foreign shares
Hong Kong Securities Clearing Company Limited	329,538,318	RMB ordinary shares
China Securities Finance Corporation Limited	163,608,906	RMB ordinary shares
IVM Technical Consultants Wien Gesellschaft m.b.H.	142,510,000	RMB ordinary shares
Central Huijin Assets Management Company Limited	108,492,800	RMB ordinary shares
Shandong Enterprise Trust Operation Company Limited	68,540,160	RMB ordinary shares
Weichai Group Holdings Limited	60,194,400	RMB ordinary shares
National Social Security Fund – 102 Portfolio	49,999,898	RMB ordinary shares
China Merchants Bank Co., Ltd. – Dong Fang Hong Rui Feng Flexible Allocation Mixed Fund (LOF)	48,999,954	RMB ordinary shares
National Social Security Fund – 105 Portfolio	47,620,783	RMB ordinary shares

Note: Among the aforesaid shareholders, Mr. Tan Xuguang is the chairman of Weichai Group Holdings Limited. It is not certain whether there is any connected relationship among other top ten shareholders and the other top ten non-restricted shareholders, or whether there is any acting in concert relationship among them.

The percentages disclosed in the above tables were calculated based on the total number of issued shares of the Company as at 31 December 2018, i.e. 7,997,238,556 shares (comprised of 6,054,198,556 A shares and 1,943,040,000 H shares). A total number of 63,364,661 A shares were repurchased by the Company from 8 October 2018 to 28 December 2018 and those shares were cancelled on 7 January 2019.

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 2018, 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	1,406,100,000	23.23%	–	–	17.58%
Shandong Heavy Industry Group Co., Ltd. *(Note 1)*	Held by controlled corporation	Long	1,406,100,000	23.23%	–	–	17.58%
Brandes Investment Partners, LP *(Note 3)*	Investment manager	Long	–	–	78,578,612	16.18%	3.93%
Lazard Asset Management LLC *(Note 2)*	Investment manager	Long	–	–	245,891,812	25.31%	6.15%
Lazard Emerging Markets Equity Portfolio *(Note 4)*	Investment manager	Long	–	–	23,707,500	5.86%	1.42%
Barclays PLC *(Note 3)*	Person having a security interest in shares	Long	–	–	525,552	0.11%	0.03%
	Interest of corporation controlled by you	Long	–	–	25,453,050	5.24%	1.27%
					25,978,602	5.35%	1.30%
	Interest of corporation controlled by you	Short	–	–	24,102,475	4.96%	1.21%
Morgan Stanley *(Note 2)*	Interest of corporation controlled by you	Long	–	–	49,335,508	5.08%	1.23%
	Interest of corporation controlled by you	Short	–	–	42,078,545	4.33%	1.05%
BlackRock, Inc.	Interest of corporation controlled by you	Long	–	–	192,475,286	9.91%	2.41%
	Interest of corporation controlled by you	Short	–	–	185,000	0.01%	0.00%

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
Citigroup Inc.	Interest of corporation controlled by you	Long	–	–	39,533,212	2.04%	0.50%
	Approved lending agent	Long	–	–	105,717,570	5.44%	1.32%
	Person having a security interest in shares	Long	–	–	16,000	0.00%	0.00%
					145,266,782	7.48%	1.82%
	Interest of corporation controlled by you	Short	–	–	37,976,604	1.95%	0.47%
The Bank of New York Mellon Corporation	Interest of corporation controlled by you	Long	–	–	74,698,544	3.85%	0.94%
	Approved lending agent	Long	–	–	64,169,492	3.30%	0.80%
					138,868,036	7.15%	1.74%
	Interest of corporation controlled by you	Short	–	–	71,597,496	3.68%	0.90%
JP Morgan Chase & Co.	Interest of corporation controlled by you	Long	–	–	29,223,788	1.50%	0.37%
	Investment manager	Long	–	–	22,921,296	1.18%	0.29%
	Person having a security interest in shares	Long	–	–	388,384	0.02%	0.00%
	Trustee	Long	–	–	216,344	0.01%	0.00%
	Approved lending agent	Long	–	–	49,915,882	2.57%	0.62%
					102,665,694	5.28%	1.28%
	Interest of corporation controlled by you	Short	–	–	15,501,000	0.80%	0.19%
	Investment manager	Short	–	–	2,142,000	0.11%	0.03%
					17,643,000	0.91%	0.22%

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 21 July 2017 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 20 August 2015 and 21 July 2017 as there is no disclosure of interest obligation under the SFO where there is no change in percentage of shareholdings for a substantial shareholder.

4. 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, 20 August 2015 and 21 July 2017 as there is no disclosure of interest obligation under the SFO where there is no change in percentage of shareholdings for a substantial shareholder.

5. The percentages disclosed in the above table were calculated based on the total number of issued shares of the Company as at 31 December 2018, i.e. 7,997,238,556 shares (comprised of 6,054,198,556 A shares and 1,943,040,000 H shares). A total number of 63,364,661 A shares were repurchased by the Company from 8 October 2018 to 28 December 2018 and those shares were cancelled on 7 January 2019.

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 2018.

DETAILS OF THE APPOINTMENT OR RESIGNATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

1. At the Board meeting convened on 1 March 2018, the Board considered and approved the appointment of Mr. Liu Yuanqiang as a vice president of the Company.

2. At the annual general meeting of the Company held on 14 June 2018, the appointment of Mr. Michael Martin Macht as a non-executive director of the Company and Mr. Wen Daocai as an independent non-executive director of the Company was considered and approved.

3. At the conclusion of the annual general meeting of the Company held on 14 June 2018, Mr. Loh Yih retired as an independent non-executive director of the Company and a member of the audit committee and the remuneration committee of the Company.

4. At the Board meeting convened on 14 June 2018, the Board considered and approved:

   (i) the appointment of Mr. Michael Martin Macht as the vice chairman of the strategic development and investment committee of the Company;

   (ii) the appointment of Mr. Wang Gongyong as a member of the remuneration committee of the Company;

(iii) the appointment of Mr. Ning Xiangdong as a member of the strategic development and investment committee of the Company; and

(iv) the appointment of Mr. Wen Daocai as a member of the audit committee of the Company.

5. At the Board meeting convened on 13 July 2018, the Board considered and approved the appointment of Ms. Cao Zhiyue as a vice president of the Company.

6. At the Board meeting convened on 15 October 2018, the Board considered and approved the resignation of Mr. Dai Lixin as a vice president of the Company and the secretary to the Board and the appointment of Mr. Hao Qinggui as the secretary to the Board.

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

A total number of 63,364,661 A shares were repurchased by the Company on the Shenzhen Stock Exchange from 8 October 2018 to 28 December 2018 at an aggregate consideration of RMB499,911,217.21. All of these repurchased A shares were subsequently cancelled by the Company on 7 January 2019. Particulars of the repurchases of the A shares of the Company are as follows:

		Purchase price per A share		
Month of repurchase	**Number of A shares repurchased**	**Highest *(RMB)***	**Lowest *(RMB)***	**Aggregate purchase price *(RMB)***
October 2018	11,898,000	8.49	7.93	99,997,314.28
December 2018	51,466,661	7.85	7.65	399,913,902.93

During the year, save as disclosed, 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税有關問題的通知》(國税函[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 (《關於深港股票市場交易互聯互通機制試點有關税收政策的通知》, 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、國家税務總局關於個人所得税若干政策問題的通知》(財税字 [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, a close 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

I. On 25 March 2019, the Company's 2018 profit distribution proposal was approved by the Company's third meeting of the fifth session of the Board. The Company proposed a distribution to all shareholders of a cash dividend of RMB2.80 (including tax) for every 10 shares held, based on the 7,933,873,895 shares available for distribution after deducting treasury shares as at 31 December 2018, without any capitalisation of reserve. Completion of the proposal is subject to the consideration and approval by the 2018 Annual General Meeting.

II. Repurchase and Cancellation of A Shares

On 21 September 2018, the Company opened a dedicated securities account at the Shenzhen branch of China Securities Depository and Clearing Corporation Limited. As of 28 December 2018, 63,364,661 A Shares in aggregate had been repurchased by way of centralized bidding. Pursuant to relevant requirements, the relevant A shares repurchased no longer carry rights from the date of transfer to the dedicated account for such repurchase. On 7 January 2019, the Company completed the formalities of repurchase and cancellation of the relevant A shares at the Shenzhen branch of China Securities Depository and Clearing Corporation Limited.

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 the Accounting Standards for Business Enterprises. Ernst & Young Hua Ming LLP (安永華明會計師事務所(特殊普通合伙)) will retire as auditors of the Company.

APPROVAL OF THE FINANCIAL STATEMENTS

The audited consolidated financial statements for the year were approved by the Board on 25 March 2019.

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

The 2018 annual report of the Company 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, 25 March 2019

As at the date of this announcement, the executive Directors of the Company are Mr. Tan Xuguang, Mr. Zhang Quan, Mr. Xu Xinyu, Mr. Sun Shaojun, Mr. Yuan Hongming and Mr. Yan Jianbo; the non-executive Directors of the Company are Mr. Wang Yuepu, Mr. Jiang Kui, Mr. Gordon Riske and Mr. Michael Martin Macht; and the independent non-executive Directors of the Company are Mr. Zhang Zhong, Mr. Wang Gongyong, Mr. Ning Xiangdong, Mr. Li Hongwu and Mr. Wen Daocai.