

2018 年度社會責任報告

Corporate Social Responsibility Report 2018



濰柴動力股份有限公司
WEICHAI POWER CO., LTD.

Summary of the Report

Subject of the report:

The subject of the report is “Weichai Power Co., Ltd. (000338.SZ, 02338.HK)”. Unless otherwise specified in the main text, “we”, “the Company”, “Weichai Power” and “Weichai” shall be taken as its short names.

Time frame of the report:

1 January to 31 December 2018, with some contents exceeding the aforementioned time frame.

Scope of the report:

The report primarily covers the performance and practice of social responsibility of Weichai Power for the year 2018. It concerns the disclosures of performance in key responsibilities and focuses on sustainability and continuous improvement of corporate social responsibilities. The report also covers the major controlling subsidiaries of the Company, including KION Group AG (“KION”), Shaanxi Heavy-duty Motor Company Limited (“Shaanxi Heavy-duty Motor”) and Shaanxi Fast Gear Company Limited (“Fast Gear”). We plan to enlarge the scope of disclosure gradually in the future in order to cover more subsidiaries.

Publication cycle of the report:

The corporate social responsibility report is published along with the annual report.

Past reports:

As of now, the Company has already issued its corporate social responsibility report for 11 consecutive years.

References used in the preparation of the report:

“The Environmental, Social and Governance Reporting Guide” of The Stock Exchange of Hong Kong Limited (“HKEx”)

“The Guidelines for the Standardised Operation of Companies Listed on the Main Board” of Shenzhen Stock Exchange (“SZSE”)

“G4 Sustainability Reporting Guidelines” of Global Reporting Initiative (GRI)

“ISO 26000: Guidance on Social Responsibility” of International Organisation for Standardization

“Guidelines on Preparation of Corporate Social Responsibility Report for Corporations in China” of CSR Centre of the Department of Economics of the Chinese Academy of Social Sciences

“Guideline on Social Responsibilities of Industries” of the China Federation of Industrial Economics

“Guidelines on Fulfilling Social Responsibility by Central Enterprises” of the State-owned Assets Supervision and Administration Commission of the State Council

Internal review of the report:

The report complies with the relevant guidelines of HKEx and SZSE and was considered and approved at the third meeting of the fifth session of the board of directors of Weichai Power Co., Ltd.

Access to the report:

The report is available in printed and electronic versions. You may visit the “Investor Relations” section in the Company’s website (www.weichai.com) for accessing the electronic version of the report. Please call 86-0536-2297072 if you need a printed version.

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Chairman's Statement

The year 2018 marked the 40th anniversary of China's reform and opening-up. In the face of profound changes in the world, adhering to and highlighting the development philosophy of "Innovation, Coordination, Greenness, Openness and Sharing", China fostered structural adjustments and expanded opening-up, thereby maintaining healthy sustainable economic and social development. Under the guidance of the new development philosophy, the Company focused on developing the equipment manufacturing industry, leading the national brand to step into the world. Our reform, innovation and development gained high degree of recognition from the General Secretary Xi Jinping. All cadres and staff were realistic yet brave to pursue our dreams, with their unwavering support, driving the Company to achieve high quality, robust and stable growth. In 2018, the Company seized and grasped market opportunities and continuously enhanced its operation efficiency, again creating another new historical high in its operating results. In particular, with strategic adjustment and synergy, the Company continued to optimize its business structure and achieved growth in its overseas businesses, gradually transforming itself into a diversified, international and high-end corporation group, thereby showcasing a satisfactory result to the society, government, shareholders and its staff members.

The Company closely followed China's strategy of becoming a manufacturing power. With a determination of prospering national industries, we strived to build a top national power brand. The achievements of the Company could not have been possible without the sound and stable domestic environment, hard work of our staff, cooperation from our business partners as well as assistance and support from the community. The Company put social responsibility into practice by proactively exploring an effective combination of creating values and contributions and contributing our Weichai power to economic and social development over the years.

In 2018, the Company continued to uphold the mission of development of "Green Power, International Weichai" and satisfying our customers. Guided by the 2020-2030 strategy, we strived to produce the most competitive product. We continuously made breakthroughs in emerging markets and strategic markets. In particular, heavy-duty truck engines continued to maintain a leading position in the industry, and WP13 became a dominating product for commercial vehicles of large emission volume; 9H/10H achieved multifold growth and won overwhelmingly positive response from the customers. In response to the state's call of the "Blue Sky Defending Plan" proactively, 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, leading the industry in raising emission standards, contributing to the prevention and control of pollution and building a beautiful China. In 2018, 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) of Weichai Power was awarded the First Class Award of National Science and Technology Progress Award (國家科技進步一等獎). In order to speed up the pace of technology innovation, we established pioneering innovation centres in the U.S., Germany and Japan, forming a global synergetic research and development (R&D) system, thereby continuously enhancing our own innovation capabilities. In control of three world-leading core technologies of Solid Oxide Fuel Cells, hydrogen-fueled electric cells and High Pressure Direct Injection (HPDI), we laid a solid foundation in leading the globe in the field of new energy in the future. The Company closely followed the "Belt and Road" strategy with a key focus on related countries and markets. Under the attention of the government leaders of both the PRC and Belarus, the Weichai-MAZ project commenced production, which was in the same year as the construction of the plants involved, creating a record high for the speed of Weichai. The Company 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. By creating a good environment, the Company built positive spirit for development. Staff-oriented, we commenced targeted services and support activities as well as warm-hearted events so that they can work in Weichai with happiness. We aimed at promoting craftsmanship and cultivating national craftsmen through a platform on which our staff members can achieve their dreams and realize their value. We also established industry-leading salary

standard and diversified incentive systems so that they will share our corporate achievements. The Company actively engaged in charity and philanthropy such as giving aid to those in need in disasters and education donation and subsidies, in an effort to return to society with gratitude. The Company insisted upon openness and coordination and win-win development philosophy, under which we proactively diversified cooperation with global business partners as well as upstream and downstream enterprises of the industrial chain, demonstrating that we are willing to take up responsibility as a leading enterprise in the industry, driving the creation of a harmonious and civilized business environment.

The publication of this corporate social responsibility report has summarized the efforts made by the Company in performing its social responsibilities in 2018. We wish to further reinforce our social responsibility, promote the sharing of benefits among the Company and the community especially the stakeholders, and improve mutual understanding and recognition. By performing corporate social responsibilities in a better way, we will be able to contribute more to the development of economy and society.

Chairman and Chief Executive Officer: Tan Xuguang
Weichai Power Co., Ltd.

Company Overview

Weichai Power Co., Ltd. (HK2338, SZ000338) was established in 2002 by Weichai Group Holdings Limited (as the lead promoter) together with both the onshore and offshore investors. We are the first company in Chinese internal combustion engine industry to be listed in Hong Kong with H shares and also the first Chinese company to return to the mainland from overseas for listing in the A share market in the form of share swap by way of merger and absorption. The Company has total assets of RMB205.28 billion, and the total number of staff in the world is over 70,000. In 2018, the Company recorded a revenue totaling RMB159.26 billion, and its total profit amounted to RMB13.86 billion.

The Company is dedicated to the operational strategy of driving the operations of both products and capital, developing competitive products in terms of 3 key aspects: quality, core technology and cost-effectiveness, developing a new pattern of synergetic development among business segments including powertrains (including engines, gear boxes and axles), complete vehicles and intelligent logistics with the brands namely “Weichai Power Engines”, “Fast Gear Transmissions”, “Hande Axle”, “SHAC” and “Linde Hydraulics” and forming the most comprehensive and competitive industrial chain across China’s automobile industry. With the core technologies and products in the construction machinery industry, the Company has become one of the vehicle and equipment manufacturing conglomerates in China with the best comprehensive strengths.

Currently, the Company has established a production base of all power series in Weifang, a production base of heavy-duty vehicles and transmission systems in Xi’an, a production base of high-power engines and light-duty vehicles in Chongqing, a production base of automotive electronics, parts and components in Zhuzhou, and a production base of power of light-duty and super light-duty vehicles in Yangzhou. In particular, brands like “Weichai Power Engines”, “Fast Gear Transmissions”, “Hande Axle” and “SHAC” are in the leading and dominant position in China and hence give rise to a brand-based conglomeration effect. In August 2012, with the strategic cooperation with the Germany-based KION Group, the Company merged and acquired “Linde Hydraulics”, further raising our Company’s level in core technology, and thoroughly remedying the long-term reliance on imported high-end hydraulic products in China.

Weichai has a national key laboratory in China to focus on researches on reliability, namely a national key laboratory in China to focus on researches on reliability in area of internal combustion engine; various corporate technological centres; national commercial vehicles powertrain engineering technology and research centres; engines laboratory passing the EPA certification of the U.S.; national intelligent manufacturing demonstration bases and national professionalized creativity space. The Company has established a “post-doctoral program” and set up pioneering technological innovation centres in the United States, Germany and Japan, and R&D centres in Weifang, Shanghai, Xi’an, Chongqing and Yangzhou in China, building a global synergetic R&D platform and ensuring that our technological attainment is always maintained at a level close to the forefront in the world.

The Company received numerous national-level major awards. In 2007, the Company was awarded the National Quality Award (全國質量獎). In 2011, our “WP10/WP12 series heavy-duty high speed engines and key technologies” were awarded the grand prize of scientific and technological progress of China Machinery Industry (中國機械工業科技進步特等獎), which has changed the history that no Chinese internal combustion machine enterprise has ever won such award before. In 2013, our “Key technology of heavy-haul high-speed diesel engine and industrialization” project was awarded the Second Class Award of National Science and Technology Progress Award (國家科技進步二等獎), breaking the technology monopolies of heavy-duty high-speed diesel engines from overseas. In 2017, the Company was awarded the “China Trademark Gold Award – Trademark Innovation Award”(中國商標金獎•商標創新獎). In 2018, the Company was awarded the China Quality Award (中國質量獎) and the First Class Award of National Science and Technology Progress Award (國家科技進步一等獎).

The Company was the first company among its peers in China to become qualified under the IATF16949 Quality Management System. It has established a service network consisting of over 5,000 special repair service centres in China and has set up over 500 overseas repair stations. Products are sold to more than 110 countries and regions, including Russia, Saudi Arabia, Vietnam, Indonesia and Brazil.

Tan Xuguang, the Chairman of the Company, was consecutively appointed as a representative of the Tenth, Eleventh, Twelfth and Thirteenth National People's Congress of the PRC and was honored the "National 1st May Labor Medal" (全國五一勞動獎章), "National Labor Model" (全國勞動模範), "National Outstanding Entrepreneur in Innovation" (全國優秀創業企業家), "the Gold Award of the 4th Yuan Baohua Enterprise Management" (第四屆袁寶華企業管理金獎), the "Meritorious Entrepreneurs of Equipment China" (裝備中國功勳企業家), "2011 Top Ten Innovative People in China" (2011年中國十大創新人物) and "China's Outstanding Person" (中國杰出質量人). He currently serves as President of Chairmen Board of the China Federation of Industrial Economics (中國工業經濟聯合會), the vice chairman of the China Enterprise Confederation/China Enterprise Directors Association (中國企業聯合會/中國企業家協會), the vice chairman of China Machinery Industry Federation (中國機械工業聯合會) and the vice chairman of China Association of Automobile Manufacturers (中國汽車工業協會).

Weichai Power takes "Green Power, International Weichai" as mission and "Customers' Satisfaction" as principle to form the corporate culture of "responsibilities, communication and acceptance". By virtue of our complete vehicles, machineries and power system, the Company has a corporate vision of becoming a leading international industrial equipment enterprise group with core technologies and sustainable development.

Social organizations joined by the Company

This includes the status of vice chairman of China Enterprise Confederation, status of vice chairman of China Machinery Industry Federation and status of vice chairman of China Association of Automobile Manufacturers.

Honours received in 2018

In 2018, by virtue of excellent management and outstanding results, the Company has won numerous awards. The major awards are as follows:

Time	Award
16 Jan	In the “Power of the Brand – Annual Awarding Ceremony of Freight Industrial Chain” in 2018 (品牌的力量-2018貨運產業鏈年度盛典頒獎慶典), Weichai was honored “the Best Engine Brand in China’s Market”(中國市場最佳發動機品牌)
18 Jan	At the 3rd “Discovering Trust – China Truck Users Survey and Appraisal”(發現信賴 – 中國卡車用戶調查暨評選活動) organized by chinatruck.org (中國卡車網), WP13 of Weichai was granted the award of “2018 China Truck Users’ Most Trusted and Powerful Heavy-duty Engines” (2018年度中國卡車用戶最信賴最強勁重型發動機)
3 Apr	The New Fortune 14th Top Board Secretaries Medal List and Best IR of Hong Kong Listed Companies, one of the most authoritative appraisal awards in capital market in China, was officially released. Weichai Power was awarded the 1st Best IR of Hong Kong Listed Companies (最佳IR港股公司)
19 May	At the Forum of 2018 China Listed Companies Brand Values and Innovation (2018中國上市公司品牌價值與創新論壇) themed “new economy, new brand and new power”(新經濟新品牌新動能), Weichai was honoured to be listed on TOP100 general list and TOP50 of overseas list
May	Weichai Power was recognized as Operating Role-model Entity of Trademarks and Brands in Shandong Province (山東省商標品牌運用示範單位) and enrolled in the list of Role-model Entity of Trademarks and Brands in Shandong Province in 2018 (2018年度山東省商標品牌示範單位) which was published by Shandong Administration for Industry and Commerce (山東省工商局)
30 May	In the conference about “Study Results on China Automotive Parts Industrial Development” and China Excellent Automotive Parts Enterprises Award Ceremony (中國汽車零部件產業發展研究成果發佈會暨中國優秀汽車零部件企業頒獎典禮), Weichai Power and its subsidiaries, Fast Gear and Hande Axle, were awarded “China Manufacturing Contribution Award” (中國製造功勳獎)
July	In the examination results of company information disclosure of the Main Board on the Shenzhen Stock Exchange in 2017 published by Shenzhen Stock Exchange, Weichai Power was rated an “A” in the examination results with its good work in information disclosure
12 July	Weichai Power undertook the “Project on Fuel Cell Engines and Commercial Vehicles Industrial Technology and Application” (燃料電池發動機及商用車產業化技術與應用專案) of Ministry of Science and Technology, which was approved and implemented
7 Sep	Among the “List of 2018 Top 100 High-end Brand Enterprises in Manufacturing Industry and the List of Top 50 High-end Brand Enterprises in Manufacturing Industry in terms of Brand Value” (2018年度製造業百家高端品牌培育企業名單和製造業高端品牌培育企業品牌價值50強), Weichai Power was included in the former list and ranked the 5th on the latter with its brand value amounting to RMB34.410 billion

Time	Award
9 Oct	Weichai was listed as No. 000001 in the disclosure of environmental information from the Ministry of Ecology and Environment of the PRC
Oct	Weichai WP7 series engine obtained Euro VI-D stage emission certifications
30 Oct	The list of "Top 100 International Enterprises of Parts and Top 100 Domestic Enterprises of Parts in 2018" (2018年國際零部件企業百強和國內零部件企業百強) was released in Beijing, on which Weichai was ranked the 5th in the former and the 1st in the latter
2 Nov	At the awards presentation ceremony of the 3rd China Quality Award, Weichai Power won the first place in China Quality Award among corporate manufacturers with its "WOS quality management system"
9 Nov	The purpose of the 14th China Industrial Forum (第十四屆中國工業論壇) was to award enterprises which made outstanding contributions to economic development of industries in China. Weichai Power was named "Model Enterprise for Industries in China" (中國工業榜樣企業)
9 Nov	In the list of the Third Batch of Champion Enterprises and Champion Products each for a Single Item in Manufacturing (第三批製造業單項冠軍企業和單項冠軍產品名單) issued by the Ministry of Industry and Information Technology and China Federation of Industrial Economics, Weichai Power was listed on "Champion for a Single Item as a Demonstrative Enterprise" (單項冠軍示範企業)
29 Nov	At the closing memorial ceremony of "40th Anniversary of National QCC Activities cum 2018 Annual Meeting of China Quality Association" (全國質量管理小組活動40周年紀念大會暨2018中國質量協會年會), Chairman Tan Xuguang was awarded "Liu Yuan Zhang Quality and Technology Contribution Award" (劉源張品質技術貢獻獎)
Nov	In the list of "SGCX ESG50" launched by Caixin Data and Syntao Green Finance, Weichai Power was listed with its excellent performance in respect of social responsibility
22 Nov	In 2018 Financial Innovation and Development of China Listed Companies Summit Forum and "Jin Zhi Award" Ceremony, Weichai Power won the "2018 China Listed Companies Environment Contribution Award"
Dec	At the 24th international meeting of Asia-Pacific Quality Organization, Weichai Power was awarded "Global Excellence Performance Award – World-Class" (全球卓越績效獎-世界級); Chairman Tan Xuguang was awarded "Asia-Pacific Quality Award – Individual Award – Outstanding and Trustworthy Enterprise Leader" (亞太質量獎個人獎-卓越誠信企業領袖)

Overview of Corporate Social Responsibility

In 2018, in the face of the complicated and severe global macroeconomic landscape, the Company steadfastly upheld the objective of “We aim at customers’ satisfaction” and adhered to its mission of “Green Power, International Weichai”, shouldering the responsibilities of revitalizing the equipment manufacture industry in China, providing green power and fabricating high-end products, striving to become one of the top players in the world, integrating social responsibilities into the operational development of the Company, actively creating an enterprise characterized as “resources-saving” and “environmentally friendly”, and seeking growth and development of the enterprise in harmony with its staff members, society and the environment.

I. Objectives and advanced philosophy of fulfilling social responsibility

Corporate Culture	Responsibilities, Communication and Acceptance
Corporate Core Value	We aim at customers’ satisfaction
Corporate Mission	Green Power, International Weichai
Visions	By virtue of our complete vehicles, machineries and power system, the Company has a corporate vision of becoming an international industrial equipment enterprise group with core technologies and sustainable development
Philosophy of Quality	Quality is in our hands
Quality Policy	Aiming at customers’ satisfaction, full team participation for continuous improvement, and building the famous “Weichai” brand
Philosophy of Safety/Environmental Protection	Comply with the law, continue to develop in a harmonious way, prevention-oriented, adhering to the “people-oriented” notion, use less energy and cut pollution, implement clean production, and build Weichai as an international green brand

II. System construction

1. Quality comes first, delivering outstanding products

Genuinely adhering to the quality policy of “Aiming at customers’ satisfaction, full team participation for continuous improvement and building the famous brand ‘Weichai’”, strictly implementing the quality requirements under IATF16949 and GJB9001C, and the quality philosophy of “quality is in our hands”, the Company strictly abides by laws and regulations on product quality and related national laws and regulations, with the formation of its framework of procedures for managing the entire lifecycle of products including the procedures for managing and handling customer complaints, administrative measures for after-sale services, the procedures for managing claims on product quality after sale and the settlement of claims and so forth. In 2018, the perceived defect rate continued to drop as quality kept improving, without any material incidents on quality or safety. With its “WOS quality management system”, the Company won the “China Quality Award” as the highest scorer among its fellow candidates in the category of corporate manufacturers.

First, we enhanced the system of quality management. We adopted a down-to-earth approach in optimizing and enhancing the internal indicators system and systematical processes continuously, and established an all-process quality control system covering the entire lifecycle of a product including procurement, research and development, manufacturing and sales. We passed the “two-in-one” on-site audit for GJB9001C and the qualification with respect to equipment manufacturers, focusing on forming quality foundation, thereby ensuring the effective operation of the system. **Second, we created a model for quality analysis.** The establishment of system-wide appraisal benchmarks and models for quality production, precise analysis and reflection of the actual operation of an enterprise, and the use of BI platform for conducting multi-dimensional analysis and demonstration of data, probing problems from a number of perspectives in an intensive manner to determine areas for improvement. We embarked upon after-sale quality data extrapolation analysis and application project, to improve the level of after-sale services. **Third, we strengthened the formation of our quality-oriented culture.** We embarked upon activities for the quality month highlighting the quality-focused culture of “Quality is in our hands” to create a strong atmosphere for making fine products and revolutionary quest for quality among all of our staff members. We organized two meetings of persons-in-charge of quality to unify our quality-oriented culture and work together for the betterment of quality management. **Fourth, we upgraded our quality team.** We provided specialized training on quality on an ongoing basis in line with our actual business needs. The combination of theory learning, academic exchanges and practices managed to improve the overall quality of all those staff members involved in product quality.

2. Energy-saving and emission reduction, in advocacy of green operations

Upholding the objective of “Energy Conservation and Emission Reduction, Obligation Fulfillment, Green Power, International Weichai” (節能減排、踐行責任、綠色動力、國際濰柴), the Company continued to improve its energy management, stressing the development of circular economy in which energy resources are utilized in an eco-friendly way, to enhance the efficiency of utilization, reduce costs and enhance effectiveness, with a view to creating a green enterprise with low-carbon consumption. **First, we enhanced energy management system.** Complying with China’s latest energy policies in actual deeds, we created a long term energy saving mechanism which organically integrates the mechanism for energy saving, law compliance and standards implementation, the mechanism for full-process energy management, the mechanism for energy saving technology improvement and the mechanism for the formation of energy-saving culture. **Second, we innovated upon approaches to energy conservation.** In response to the current situation of energy management, we launched the practice of star rating on energy management across entities with substantial energy consumption to enhance the structure of energy management; we also formed a mechanism for supervision and inspection on a sustainable and long-lasting basis, thereby implementing the required appraisal of energy-saving goals achieved by entities with substantial energy consumption. **Third, we raised the awareness of energy conservation among all of our staff members.** Based on the requirements of the formation of role-model enterprises on circular economy on national and provincial levels, we concluded on the approaches to the typical development of circular economy of the Company and proactively established base sites as role models in educating on circular economy, and improved the energy-saving quality of all staff members. We refurbished our energy saving network and instilled the culture of energy conservation into the Company to blend a firm-featured one for the Company, thereby creating the new trend of energy conservation. In 2018, we posted consolidated energy wastage of 0.029 tons standard coal per 10 thousand Renminbi of production value. Each energy wastage benchmark remained at industry-leading position in the PRC market. In 2018, we were granted the accolade of “Major Performance in Energy Saving in Weifang 2017” in respect of the project of “Commercialization of the Key Technology of WP13 High-power Diesel Engines” of the Company.

3. Strengthened management to ensure safe production

It is of paramount importance to ensure safety. Adhering to the safety notion of “caring for people”, the Company solidified the development concept of safety and earnestly complied with provisions of the Safe Production Law (安全生產法) of the People’s Republic of China. It firmly executed the responsibility system for safety in production and various regulations of safe production, worked strenuously on foundation management, actively constructed a long-term safe production system, thereby securing safe production throughout the year.

First, we delegated safety responsibilities. In 2018, on the keynote of “strengthening safety consciousness and enhancing safety awareness”, we arranged signing of “Letters on Safe Production Responsibilities” at each hierarchical level to delegate safety responsibilities to staff of different hierarchical levels and departments. Indicators for safe production were included within the scope of appraisals, and the “one-vote veto” mechanism was firmly implemented, thereby further strengthening the red-line safety consciousness. **Second, improvements were made to the formation of a system of screening, identifying and rectifying safety issues.** Plans were drawn up for screening and identifying hidden threats and a checklist was compiled for screening and identifying commonly-found hidden threats needing basic-level control, and such dual systems were put to practice and continual run in accordance with requirements under the pre-existing framework. We also organized safety inspections such as day-to-day inspection, inspection before festivals and holidays, seasonal inspection, inspection conducted in safety promotion months and region-specific and section-specific inspection, thereby securing stable safe production throughout the year. **Third, we strengthened the formation of our safety-oriented culture.** We organized and commenced various activities such as education training, competition and exchange, and emergency drills, thereby raising our staff’s safety awareness and skills. We launched practical activities on safety-related themes for better rooting the concepts of safe production.

4. Giving back to society and enforcing social responsibilities

Adhering to the notion of “Developing the economy and serving the community” (發展經濟、服務社會), the Company goes beyond its own development to actively perform its social responsibilities to give back to society, spreads its positive energy as a corporation and strives to achieve win-win development vis-a-vis society, gaining recognition from different sectors of society. **First, we fostered employment in society to fuel economic development.** The Company insists on employing various types of high-calibre talents each year, thus alleviating the employment pressure of society. In 2018, more than 600 fresh graduates and more than 120 people from the working population were hired in Weifang. Based in Weifang, the Company attracted and drove a few dozens of renowned enterprises at home and from abroad to set their presence in Weifang, thus incubating and utilizing the advantage of industrial clusters, supporting Weifang in building a city of international power, and fueling economic and social development. **Second, we cherished opportunities of contributing back to society and proactively participated in the charity.** We have always cared for and supported education. We donated towards building a number of hope primary schools, actively commenced the “Golden Autumn Grants” (金秋助學) activity and helped those employees who were in financial difficulties to realize their children’s dream of pursuing education; actively participated in disaster relief work and helped the poor and needy; proactively participated in various charitable activities held in Weifang including civilization initiatives (文明倡導), green communal transportation (綠色出行) and so forth, building the “Weichai” volunteer service brand. In 2018, young volunteers from the Company served for a total of more than 23,500 hours. **Third, we insisted on caring for our people and protecting the interests of our staff members.** The Company further strengthened the formation of a system of modern corporate management, strictly enforced the national policies, laws and regulations that protect labourers’ interests, genuinely complied with the Labour Law and the Labour Contract Law, focused on governing the management of labour, thereby contributing to harmonious labour relations. We maintained our continual efforts in optimizing our remuneration system and appraisal and allocation system. On the basis of the provision of basic insurance for retirement, we have put in place our systems of corporate annuity and supplemental medical insurance for all staff members in accordance with national policies, with a view to further raising the level of fringe benefits provided to our staff members. In 2018, we won the accolade of “National Role-Model Enterprise for Harmonious Labour Relations”. **Fourth, we enriched cultural life and built a harmonious enterprise.** By organizing activities such as skills contests, cultural lectures and thematic reading schemes, we aimed to satisfy the personality development needs of our staff members and improve their overall quality. Leisure activities including music concerts, compassionate performances, love-matching activities, exchange fair for young employees and so forth are sound platforms for interpersonal exchanges and communications among staff members, thereby greatly enriching their cultural life and creating a positive and harmonious corporate environment.

Corporate Governance

I. Structure of corporate governance

The Company established a sound corporate governance structure for legal persons, which includes the General Meeting, the Board, the Supervisory Committee and the senior management pursuant to the requirements of Company Law, Securities Law, Standard Regulations on Corporate Internal Control and other relevant laws and regulations.

The General Meeting is the highest authority of the Company. It performs its duties in accordance with the provisions of regulations such as the Articles of Association and the Rules of Procedure for General Meetings. The convening, holding and proceedings of general meetings comply with the laws and regulations, thereby ensuring general meetings are conducted effectively and in a regulated manner, and that rational decisions are made and all shareholders, especially minority shareholders, are able to exercise their rights on an equal basis.

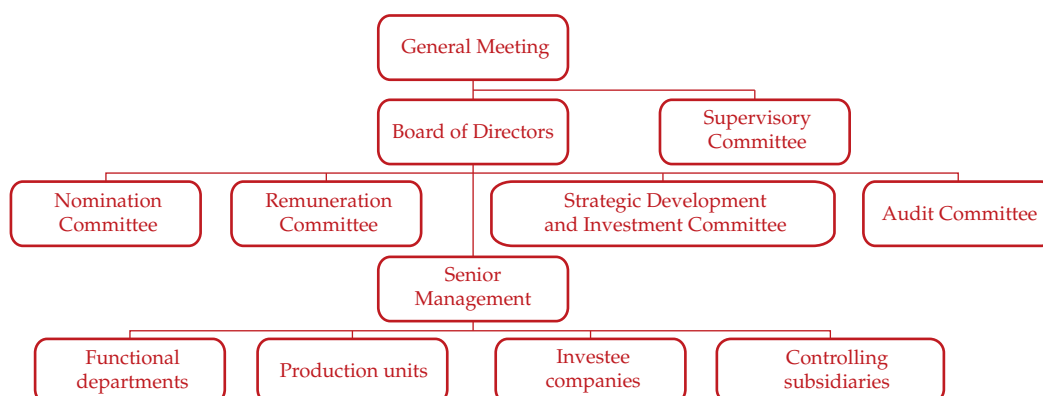
The Board, which is accountable to the General Meeting, comprises fifteen directors, of which not less than half of the members are external directors. External directors include the independent directors of not less than one-third of the total number of the directors. The directors are diligent and responsible, exercising decision-making powers within their scope of functions and duties in accordance with regulations such as the Articles of Association and Rules of Procedure for Board Meetings, and are responsible for establishing and implementing an effective internal control system, as well as defending the overall interest of the Company.

The Supervisory Committee, comprising three supervisors, is accountable to the General Meeting. The supervisors perform their duties diligently in accordance with the regulations of the Articles of Association and the Rules of Procedure for Supervisory Committee's Meetings in a stringent manner, check the financial position of the Company regularly, supervise the directors, managers and other senior management to see whether they performed their duties in a legitimate manner and in compliance with the relevant laws and regulations, and give independent opinions.

The senior management is appointed by the Board and is accountable to the Board. The senior management is responsible for the Company's daily operation and production management, as well as the organization of the implementation of the resolutions of the General Meeting and the Board.

The Company has set up a sound corporate governance system centered on the Articles of Association, Rules of Procedure for General Meetings, Rules of Procedure for Board Meetings, Rules of Procedure for Supervisory Committee's Meetings, Terms of Reference of the Audit Committee, Terms of Reference of the Strategic Development and Investment Committee, Terms of Reference of the Nomination Committee, Terms of Reference of the Remuneration Committee and Terms of Reference of the General Manager in accordance with relevant laws and regulations such as the Company Law and the Code of Corporate Governance for Listed Companies, as well as relevant regulations of China Securities Regulatory Commission, Shenzhen Stock Exchange and The Stock Exchange of Hong Kong Limited, specifying the duties and authorities, working procedures, and obligations to be performed by the General Meeting, the Board and each of its specialized committees, the Supervisory Committee and the senior management in respect of decision making, execution and supervision, thereby forming a rational and effective mechanism of responsibilities, checks and balances.

II. Organizational structure



For details of corporate governance, please refer to the 2018 annual report of the Company.

Customers

I. Customer services

Firmly committed to achieving customer satisfaction and fulfilling customer demand, with the support of its leading technology, high-quality products and reliable brand, the Company has striven for ongoing improvement and innovation and continually fulfilling customer demand.

(I) Building an all-embracive mechanism to respond to customer demand

An extensive network of outpost service centres is in place in China and abroad, forming a complete market network system entailing information, sale, services and oil spare parts. An industry-leading global platform of central control has been established, to engage in activities including the immediate response to customer demand and limited-time closure, to ensure peaceful, focused and relaxed mind in customers. In recent years, the Company has been an industry leader in the measurement and appraisal of customer satisfaction, with gradual enhancement in customer satisfaction with continual improvement and upgrade. Meanwhile, on the motto of “prevention is better than cure”, the Company has successfully avoided the occurrence of major crisis, thereby effectively safeguarding the brand building of the enterprise and improving customer satisfaction.

(II) Survey of customer satisfaction

Based on the “Procedures for the Measurement of Customer Satisfaction”, the Company has established a scientific process of survey on customer satisfaction to conduct the measurement of customer satisfaction, appraise the effectiveness of its quality management system and provide a basis upon which it can continually improve the quality of products and services. The survey was led by the relevant departments of the Company, and third-party consulting firms were engaged to work with departments including sales and after-sale services for completing the tripartite measurement of customer satisfaction. Based on the aforesaid process of survey, in 2018, the overall score of customer satisfaction was 83.3 for the Company in 2018, representing an increase of 2.0% year on year.

II. Marketing

Realizing the motto of “We aim at customers’ satisfaction” by actual deeds, the Company organizes thematic activities to cater to customer needs. In 2018, the Company launched thematic activities including the “Wholehearted standards for quality” – contest for knowledge in truck power, “Weichai Q&A Guru” online competition, truck distributor topical training and so forth, as well as the making of documentary named “Walking with Weichai – the less-known clam-carrying business” that captured the daily work and needs of people who operate clam-carrying trucks.



The “contest for knowledge in truck power” provided a platform for the personal enhancement and self-showcasing of customers, and shaped the image of the new generation of truck operators. In the industry, the Company was among the first to propose the notion of “new truck operators”, through which the all-round image of the new generation of truck operators was showcased by way of “online + offline knowledge PK”. Through a series of thematic activities, we actively took care of and sought to satisfy the needs of customers, won the trust of and reputation among customers, and achieved win-win relations with customers.

III. Quality of products

As a benchmarking enterprise in the manufacturing industry, the Company always adheres to the quality policy of “aiming at customers’ satisfaction, full team participation for continuous improvement, and building the famous brand ‘Weichai’”, and to the quality philosophy of “quality is in our hands”. It strictly complies with laws and regulations on product quality and relevant laws and regulations of China, and has established the quality control system covering the entire lifecycle of a product, which includes the Procedures for Managing and Handling Customer Complaints, Administrative Measures for After-sale Services, the Procedures for Managing Claims on Product Quality after Sale and the Settlement of Claims, the Procedures for the Control of Returned Diesel Engines and so forth. In 2018, the perceived defect rate continued to drop as quality kept improving, without any material incidents on quality or safety.

(I) Effective operation of the quality control system, focusing on the ability to form quality foundation

- 1. We passed the “two-in-one” on-site audit for GJB9001C and the qualification with respect to equipment manufacturers:** Based on the standard requirements of the new version of GJB9001C, we clarified the key management points for the whole process in relation to risk identification, analysis and appraisal and risk control measures and so forth, formulated the requirements of standardization of process documentation, clarified input and output as well as departments-in-charge, and completed the revision of 37 process documents at level B and 82 process documents at level C. We passed the “two-in-one” on-site audit, and organized topical meetings on issues identified during the on-site audit, formulated rectification plans, and verified the validity of those non-performing items.
- 2. We fostered group-based level-lamented audit:** In 2018, we conducted group-based audit on the quality management system of 8 subsidiaries or entities, to identify the differences in the management of quality management system for mutual learning. For the purpose of mutual enhancement, opinions on improvement were provided to address issues identified in such audit. We also assisted our branch in North America to establish a document system, the formation of which had been completed, and trial runs took place for continual improvement.
- 3. We established our system of quality and cost benchmarks:** We established our system appraisal benchmarks and models, for precise analysis and reflection of the actual operation of our entities and subsidiaries, so that problems and deviations can be identified and so that we could probe problems in an intensive manner from different perspectives to determine areas for improvement. By conducting business analysis on our entities, we rationalized the process of quality and cost control, improved the segmentation of items, clarified the sources of data, built up quality budgeting and improvement models, developed the system of quality and cost management, and achieved the automatic retrieval of data. By using a BI platform for conducting the multi-dimensional analysis and demonstration of data, and by way of level-by-level analysis of data, we sought room to improve quality and provide accurate input to quality control from one hierarchical level to another.

(II) Enhancing the construction of quality-oriented culture and enhancing quality awareness among all staff members

1. **We organized topical activities for the quality month of the Group:** To enhance quality awareness among staff members, we took the chance presented by the quality month to foster our quality-oriented culture enshrined under the motto “Quality is in our hands” within the Company. We sought to create the atmosphere of making fine products and revolutionary quest for quality among staff members, thereby leading the enterprise to move towards the goal of international and high-quality development. A diversified range of activities were organized to identify role models and typical cases of quality accomplishments among our staff members. We embarked upon activities including skills drills and contests across teams and groups, thereby subtly arousing the quality awareness among staff members and in turn enhancing the level of quality management.
2. **We organized projects to train internal examiners:** To strengthen the preventive function of our quality management system, the Company organized projects to train internal examiners. Dedicated counselling was provided to quality managers and core business members involved in the key processes of the Company to enhance the ability of quality management and ensure the ongoing enhancement in the business processes under such procedure.
3. **We organized meetings of persons-in-charge of quality:** In 2018, we organized two meetings of persons-in-charge of quality, which was favorable to unifying our quality-oriented culture. By way of such platform of exchange, we sought to learn from each other and work together for the betterment of quality management.

(III) Forming a data analysis model to advance the management and control of quality issues

1. **Data analysis in respect of the checking of incoming materials:** The QDAS software has been introduced to form a data analysis model in respect of the checking of incoming materials, appraise the formulation and arrangement of standards, include data on suppliers and data on incoming materials into the analysis software, thereby conducting analysis, comparison, targeted supervision and control, and achieve the matrix-based delivery of data analysis reports to technical staff members on a regular basis. By using a BI platform for conducting testing and optimization on the demonstration function in respect of benchmarks for the checking of incoming materials, benchmarks for the statistical measurement of workload and benchmarks for time for checking.
2. **Analysis and handling of after-sale data:** We worked towards enhancing the alert rules for after-sale quality data. We streamlined and fixed the algorithm and granulation of alerts, and gave shape to our data alert system. We embarked upon projects in respect of the extrapolation analysis and application of after-sale quality data, worked in collaboration with the big data department to build a model in respect of the projection of failure of parts and components, to explore the application of after-sale service data in five areas, namely safe stocking of spare parts, design of period of after-sale services, mechanism for quality alert, appraisal of suppliers and closed-loop research and development in respect of after-sale quality issues.

(IV) Strengthening quality brand building and uplifting product influence

In 2018, the Company won the “Third China Quality Award” as the highest scorer among its fellow candidates in the category of corporate manufacturers, and obtained the “Asia Quality Innovation Award” (亞洲質量創新獎), “Global Excellence Performance Award – World-Class” (全球卓越績效獎(世界級)) and so forth, while Mr. Tan Xuguang, the chairman of the Company, obtained the “Liu Yuan Zhang Quality and Technology Contribution Award” (劉源張質量技術貢獻獎) and “Outstanding and Trustworthy Enterprise Leader” (卓越誠信企業領袖). All these accolades fully endorsed the high-quality development of the Company and increased our corporate brand’s influence.



(V) Customer information security and privacy policy

In order to protect the confidential information and ownership of our customers from being abused, the Company formulated the “Procedures of Protecting Customer Confidential Information and Ownership” to protect and monitor customers’ information and ownership during the whole process. The Company carries out routine monitoring and inspection, where the monitoring and inspection result should be reported to the management review meeting as a topical report. The management review meeting should apply policy adjustments and effective corrective measures in respect of the confidential policy and implementation.

(VI) Advertising and Labelling

The Company strictly complies with laws and regulations including the Advertising Law of the People’s Republic of China and has formulated management systems such as the Advertising Management Regulations, with a view to ensuring the lawfulness and validity of advertising materials.

The Company has established its “Standards on Managing Tags, Qualification Certificates and Inspection Seals” to standardize the management of tags.

IV. Responsibility fulfillment of the major subsidiaries in product quality

(I) KION

At KION, all processes that affect the quality of products are documented, audited and certified in accordance with DIN ISO 9001, while all other relevant standards are also complied with. KION-branded products have long lives and aim to provide effective solutions to logistics-related problems.

At KION, the technical maintenance teams are able to provide on-site servicing. KION offers customers and dealers professional advice and support on matters such as technical conversions and modifications, always giving first priority to product safety. The service teams are quick to respond and flexible, providing services to meet customers' needs. KION aims to provide satisfactory products to customers. At the same time KION is committed to doing everything it can to ensure that products are safe and reliable, and that KION complies with all legal and technical requirements and standards.

(II) Shaanxi Heavy-duty Motor

1. *Quality control system*

Shaanxi Heavy-duty Motor introduced and complied with diversified international quality management standards. Subsequent to its introduction in 1996, the ISO9001 standard officially came into effect on 1 July 2007. Under certificate renewal arrangements (ISO9001:2008, GJB9001B-2009, ISO/TS16949:2009), it was further revised in 2011 and issued and became effective on 1 July in the same year. In December 2016, renewal arrangements in respect of the management system commenced. The revised system documentations were duly issued on 15 September 2017. In 2018, trainings on GJB9001C-2017 new-version standards commenced (for more than 70 persons). Based on the latest requirements under the new-version standards and taking into account the Company's particular situation, we organized revisions to documents on the quality management system of military products and the compilation of new documents. On 15 June 2018, the new-version documents were duly issued (34 new or revised documents in total).

In 2018, with its quality system focusing on the "Two Concerns", Shaanxi Heavy-duty Motor solidly embarked upon the activity of "Three Inspections of and Three No's to Defective Products" (三檢三不), thereby strengthening process control over quality. Both product appearance and assembly quality were improved.

2. *Intellectual property rights management*

For the maintenance and protection of intellectual property rights, Shaanxi Heavy-duty Motor had revised a series of rules and systems, including "Rules for Patent Management", "Measures for Intellectual Property Rights (Transfer) Management", "Rules for Product Naming and Trademark Registration Management", "Rules for Special Vehicle Subsidiaries Trademark Management", "Rules for Trademark Rights Protection (Anti-counterfeit Goods) Work Management", "Rules for Trademark Management", "Knowledge Management Control Procedures" and so forth.




(3) Advertising and Labelling

The company complies with relevant laws and regulations including the Advertising Law of the People's Republic of China, the Advertising Management Regulations and the Trademark Law of the People's Republic of China, and has formulated the Advertising Planning and Publication Management Regulations, the Management Regulations for Trademark Rights Protection (Counterfeiting), and the Trademark Management Regulations. The marketing department is required to observe the placement and publication of advertising projects from time to time, and the Trademark Management Regulations requires that a well-regulated trademark management system be in place to ensure the correct use of trademarks under legal requirements, and ensure that trademark and patent rights are not infringed and that they will appreciate in value.

(III) Fast Gear

1. Enhancement of regulated service management system and service strategy

A four-tier service management system has been established by Fast Gear: First tier being a technology service centre; second tier being the Group's overseas sales service stations and offices; third tier being the Group's service staff members stationed overseas; and fourth tier being customised and authorized service stations. This four-tier service system covers pre-sales, in-sales and after-sales technical support and technology services. In 2018, it further finetuned its service strategies, to raise service level in three aspects namely service philosophy, service goals and service commitments, thereby better forging customer relations.

-  **Service philosophy:** Paying respect to customers and offering supra-heart-touching services. This emphasizes that services should come first before identifying responsibilities. It is emphasized that a problem should be completely solved if it appears. It also emphasizes that services should be tracked and provided on a life-long basis. Services are not solely a matter of repair and maintenance, but also the provision of solutions to solve customers' problems and to create values for customers, thereby touching the hearts of customers. "Outperforming users' expected value as we provide satisfaction that scores 110 when customers express their needs that score 100" is the "supra-touching" service logic of Fast Gear that goes beyond satisfaction to become heart-touching.
-  **Service goals:** It remained adhered to the service goals of "Users' interests come first and corporate reputation comes top".
-  **Service commitment:** While 24-hour toll free service hotlines 800 and 400 have been made available, 24-hour mobile phone access to persons-in-charge and key staff members of overseas sales service stations and departments at various levels have also been made available. Fast Gear is the first among its industry peers in China to offer, under two-year warranty or 100,000-kilometres warranty, 1-hour response time in handling service messages; 1-hour response time to in-station service requests; 3-hour response time to outbound service within 50 kilometres (8 hours for 300 kilometres or less; 24 hours for more than 300 kilometres); and 72-hour response time to distant regions. We solve general disruptions on the same day, severe disruptions in two days, and significant disruptions in three days. Products of Fast Gear enjoy lifelong services from us. We will re-visit users that we previously serve so that we are able to provide products and services that outperform customers' expectations, in line with the motto of Fast Gear in delivering sincere promises and actual actions in adherence to the "customer first" principle.

2. Effective collation and analysis of after-sale data

We compared statistics in 2017 and categorized gears and defective items with higher defect rate, attended to the change of defect rate and analyzed reasons in a timely manner. Meanwhile, we also fostered the improvement of the after-sale services for regular products and new products, and conducted feasibility study on the feasibility of extending warranty for gear boxes. The timeliness and effectiveness of product information feedback were also enhanced.

3. Enhancement of product quality management system

Fast Gear remains committed to the quality philosophy of “Quality-based, internal innovation, ongoing improvement and customer satisfaction” and continually improves its quality management system, with a number of activities being held each year to enhance product quality. In 2018, it successfully passed IATF16949 quality management system renewal audit; and passed the aeronautical AS9100D/EN9100:2016 quality management system standard. Further, it also possessed ISO10012 Measurement Management Systems AAA certificate.

4. Commencing dedicated plans on quality

For first-time or small-batch supplies, new products, assembled export products and products with special requirements, dedicated plans on quality would be issued, pursuant to which full-scale supervision of and control over the various parts from the receipt of raw materials to the delivery of assembled products would be conducted, with a view to effectively preventing against sub-standard quality and ensuring quality of products. In response to the actual situations and analysis of feedback information on any failure from the gear box market, annual quality improvement projects at company level would be formulated. A year of strenuous efforts was followed by remarkable results in the after-sale market, with timely completion of improvement works based on pre-set schedule as well as the unanimous endorsement of all main factories.

5. Branding and advertising

On an ongoing basis, Fast Gear strives to discharge its duties on products, strengthen brand building, enhance brand strategy, brand concepts and brand value system, and in turn promote improvements in corporate logos and marks. No exaggerated or false statements are involved in any of its advertisements, video clips for promotion, posters and so forth. With positive brand image, the “Fast Gear” brand has been promoted as a renowned global brand with international influence and good sense of social responsibility.

Shareholders

Major financial indicators	2018	2017	Change
Operating revenue (in ten thousand RMB)	15,925,583.23	15,156,939.22	5.07%
Net profits attributable to the shareholders of listed Company (in ten thousand RMB)	865,752.73	680,834.25	27.16%
Net cash flow from operating activities (in ten thousand RMB)	2,226,162.87	1,644,311.45	35.39%
Basic earnings per share (RMB/share)	1.08	0.85	27.19%
Diluted earnings per share (RMB/share)	1.08	0.85	27.19%
Weighted average return on net assets	22.73%	20.25%	2.48%
	End of 2018	End of 2017	Change
Total assets (in ten thousand RMB)	20,527,636.52	18,963,816.66	8.25%
Net assets attributable to the shareholders of listed Company (in ten thousand RMB)	3,931,373.48	3,523,952.29	11.56%

I. Corporate governance and information disclosure

(I) Operation of General Meetings, Board of Directors and Supervisory Committee

In 2018, based on the Company's strategic deployment and regulatory requirements, General Meetings, Board of Directors meetings and Supervisory Committee meetings were held for more than 30 times. We continually standardize the listed company's governance and enhance its corporate governance level, safeguarding completion of its strategic targets.

(II) Corporate governance

During the reporting period, the Company undertook the following measures as required by China Securities Regulatory Commission, Shenzhen Stock Exchange, the Stock Exchange of Hong Kong Limited and Shandong Securities Regulatory Bureau with the aim of enhancing corporate governance level:

- ⊕ In accordance with relevant requirements including the Company Law, the Guidelines on the Articles of Association of Listed Companies (上市公司章程指引), Rules for General Meetings of Listed Companies (上市公司股東大會規則) and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (including the Corporate Governance Code), and taking into account actual needs for the operation and development of the Company, the Company has arranged to revise the relevant provisions of the Articles of Association, the Rules of Procedure for General Meetings, the Rules of Procedure for Board Meetings and the Terms of Reference of the Nomination Committee of the Board of Directors, to continually refine the corporate governance system, mechanism and internal processes, to raise the level of corporate governance of the Company;

- ⊕ The Company regulated the operation of the General Meetings, the Board of Directors and the Supervisory Committee and actively harnessed the function of independent directors and the specialized committees under the Board. In accordance with the arrangements of China Securities Regulatory Commission, Shenzhen Stock Exchange and Shandong Securities Regulatory Bureau, we also organized the participation by directors, supervisors and senior management in training activities organized by the regulatory bodies, compiled board publications and conveyed latest updates on applicable rules, so as to enhance their ability to perform their duties in accordance with the law;
- ⊕ The Company strictly followed the Rules Governing the Listing of Securities on Shenzhen Stock Exchange and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as well as the “Articles of Association of Weichai Power Co., Ltd.” and Administrative Measures on Information Disclosure and strengthened information disclosure management. Adhering to the principle of strictness, we disclosed information in an authentic, accurate, complete, timely and fair manner and ensured that all investors acquire information on the Company under a fair environment.

(III) Information disclosure

In 2018, the Company disclosed a total of 219 announcements, including 85 announcements on A shares and 134 announcements on H shares. We successfully completed the information disclosure of significant matters including periodic reports, profit distribution, connected transactions, election of directors, amendments to systems of the Company, further acquisition of stakes in overseas subsidiaries, derivative trading, acquisition of shares by substantial shareholders, share buyback, merger of wholly-owned subsidiaries by way of absorption and so forth.

(IV) Awards

In 2018, as a result of our regulated corporate governance, outstanding business performance and smooth investor communication channel, we further enhanced the standing and reputation of the Company in capital markets and was awarded the following: Special Contribution Award for Board Governance under the thirteenth “Golden Roundtable Award” for Board of Directors of Listed Companies (第十三屆上市公司董事會“金圓桌獎”董事會治理特別貢獻獎), Top 100 Enterprise of China (中國百強企業獎), 2018 Best Board of Directors in China (2018年中國最佳董事會), final candidates for “SGCX ESG50” in 2018 (2018中國ESG美好50指數成分股入選企業), 2018 Golden Hong Kong Stock Connect Best Southbound Trade Company (2018金港股最佳港股通公司), 2018 Best Investment Value Listed Companies in China (2018中國最具投資價值上市公司), the “2018 China Listed Companies Environment Contribution Award” under the “Jin Zhi Award” (“金智獎”2018年度中國上市公司環境貢獻獎) and “Golden Horse Award” Best Corporate Social Responsibilities to Public Charity Pioneer Award (“金駿馬獎”最具社會責任之公益先鋒獎) and so forth.

II. Investor relations management

In 2018, through multi-faceted, multi-level communication channels such as research reception, investor hotline, response on the interactive e-platform, results announcements conferences and analyst exchange sessions, we strengthened our communication with investors on regular and irregular bases to enable them to understand the Company more thoroughly.

(I) Daily communication and exchange

In 2018, the Company provided reception for 42 investor visits, conducted 120 telephone conferences of more than 1 hour each, and answered more than 320 questions from investors on the Shenzhen Stock Exchange interactive platform. Our work in investor relations was highly recognized by institutional and individual investors.

(II) Results announcement and promotion

In 2018, we organized press conference on the 2017 annual results and press conference call on 2018 interim results. More than 200 domestic and foreign organizations joined the conference and the total number of people exceeded 500. We produced and published Chinese and English PPT on the 2017 annual results and 2018 interim results so that investors were informed of the Company's operation condition in a timely and objective manner. In 2018, we joined 27 strategy conferences held by securities firms such as BoA Merrill Lynch and China International Capital Corporation Limited. Through face-to-face interaction with investors, we attained satisfactory effect of promotion.

(III) Profit distribution

In 2018, the Company paid attention to the needs of secondary markets. Through questionnaire investigation and reverse research we explored market requests. We insisted on yearly implementation of profit distribution proposal to safeguard investors' interest with determination.

The Company implemented the 2017 annual profit distribution scheme as follows: Based on the 7,997,238,556 shares as of 31 December 2017, representing the total share capital of the Company, the Company distributed to all shareholders a cash dividend of RMB2.50 (including tax) for every 10 shares held. Implementation of the scheme was completed on 31 July 2018.

The Company also implemented the 2018 interim profit distribution scheme as follows: Based on 7,985,340,556 shares, representing the distributable shares of the Company, the Company distributed to all shareholders a cash dividend of RMB1.80 (including tax) for every 10 shares held. Implementation of the scheme was completed on 23 October 2018.

Employees

In 2018, in accordance with the Company's strategic planning for human resources management, and in strict compliance with national and local labour laws and regulations, the Company conducted its work in a creative way, by following the guidance in retaining high-end talents and forming an ecosystem with excellence and innovation.

I. Overview of human resources management

The Company firmly upholds the human resources management philosophy of "taking up the responsibility for forming order, to allocate suitable people to suitable posts, encourage staff members to work hard on a long-term basis, and serve the overall development goal of the enterprise". On the one hand, the Company stressed the proper management of order, improvement of the mechanism for position management and talent appraisal and recruitment, to solidify basic ground work including labour relations, personnel data, personnel archives etc. On the other hand, catering to strategic requirements, the Company stressed the introduction of high-end talents and cultivation of diversified talents.

(I) Expanding recruitment channel and optimizing the recruitment structure

In 2018, efforts were made to optimize the structure of talent introduction and step up the recruitment of high-end talents in Weifang. First, a specialist team of 152 interviewers were formed in five areas including R&D and IT; second, to fully promote the employer brand, we visited the campuses of 52 tertiary institutions and hired 677 fresh graduates; third, strategies played a role in leading breakthroughs in new energy, big data and other areas, with 125 people from the working population and 30 holders of doctoral degrees being hired, including 2 who were designated as industry leaders of Weifang; fourth, we introduced international talents by recruiting 41 people from abroad; fifth, we strengthened our school-enterprise cooperation. In addition to the existing partners, namely, Tsinghua University, Tianjin University, Jilin University, Tongji University, Zhejiang University and Harbin Institute of Technology, we expanded to numerous prestigious tertiary institutions including Shanghai Jiaotong University and Beijing Institute of Technology.

(II) Standardizing position management and expanding the channel of appraisal and recruitment of talents

In 2018, the Company established rules, methods and standards, from the perspectives of system formation in respect of position category planning, identification of key position and core talents, assessment of position values, and qualifications. Such rules, methods and standards have been applied to cross-level certification, special-treatment certification, skills-based talent appointment and so forth. Guided under craftsmanship spirit, we appraised and recruited 3,774 skilled talents; added channels for recruiting business specialists, and completed the substantiation of the appraisal and recruitment of 58 people who included chief technicians, platform quality chiefs and technical supervisors.

(III) Improving training plans and strengthening the cultivation of high-end talents and diversified talents

In 2018, guided under our corporate strategies and business development plan and based upon our four-tier training management system, we focused on projects to develop high-end talents and diversified talents. For the development of high-end talents, we collaborated on the development of international talents with renowned tertiary institutions such as Stanford University and Jacobs University. For the development of diversified talents, we established the system of learning and development covering research and development, technology, quality, sales and marketing and frontline workers etc., providing comprehensive trainings for our talents in different areas. **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.**

(IV) Holistic command of ground work

In 2018, we focused on the uplifting ground work on personnel data, labour relations, file management and so forth, which effectively supported our human resources management system. Personnel information standards were established, e-HR system benchmarks were optimized, standard HR statements and analytical reports were established, to ensure more holistic and accurate data. We paid much attention to the admission of new staff members and termination of existing staff members, to ensure zero loophole in the key areas of labour relations management, and that employment is in compliance with national and local labour laws and regulations. Further, we established standard archive rooms and streamlined and enhanced HR filing system, thereby protecting the basic interests of staff members. Meanwhile, we strengthened the management of corporate annuity and supplemental medical insurance to reap better benefits for staff members.

II. Staff statistics

As at 31 December 2018, the total headcount of the Company reached 76,778, including 33,128 hired by KION.

(I) Staff number by function (excluding KION)

Function	Production worker	Technical staff	Operation and management staff	Others	Total
Number	24,628	8,964	6,771	3,287	43,650
Percentage	56.42%	20.54%	15.51%	7.53%	100%

(II) Staff number by age group (excluding KION)

Age Group	Below 35	36-55	56 and above	Total
Number	26,278	16,240	1,132	43,650
Percentage	60.20%	37.21%	2.59%	100%

(III) Staff number by region (excluding KION)

Region	Weifang	Shaanxi	Others	Total
Number	11,936	23,105	8,609	43,650
Percentage	27.35%	52.93%	19.72%	100%

III. Employees Protection

(I) Equal opportunity and anti-discrimination

With high regards for equality and diversity, we formulated open, fair and equitable human resources policies in 2018. We further enhanced the formation of the management system for a modern enterprise, strictly complied with national policies, laws and regulations relating to labour protection, strictly enforced the Labour Law and the Labour Contract Law, aiming to regulate the management of labour employment. **In the course of employment, we upheld the principle of equal wage for equal job post between male and female employees, and there had never been any employment of child labour or forced or compulsory labour. Rate of signing labour contracts reached 100%.** By doing so, we developed harmonious relations with employees, which gave rise to favorable human environment.

(II) Enforcement standards and implementation for the system of employment

Adhering to a people-oriented management concept and in order to protect the legitimate rights of employees, a sound management framework for occupational health and safe production was in place and our system of environmental protection and safety was well regulated; we strictly followed national standards on labour protection and safe production and fully executed regulations for protecting female labourers. Having a sound system and well-regulated operation, the staff representative meeting lawfully commenced its work, proactively organized trade union activities for the staff's participation, lawfully protected the legitimate rights of employees, and coordinated employer-employee relations.

IV. Staff training

Our training, which includes training on knowledge and skills, depends on the qualifications required for the position and corporate strategies and business development needs. Taking into account the staff member's needs for career development, and benchmarked against the qualifications required for the position, trainings for skills enhancement were provided to staff members at different positions. We developed online courses, which included knowledge for lean operation and quality-related knowledge. Being offered in online or offline modes, the trainings took the form of individual self-learning sessions, on-site training sessions, internal lectures delivered by instructors and training sessions delivered by external training organizations. The training programs covered more than 97% of employees at all levels. **Male and female employees were offered equal opportunities in training. Training hours for male and female employees were equal.**

In line with corporate development strategies and operations-related issues, we ran overseas trainings for cadre teams, concentrated trainings for leadership cadre teams, English language trainings, trainings for salespersons, trainings for craftsmanship and quality staff, trainings for research and development staff, and so forth. By way of various training modes, such as learning-in-action, project tackling and regional on-site consultation, we achieved positive training results and improvement in working efficiency.

- 1. Refining training management system:** Three systems and nine management processes were in place to guide training from a system-wide perspective. In our efforts to strengthen the basic management of trainings and resources building, we appraised and hired 382 internal trainers who covered management, IT, R&D, quality, craftsmanship, sales and marketing, production support and so forth.
- 2. International trainings for high-calibre leadership cadres:** First, we adopted the approach of "self-study + field trips + classroom teaching + group discussion". On the three modules namely digitalization, corporate culture and leadership behaviours, we organized trainings for leadership cadres and newly-admitted cadres; Second, based on the approach of "high-level customized courses + training at renowned enterprises in Silicon Valley", we organized senior management to receive training at Stanford University; Third, focusing on Industrial 4.0 and digitalization transformation, we sent selected mid-ranking cadres to receive training at Jacobs University in Germany; Fourth, we selected leadership cadres to receive training on English language enhancement for a duration of 8 months. All these will contribute to the building up of a larger pool of international talents for the enterprise.

3. **Cultivation of talents by multiple means:** We launched training programs for a diversified range of talents including those in R&D, craftsmanship, quality and sales and marketing functions. On a meritocratic basis, we selected 60 people, lined up the language of corporate quality management and formed a team of internal examiners on quality; We also embarked upon customized training for R&D staff members offered by Wayne State University, DFMEA two-stage training, three-dimensional design customization training and so forth. We worked on the final stage-three systematic training of craftsmen, and created a system of three-tier courses for craftsmen; we started training on channel marketing and devised a training program for a duration of three years. We also arranged eight entities located in four places including Yangzhou and Zhuzhou to organize on-site WOS training, under which 13,000 training hours were provided in aggregate. This laid a good foundation for the development of WOS in the Chinese subsidiaries.
4. **“Golden blue collar” training:** We trained a total of 734 highly-skilled employees through this training program, from which trainees obtained qualification certificates. We also recommended outstanding highly-skilled employees to participate in the assessment for chief technicians. In 2018, two technicians from us were recognized as Shandong chief technicians; two technicians from us were recognized as Weifang chief technicians; two technicians from us were recognized as Shandong technicians with outstanding contribution; and nine technicians from us were recognized as high-level technicians in other categories.



V. Remuneration and benefits

In accordance with the Labour Contract Law and relevant laws and regulations, the Company seriously observed the provincial and municipal opinions on the implementation of wages, taking into account its corporate development strategies, industry characteristics and labour costs paying ability and making reference to market remuneration level and industry benchmarks, to regulate remuneration performance management, keep optimizing its remuneration system and evaluation and allocation system. By conducting position value assessment and market rate benchmarking analysis, we set reasonable wage levels for employees according to their ranks and positions. We adjusted and improved the performance assessment management system for all staff members so that remuneration reflected performance, thereby establishing a sound system suitable for managing remuneration which stayed in line with our corporate development.

In strict compliance with national laws and regulations of China, the Company maintained five social insurance plans as well as housing provident fund for our employees, **with a coverage rate of 100%** and full contributions were made in a timely manner. To create a long-lasting incentive mechanism, on the back of participating in the basic pension scheme, and in accordance with national policies, we established a system of corporate annuity and a system of supplemental medical insurance, to offer a better level of staff benefits.

VI. Staff career development

With high regards for staff career development, the Company implemented a dual-path (executive + professional) promotion system. Apart from the executive path, positions were divided into five sequences namely R&D, engineering and technology, management, operation, sales and procurement, in which five hierarchical levels namely “newbies, experienced, core, experts and authorities” existed so that every employee could become a specialist in the respective sequence. For each hierarchical level, post-based qualification standards were set for each sequence and position. By looking at the qualifications required, employees could easily see their goals and determine their own development path. The formation of a hierarchy-based training system according to qualifications helped employees enhance their occupational skills and attributes in a systematic and target-oriented manner.

The Company received the following accolades: “National Model of Harmonious Enterprise with Good Labour Relations” (全國模範勞動關係和諧企業), “Shandong Harmonious Enterprise with Good Labour Relations” (山東省勞動關係和諧企業), “Shandong Role-model Enterprise for Labour Contract System Implementation” (山東省勞動合同制度實施示範企業), “Weifang Harmonious Enterprise with Good Labour Relations” (濰坊市勞動關係和諧企業), “Weifang Role-model Entity for Trustworthiness in Human Resources Social Security” (濰坊市人力資源社會保障誠信示範單位), and the 16th “TOP 50 Employers Most Preferred by University Graduates in China”(第十六屆中國大學生最佳僱主TOP50) organized by chinahr.com (中華英才網).

VII. Performance of human resources duties by major subsidiaries

(I) KION

KION ensures that employment standards are upheld in accordance with the ILO (International Labour Organization) fundamental labor conventions. KION also follows the requirements in Compliance Code and HSE policy regarding employment practices.

1. **Recruitment and equal opportunities:** The success of KION shall depend on the individual’s ability and contribution. The ultimate goal for the human resources strategy of KION is to provide the strongest support to the implementation of KION’s 2027 Strategy. KION adopts a series of measures to ensure a large pool of high-calibre employees are available at different stages of operations. In particular, extremely attractive working conditions and career development of an international enterprise, for which one is working, are especially important. It has also laid a solid foundation upon which the Company will face challenges posed by population change.
2. **Anti-discrimination:** KION is committed to applying the principles of conventions in how to treat its employees without discrimination. No distinction, exclusion, or preference made on the basis of race, color, gender, religion, political view, nationality, or social background affecting access to vocational training, employment, and particular occupations or to terms and conditions of employment is accepted. Some distinctions, exclusions or preferences made based on the inherent requirements of certain particular positions nonetheless existed.
3. **Remuneration and benefits:** KION is committed to a remuneration which is appropriate to the domestic industry sector standards and by all means securing a subsistence level of income. Minimum wage limits that are set by national legislation or applicable collective agreements are not undercut. The principle of equal pay for equal work irrespective of gender is upheld. Where law or collective agreements are inapplicable, the value of the work performed must, as far as possible, be determined by objective appraisal of that work.

4. **Work-and-leisure interval:** KION implements a mechanism of flexible working hours, for work-life balance. In Germany, employees are also entitled to parental leave.
5. **Promotion, equal opportunities and diversity:** As an international company, KION is thankful for the contributions of all employees, regardless of their gender, nationality, skin color, moral background, political view, origin or social background and religion. In hopes of promoting the international collaboration between employees, KION implements expat programmes to give employees the opportunity to transfer to different countries. KION also tackles the challenges of demographic change by providing working conditions that are suited to employees' age-related requirements and organising healthy-living programmes so that it can continue to benefit from older employees' experience. To expand the proportion of female members in the management, the executive committee has set a series of goals in the corporate governance report. Further, KION plans to include more non-German staff members in the management, to better exemplify the international composition of the company.
6. **Training:** To meet local requirements, each training is organized separately in different localities. In Germany, there has been 22 types of apprenticeship training programs, such as production and industrial construction engineers, mechanical and electrical engineers, technical model creators and industrial managers etc. Apart from conventional occupational trainings, the company also cooperates with a number of universities in the provision of occupational trainings and programs in relation to the respective degree programs. Other companies located within and outside Europe are also committed to training the young generation. In particular, back in 20 years ago, Linde Forklift Truck Corporation Ltd, which is located in Xiamen, China, already established a training development centre dedicated to providing youngsters with dual occupational training programs based on the German model.
7. **Career development:** In 2018, the longer-term HR strategy focused on the provision of better and more targeted development to high-potential employees. In addition to the development activities geared specifically to high-potential employees, greater priority will be given to succession planning for key positions in the company. Accordingly, performance management processes have been put in place for all the applicable succession plans on a global basis for 2017/2018. Finding highly qualified people to fill specialist and executive positions is crucial to the success of the company. As a result, in 2018, one of the focuses of HR work across the Group was, as in the previous years, the recruitment and development of suitable young talents. The company endeavors to offer its employees interesting career opportunities and flexible, family-friendly working-time models. The group companies also collaborate closely on areas such as talent management and training & development programmes. This helps to systematically identify and support staff with potential, high performers and experts in key functions. Furthermore, training courses on particular disciplines or cross-disciplines are offered to develop skills of the employees, especially skills in sales and services.
8. **Labour standards:** KION complies with the requirements in ILO, Compliance Code and HSE policy regarding labour standards. KION respects the personal dignity of every individual and safeguards human rights. KION does not permit child labour, any harmful employment of young people or any form of forced labour. No forced or compulsory labour is allowed. No reluctant labor under the menace of any penalty is allowed. Persons below the minimum age defined in the ILO Convention Article 138 must not be employed. Persons under 18 years of age must not be employed in any type of work detrimental to his/her health, safety or mental well-being.

(II) Shaanxi Heavy-duty Motor

1. **Recruitment:** Shaanxi Heavy-duty Motor rationalized its recruitment requirements based on the development needs of its strategic businesses. Implementing the recruitment principles of “Openness, Equality, Competition and Meritocracy”, Shaanxi Heavy-duty Motor made public its recruitment requirements, standardized the recruitment procedure, welcomed on board mature and high-end talents, as well as graduates of universities, high schools and vocational training institutions, creating job opportunities for society.
2. **Anti-discrimination:** In full compliance with the Labour Contract Law and the Labour Law, and conscientiously implementing the Collective Contract, the Special Collective Contract on Wages and the Regulations for the Protection of Female Employees’ Rights entered into by Shaanxi Heavy-duty Motor and its staff, the company ensures that it treats its staff fairly and justly, without discrimination on the basis of gender, race, religion, age or disability.
3. **Remuneration and benefits:** Shaanxi Heavy-duty Motor Company Limited adhered to the principles of distribution according to work and equal pay for equal work. Numerous wage systems have been in place depending on the nature of the position, such as structured wage systems and wage systems on a piece rate. A generous remuneration system has been established, while the company refined its remuneration and benefits system and optimized its distribution policies, continuously driving up the income of its staff. The company duly paid its contribution into the various insurance plans and the Housing Provident Fund for its staff in a timely manner, established a corporate annuity, a supplementary medical insurance plan and a mechanism facilitating health care mutual assistance during major diseases, along with relief and aid for staff members fallen on hard times. Every year, the company handed a pay rise to 65% of its staff, thereby strengthening corporate cohesion.
4. **Work and leave days:** In strict compliance with the work hours and rest days set out in the Labour Law of China, Shaanxi Heavy-duty Motor implemented a standardized work hour system of 40-hour work weeks. However, with regard to the special characteristics of production and operation, a comprehensive system of calculating work hours on a yearly basis has been in place for skilled positions in specialized production factories. Holidays are granted in accordance with the statutory number of holidays during statutory national holidays. Alternative holidays or overtime allowances in accordance with regulations have been granted where work has to be done on statutory holidays. The company rigorously implemented the Calculation Method of Paid Annual Leave for Staff and adequately protected the legal rights of the staff to paid annual leave. In strict compliance with the national paid annual leave system, the company formulated the Regulation of Paid Annual Leave Administration for Staff, where annual leave is granted based on production arrangements and applications from the staff. The company provided compensation for those unable to take their annual leave on account of work. Under the Regulation of Leave Administration for Staff implemented by the company, the staff are entitled to various kinds of leave, such as maternity leave and marriage leave.
5. **Training:** Shaanxi Heavy-duty Motor developed an echelon of talents by establishing a three-tier and four-grade training standard to enhance the system of courses. During the year, the company achieved the training standards on the company’s level, 31 on the departmental level and 31 on the positional level; programmes and question banks were also introduced. There were a total of 391 programmes that were held within the company; and the development path for skilled talents was systematized and the training standards, training materials and assessment standards of the four major craftsmanship skills were also optimized. A shared training platform for cadre teams was established, providing them with 2,700 online, external resources of the management programme and a knowledge-sharing platform.

Regarding training implementation: (1) Cultivating skilled talents: The company organized trainings and assessments for the four major craftsmanship skills, maintenance electricians and fitter technicians, and eventually 14 and 86 employees obtained the qualifications of senior technicians and technicians, respectively. Intensive training camps for young maintenance electrical craftsmen were customized and organized with a total of 176 training hours and 31 participants, five of whom ranked Top 6 in the Company's skill contests. (2) Nurturing professional talents: Through the shared training platform of the cadre teams, 688 staff members from the back-up cadre teams, filing cadre teams and the rising new youth were trained each month. Based on business needs, SQE and staff such as those engaged in technical management were arranged to attend both online and offline English training, with a total of 25 staff members. In order to ensure the knowledge and skills of the key personnel were kept abreast of the latest development, the Company organized external training for a total of 87 participants of different domains to learn. (3) Training the cadre teams: Based on the nine behavioral requirements of cadre teams, the Company arranged its directly-managed cadre teams and monitoring cadre teams to attend the "From Skills to Management" (從技術到管理) and "Communicative Leadership" (溝通領導力) trainings, its back-up cadre teams to attend the "Comprehensive Management of the Sand Table" (全面經營沙盤), "Innovative Design Thinking" (創新設計思維) and "Mobile learning" (行動學習) trainings, its filing cadre teams to attend training sessions on "the Seven Habits of Highly Efficient People" (高效能人士的七個習慣) and its front-line head leaders to attend the "Employees' Counseling and Motivation" (員工輔導與激勵) trainings, with total number of participants being 689. Online and offline learning resources were provided for talents of different fields and learning incentive policies were formulated to promote self-learning. For high-skilled and high-calibre talents, they were encouraged to learn through outings and do second-hand sharing. At present, the employees' willingness to learn is continuously growing. Throughout the year, training programs covered 98.1% of the staff, with an average of 26.4 study hours per person.

6. **Labour standards:** Shaanxi Heavy-duty Motor has been in full compliance with laws and regulations including the Labour Law and the Labour Contract Law. The company has made it a policy to enter into an employment contract with each and every member of its staff on a voluntary basis, on an equal footing and upon agreement after negotiation. The company has entered into an employment contract with each and every one of its staff. **No irregularity has arisen where the company has failed to enter into an employment contract with anyone of its staff.** In strict compliance with the national laws and regulations such as the "Provisions on Prohibition of Child Labour, the company has **never hired any child labour or under-aged persons.**
7. **Dismissal, promotion and diversity:** The company manages its employees according to laws and regulations including the Labour Law (勞動法) and the Labour Contract Law (勞動合同法), and has formulated and implemented the "Labour Disciplines Management Regulations" (勞動紀律管理規定), the "HR Files Management Regulations" (人事檔案管理規定) and the "Measures for Managing the Appraisal and Non-compliance of Employees" (員工違規違紀考核管理辦法), specifying that the company will no longer renew an employment contract with an employee if the employee violates relevant requirements; Based on mutual willingness, the employee may terminate the labour relation with the company and undergo relevant procedures based on pre-set termination protocol. A Measures on Career Planning by Employees (員工職業生涯管理辦法) has been formulated, pursuant to which an employee's skills-based wage is increased with reference to his performance points; his job position is determined with reference to his skills-based wage; and his position-specific wage is increased with reference to his job position. Based on the pre-set duration and positions for different work, the company has launched a series of talent cultivation policies and has built a platform for employees' growth for the employees at each position.

(III) Fast Gear

2018 was a crucial year for Fast Gear to aggressively promote its “5221” strategy. The theme of the year was “Innovation-driven Year”, which primarily focused on the overall production and operation of the company in order to strengthen the efficiency of management and regulation, and thereby solid and effective work were carried out.

1. **Recruitment:** With precise expansion of recruitment channels, the company expedited the introduction of talents. In 2018, 228 high-caliber talents were recruited, among whom 44% were with work experience, to mainly replenish core positions including research and development, management and sales, gradually solidify the provision of intellectual support. To date, 92% of the staff have educational qualification of an undergraduate or above, and the average age of the staff is 32. The talent structure of the company’s R&D team becomes more reasonable and is more compatible with the transformation and upgrade of the company as well as its development strategy of heading towards the high-end.
2. **Remuneration and benefits:** Fast Gear actively and consistently implemented the relevant policies and did its best to safeguard all kinds of legitimate interests of its staff. The company has enrolled its staff in the five major Social Insurance Plans along with the Housing Provident Fund, **with coverage at 100%**, and duly paid all of its contributions in a timely manner. Setting up a system of supplementary insurance plans, the company refined the benefits and social security system for its staff. A corporate annuity has been put in place where a legal person manages the annuity as a trust, thus offering better retirement protection for the company’s staff. The company established a supplementary medical insurance system for its staff to file claims for expenses falling outside the scope of their basic health care insurance and obtain reimbursements upon going through a second review, raising the standards of the health care available to the staff.
3. **Staff training:** The company continued to step up the training and education for staff members and deepened the implementation of the multifaceted talent development system. Taking the “talents drive the company” strategy as the paragon, the company aims to become a learning enterprise which carries out targeted work in order to drive the holistic development of staff training. The company operates based on the notion of “connecting to sources, building platforms and paving roads” (搭梯子、建臺子、鋪路子) and has implemented the “555 Talents” strategic plan to promote the three categories of talent development by means of scientific research projects, MBA trainings and skill contests. Based on the requirements of the system of excellent staff, the company promotes the development of the staff through rank identification and establishment of internal trainers’ teams. **In 2018, the company organized a total of 520 training sessions of various kinds for 33,000 participants.**

4. **Career development:** The company focused on raising the remuneration level of technical staff members in order to remain its competitive strengths on the market. A five-star appraisal system was in place for incentivizing employees to excel and succeed on their respective positions. Continually adapting itself to the needs of the market as well as for corporate development, the company improved its system of value appraisal and allocation, effectively identifying staff performance and forming positively correlating incentives, thereby achieving dynamic management based on the results of the star-rate appraisal. All these were aimed at opening up a clear path for the employees to grow, enhancing the system, upholding position-based value concepts, determining remuneration classifications and building long-lasting growth mechanism, thereby laying solid foundation in an institutional sense for the long-term corporate development of the company.
5. **Labour standards:** In 2018, Fast Gear strictly complied with laws and regulations such as the Labour Law and its own systems such as the Human Resources Administration System and the Administrative Measures on Labour Contracts. The company strove to regulate the management of labour and employment. **No child labour has been used. 100% of the staff entered into a labour contract with the company. The company has maintained good order in labour and employment. No risks existed as regards serious forced labour or compulsive labour.** With its well-regulated employment and management practices, Fast Gear has been awarded honours such as “Advanced Unit of Shaanxi Province in terms of the Openness of Plant Business and Democratic Management” and “Enterprise of Harmonious Labour Relations”.
6. **Working hours, leave days, equality and anti-discrimination:** An 8-hour work day is adopted for all positions. Employees are entitled to paid annual leave and public holidays. They are legally entitled to employment equality and the right to choose their career, right to rest periods and leave days, right to labour protection in terms of safety and health, and other labour rights stipulated under the law. Fast Gear adopts a meritocratic approach in recruiting talents. Employees are given equal wages for the same positions and also equal opportunities irrespective of sex, age, marital status, family position, disability, ethnicity and religious beliefs.

Suppliers

In 2018, the Company was committed to establishing a team of suppliers with unified strategy and coordinated development, creating supply-side conglomeration and manufacturing conglomeration with core technologies, quality and cost competitiveness to sharpen the competitive edge of its full-range logistics processes.

I. Supply chain management

(I) Policies and measures

- ④ The Company adhered to the market-oriented model through optimizing the mechanism for managing the classification of suppliers and the structure of the supply chain continuously, and constructed a supply chain system which was consistent with the market positioning of its products;
- ④ The Company upheld its strategic scientific plan by formulating related plans for product coverage and changing as well as capacity reserve at the supply chain level specifically for the Company's latest 2020-2030 strategy, and strategically maintained the unification of both the upstream and downstream supply chains;
- ④ The Company insisted on localized strategies and encouraged suppliers to invest in Weifang by building factories or transit warehouses. Localized production guarantees the safety of the inventory of major outsourced products and improves the risk resistance of the entire supply chain. Meanwhile, it reduces the corresponding logistics costs and improves management efficiency. The "soft power" output of the supply chain's operational model eventually achieved 100% coverage of the supplier operational system.

(II) Criteria for engaging suppliers, and the management, control and monitoring of suppliers

The Company engaged all of its suppliers in accordance with the "QG/WDG. B704 Standardized Selection, Assessment and Management Procedure", "QG/WDG.B704-2018 Assessment and Management Procedure for Suppliers" and "QG/WDG.C770-2018 Selection and Control Procedures for External Suppliers". The Company managed, controlled and monitored its suppliers by adopting a range of measures, including supplier inspection, on-site review of suppliers, review from both parties, third-party review, PPAP review and annual appraisal of supplier performance.

(III) Anti-commercial bribery

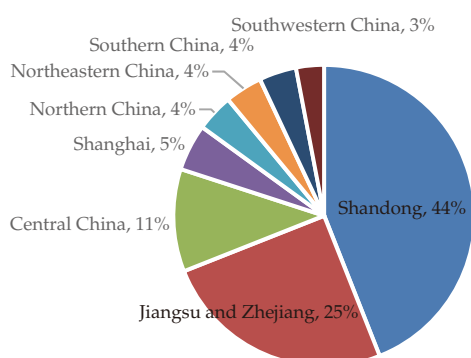
The Company established strict codes of behavioral conduct and constraints on business behavior. Employees were provided with clear guidance to ensure that they would not use their own powers to reap improper benefits for other small-scale groups or themselves. Procurement and payment were performed by different departments and procurement personnel shall not interfere with the payment to ensure suppliers could work smoothly in accordance with their business routines in the course of business. The Company and its suppliers entered into the "Supplier Integrity and Honesty Agreement", which specifies the penalties and regulations, fundamentally eradicating commercial bribery.

II. Summary of the work done in 2018

(I) Major work achievements

In 2018, the Company successfully developed the SRM supplier management platform to summarize and regulate the supply chain management information and enhance the efficiency of procurement, providing support for group procurement management and supply chain extension management in the future. The Company organized 86 counts of various technological exchange activities between suppliers and its technological department, including “technology exchange forums” and “technology days”. Three large-scale supplier strategy meetings were held in Weifang and Beijing respectively, to gather major suppliers to actively participate in the national “Blue Sky Defending Plan”. In 2018, a total of 243 suppliers participated in the Company’s new product development projects and 271 technological innovation projects. 8,853 types of new products and 13,087 types of special supplemental products were developed.

(II) Geographical breakdown of suppliers



Geographical Breakdown of Suppliers



Venue of the Weichai Commercial Conference 2019

(III) Share of local suppliers in Weifang: The parent company engaged a total of 89 local suppliers in Weifang, which accounted for 20% of all the suppliers.

(IV) Annual suppliers conference: 786 representatives from 495 suppliers attended the 2019 global annual suppliers conference, held on 14 December 2018 in Weifang. 16 outstanding suppliers were praised and commended at the conference.

III. Planning and initiatives for the future

(I) Supply chain strategic planning

Building on its professional procurement management team and outstanding suppliers, the Company worked tirelessly towards enhancing the competitiveness of its procurement in the three areas of quality, cost and delivery to support the procurement strategy of the Group. The Group will focus on strengthening its core competitiveness by making it the Group’s guiding principle to create products featuring the Three Competitiveness and constructing the best-in-class, high-quality supply chain in the world.

(II) Assurance measures

1. **Quality:** While fostering the management of the classification of suppliers and deployment adjustments, the Company will push ahead with the in-depth development of the quality management of suppliers. A mechanism for continuous improvements of the system based on risks will be established. The Company will focus on managing changes to reduce deterioration and waste in the supply chain; emphasize the uniformity of its products by preventing defects and ceaselessly improving the quality of products; and step up the management of sub-suppliers by tightening control of the source.
2. **Cost:** The Company will change its pricing model for procurement costs and extend cost management forward. Through the implementation of cost planning, the Company will encourage its suppliers to adopt new techniques and new equipment to cut costs, thereby allowing the Company and its suppliers to develop together. The cost planning is carried out in two ways. Firstly, prior planning of the target procurement cost for new products is carried out. The procurement management department has to work with the product development department in planning the target cost for new products, and formulate strategies for the target cost and price of procuring items accordingly. Secondly, a database containing the pricing information of comparable products in the industry has to be created. After conducting data analysis and comparison, the Company could direct the efforts of its suppliers towards cost control.
3. **Capacity:** Suppliers plan their capacity based on their engines working at 120% capacity (including general accessory requirements). The timetable has to be consistent with the running of the engines.

IV. Performance of supply chain management duties by major subsidiaries

(I) KION

Compliance code is the basis for KION's corporate and social activities. All purchasing decisions are made in the interests of KION. Decisions are based exclusively on objective criteria such as quality, technology, price, production requirements and logistics.

All potential suppliers are treated equally, and all suppliers receive the same documentation and it is guaranteed that no supplier receives information about another competitor. When awarding contracts, decisions would be made objectively. Employees should not use business contracts to supply goods or services for their own private use, and should avoid being involved in a decision to award a contract to a company in which they have an interest.

In 2018, the company established a supplier assessment of sustainability. KION is using EcoVadis to assess its suppliers with the first goal to achieve a coverage of 25% of the procurement expense for each of the operational unit. In 2018, the coverage reached 20%. More than one-third of the Top 100 strategic suppliers participated in the assessment.

(II) Shaanxi Heavy-duty Motor

1. **Number of suppliers with geographical breakdown:** In 2018, Shaanxi Heavy-duty Motor had a total of 351 suppliers. The geographical breakdown of the suppliers is as follows: 33 in Northern China, 5 in Northeastern China, 155 in Eastern China, 99 in Northwestern China, 20 in Southwestern China and 39 in Southern and Central China.
2. **Review of suppliers:** For procurement control management and supplier management on the basis of the IATF16949 standards, every year, the system of both is subject to no less than 4 times of external review by third parties, 2 times of internal control review by Weichai and no less than 5 times of internal review by Shaanxi Heavy-duty Motor.
3. **Criteria for engaging suppliers and relevant control and supervision:** The company has carried out benchmarking against its the competing suppliers. In accordance with the "Supply Entry Permit Management Rules", the company continues to introduce and cultivate suppliers with competitive edge. By establishing an existing supplier assessment system from multiple dimensions such as delivery, quality, and cost, the company conducts data collection, analysis, and assessment regularly to eliminate unqualified suppliers. The criteria for engaging suppliers are based on the SQS/SI14.2.1 Supply Entry Permit Management Rules. Incentive mechanisms such as whitelist and blacklist, suspension and ratio adjustment have raised suppliers' redline awareness. By continuously optimizing the supply chain system, enhancing the supply chain management capability and building a supply chain ecosystem with coordinated, harmonious development and mutual benefits constantly, the supply chain will become the sharpest competitive edge of the company.

(III) Fast Gear

1. **Suppliers' relationships management system:** The company persistently adheres to the notions of fairness and transparency. It formulates guiding documents or management systems such as the Measures for Procurement Management, Processes for Development of Suppliers, Processes for Development of Procured Products and The Yellow-and-Red Card System for Suppliers' Quality. Specialized inspections are carried out and second-party inspections of suppliers are conducted regularly, enhancing the uniformity and specification of the company's procurement work and consciously safeguarding the rights and interests of suppliers. The SRM supply chain management platform is established to enable the pre-selected suppliers to understand the procurement management approaches and procedures of Fast Gear, and to provide an open and fair exchange platform for suppliers' development and selection, the maintenance and optimization of the supply channel as well as the credit-rating management of suppliers.
2. **Establishment of suppliers' system:** Suppliers are assessed comprehensively based on their products' quality, delivery, cost, new products, service, integrity and environmental friendliness, and the superior will be selected while the inferior will be eliminated. The company conducted hierarchical management based on the assessment indicators of suppliers' performance, which enhanced the overall supply chain and product quality, fostering the suppliers' system of our strategic partners. To date, Fast Gear had a total of 87 qualified suppliers, including 37 local suppliers in Shaanxi Province, which accounted for 42.5% of all suppliers. In 2018, Fast Gear increased its green purchases, managed social risks, and there was no incidence of real or potential material negative impacts being caused by suppliers on environmental protection, human rights and labour measures during the year.

3. **Suppliers' development:** The company is dedicated to gathering information, such as the company's overview, quality system documents and the market information about the enterprise legal person, of potential suppliers, and has built the "Registration Form for Potential Suppliers", the database of potential suppliers. More-preferred potential suppliers are selected through price inquiry, sample verification and comparison. The company will arrange visits to and assess potential suppliers regularly or irregularly, and the assessment result will be filled in the "Recommendation List for Potential Suppliers". Potential suppliers who have passed the assessment are allowed to develop products.
4. **Procurement of green materials:** The company requires that all procured materials shall meet the domestic and international environmental protection requirements. Suppliers shall have environmental assessment qualifications and strive to implement the rationales of energy conservation and emission reduction as well as green and environmental friendliness to each stage of the life cycle of purchased products.

Environmental Protection and Safety

I. Environmental Protection

The Company strictly followed regulations and sustainable and harmonious development strategy and fulfilled environmental protection obligations. We reduced pollution and enhanced efficiency, realizing clean production. We also established a mechanism of “self-discovery, self-improvement and self-management” so as to realize continual improvement of environmental management system.

(I) Laws and Regulations and Internal Regulations Observed

The Company strictly observed laws and regulations such as “Environmental Protection Law of the People’s Republic of China” (中華人民共和國環境保護法), “Law of the People’s Republic of China on Water Pollution Prevention and Control” (中華人民共和國水污染防治法), “Law of the People’s Republic of China on Prevention and Control of Atmospheric Pollution” (中華人民共和國大氣污染防治法), “Law of the People’s Republic of China on Prevention and Control of Solid Waste”(中華人民共和國固體廢物污染防治法) and “Law of the People’s Republic of China on Pollution Prevention and Control of Environmental Noise” (中華人民共和國環境噪聲污染防治法), and formulated a set of internal regulations such as the “Measures for the Administration of Environmental Pollution Prevention and Control” (環境污染防治管理辦法), “Measures for Environmental Pollution Prevention and Control and Occupational Disease Protection Facilities” (環境污染防治職業病防護設施管理辦法), “Procedures for Construction Project Environment and Occupational Health Management” (建設項目環境職業健康管理程序), “Procedures for Water Body Pollution Prevention and Management” (水體污染防治管理程序), “Procedures for Air Pollution Prevention and Management” (大氣污染防治管理程序), “Procedures for Solid Waste Pollution Prevention and Management” (固體廢物污染防治管理程序), “Procedures for Hazardous Waste Management” (危險廢物管理程序) and “Procedures for Noise Vibration Pollution Prevention and Management” (噪聲振動污染防治管理程序).

(II) Major Measures and Methods taken in 2018

In 2018, the Company complied with the applicable laws and regulations relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste, in order to ensure standardized emission of such pollutants as waste water, exhaust gas and solid wastes by means of effective operation of an environmental management system and environmentally friendly facilities.

1. *Environmental System Management*

The Company commenced the version upgrade of the environmental management system to comprehensively revise the management manual and procedural documents. On 13 September 2018, the Company passed the certificate renewal assessment and enlarged the coverage of the environmental management system to include all existing business units for assessments, effectively integrating the business units falling outside the system and those with an independent system into the assessment system and realizing system consistency and standardization.

2. *Standardization of Pollution Sources Management*

- (1) The Company regularly conducted environmental monitoring to strengthen the monitoring and control of pollutant emissions, and engaged qualified monitoring bodies to conduct annual or random environmental monitoring on emissions of waste water, exhaust and noise, enabling a more accurate grasp of pollutant emissions in a timely manner. Through the strengthened control of emission of greenhouse gases, the Company continued to enhance its self-control ability to effectively perform the responsibilities of environmental protection and emission reduction.
- (2) Meanwhile, we commenced project assessment on environmental protection to facilitate the comprehensive improvement of management. By organizing activities to fully improve environmental protection management, formulating improvement plans on environmental protection management and establishing systems and special groups to deal with waste water, exhaust gases and solid wastes, the Company fully implemented project assessment on environmental protection management through which various construction projects were assessed for their current conditions. Detailed assessments have been implemented and continuously refined in terms of project operation, pollution prevention and risk prevention.
- (3) We strengthened various environmental inspections to promote standardized management. For internal inspection mechanism, projects and environmental protection facilities at all levels were assessed regularly, at festivals and on holidays, and on a seasonal basis to continuously enhance the standardized management level of environmental protection. Externally, the Company received inspections from authorities at different levels, with a view to enhancing our environmental protection management on an ongoing basis.
- (4) We organized clean production review to save energy, reduce pollutants and increase efficiency, and used our best endeavors to promote clean production review and materialize waste reduction at all levels throughout the Company. We encouraged our employees to make reasonable suggestions, in order to facilitate the Company's production activities to "go green".
- (5) The Company installed online monitoring equipment to monitor emission indicators on a real-time basis and pushed ahead with the installation of the online paint exhaust gas VOCs monitoring equipment and online stove exhaust gas monitoring equipment. All online monitoring equipment is connected to the real-time network of the competent municipal and provincial authorities.
- (6) The Company improved the management of hazardous wastes by implementing standardized whole-process management, and also refined the procedural documents of the management of hazardous wastes by implementing standardized whole-process management such as refining the standards, standardizing labeling, unifying packaging, collecting waste according to different categories and book-keeping. The Company engaged qualified hazardous waste treatment organizations in a timely manner to conduct safe disposal of hazardous wastes, such as oily sludge, lacquer residue, etc.

3. *In 2018, pollutant emissions of the Company strictly complied with and met national and local standards:*

Pollutant Type	Emissions Standards
Waste Water	Production waste water and domestic sewage was partly reused after treatment and some was discharged into municipal sewage pipe network. Reused water indicator met “Reused Urban Sewage and Water Quality Standard for Urban Miscellaneous Water Consumption” (城市污水再生利用城市雜用水水質標準) (GB/T18920-2002). Water quality of externally discharged waste water met relevant requirements of “Waste Water Quality Standards for Discharge to Municipal Sewers” (污水排入城鎮下水道水質標準) (GB/T31965-2015).
Exhaust gas	Paint exhaust gas emissions met relevant requirements of “Emission Standard of Volatile Organic Compounds Part 5: Surface Coating Industry” (揮發性有機物排放標準第5部分:表面塗裝行業) (DB37/2801.5-2018) of Shandong Province and “General Emission Standard for Regional Air Pollutants in Shandong Province” (山東省區域性大氣污染物綜合排放標準) (DB37/2376-2013); Car testing exhaust gas emissions met the “General Emission Standard for Regional Air Pollutants in Shandong Province” (山東省區域性大氣污染物綜合排放標準)(DB37/2376-2013); Cannon stove exhaust gas and dust emissions met relevant requirements of “General Emission Standard for Regional Air Pollutants in Shandong Province” (山東省區域性大氣污染物綜合排放標準) (DB37/2376-2013).
Noise	Factory noise met “Emission Standard for Industrial Enterprises Noise at Boundary” (工業企業廠界環境噪聲排放標準) (GB12348-2008).
Solid Waste	“Pollution Control Standards for General Industrial Solid Waste Storage and Disposal” (一般工業固體廢物貯存、處置污染控制標準) (GB18599-2001) and its 2013 Revisions were executed to handle general solid waste; “Pollution Control Standards for Hazardous Waste Storage” (危險廢物貯存污染控制標準) (GB18597-2001) and its 2013 Revisions were executed for hazardous waste.

(III) Major Emission Standards in 2018

1. **Measures for Emissions Reduction and Results Accomplished:** The Company strictly implemented the “Three Simultaneous” system for construction projects, and installed ancillary environmental protection and governance facilities together with construction projects. Continuous efforts have been put into environmental protection, and various facilities for environmental protection and governance have been upgraded, which effectively enhanced the governance level of environmental protection. The Company pushed ahead with the installation of online monitoring equipment, and engaged qualified monitoring bodies to conduct environmental monitoring. Based on the monitoring data, we strengthened the operation of environmental protection facilities and reduced the use of raw and ancillary materials. **All pollutants produced by the Company met the emission standards or were reduced in emission.**

2. **Measures for handling hazardous and non-hazardous wastes and reducing waste production and results accomplished:** Both hazardous and non-hazardous wastes produced by the Company were processed in a safe and effective manner, and no environmental pollution was caused. Hazardous wastes were classified, collected and stored, and qualified hazardous waste treatment service providers were engaged to process all hazardous wastes in a safe manner. Non-hazardous wastes were classified, collected and stored. Non-hazardous and non-recyclable wastes (such as domestic refuse) were buried in municipal domestic refuse collection sites; while non-hazardous but recyclable wastes (such as iron scrap and paper shell) were sold to relevant units for integrated use.
3. **In 2018, no material incidents on the environment occurred as regards the Company.**
4. **In 2018, the Company was not included in the list of enterprises with severe pollution by environmental departments, nor were we penalized.**
5. The business activities of the Company stressed the reduced use of resources. Packaging materials used were predominantly iron boxes and wooden boxes used when medium-duty and heavy-duty engines were sold. Iron boxes were reused, while wooden boxes and packaging supports amounted to 4,299 tons.

Substance Emitted	2018 Emissions
Sulphur Dioxide	2.69 tons
Carbon Dioxide	330,600 tons
Chemical Oxygen Demand	20.9 tons
Ammonia Nitrogen	2.36 tons
Hazardous Wastes	Handled approximately 4,016 tons of hazardous wastes, such as oily sludge, oily filtering cloth, waste oil and slag, with a density of 0.0067 ton/unit
Non-hazardous Wastes	Generated approximately 61,700 tons of non-hazardous wastes, such as scrap iron, waste iron, waste paper shell, chop wood, iron from lime and dust, with a density of 0.10 tons/unit

II. Energy-saving

The Company insisted on the energy principle of “Energy Conservation and Emission Reduction, Obligation Fulfillment, Green Power, International Weichai” (節能減排、踐行責任、綠色動力、國際濰柴). Energy management is continually improved and we focus on the development of circular economy featuring green utilization of energy and resources. Energy efficiency is enhanced and cost is lowered, co-creating a low carbon green enterprise. We consciously fulfilled corporate social responsibility and abided by laws and standards about energy conservation. Through executing energy management system and abiding by requirements of energy management system, we undertook energy-saving work in a scientific manner to reduce the integrated energy consumption per RMB10,000 output value, achieving the best historical level.

(I) Laws and Regulations and Internal Regulations Observed

1. **Laws and Regulations:** “Energy Conservation Law of the People’s Republic of China” (中華人民共和國節約能源法), “Renewable Energy Law of the People’s Republic of China” (中華人民共和國可再生能源法), “Water Law of the People’s Republic of China” (中華人民共和國水法), “Measurement Law of the People’s Republic of China” (中華人民共和國計量法), “Measures for the Administration of Industrial Energy Conservation” (工業節能管理辦法), “Circular Economy Regulations of Shandong Province” (山東省循環經濟條例), “Measures for the Administration of Energy Audit in Shandong Province” (山東省能源審計管理辦法), “Energy Conservation Regulations of Shandong Province (山東省節約能源條例), “Measures for Energy Conservation Supervision in Shandong Province” (山東省節能監察辦法), “Measures for Energy Saving Management in Key Energy Consuming Units” (重點用能單位節能管理辦法) and “Elimination Catalogue for High Energy-consuming Backward Mechanical and Electrical Equipment (Products)” (高耗能落後機電設備(產品)淘汰目錄), etc.

2. **Internal Regulations:** “Energy Management Measures” (能源管理辦法), “Utilities Management Procedures” (動能計量管理程序), “Utilities Dispatching Economic Operation and Management Standards” (動能調度經濟運行管理標準), “Energy Quality Management Measures” (供能質量管理辦法), “Energy Consumption Quota Management Standards” (能耗限額管理標準), “Energy Inspection Management System” (能源檢查管理制度), “Energy Statistics Management Standards” (能源統計計量管理標準) and “Energy Management System Key Characteristics Parameters Control Areas” (能源管理體系關鍵特性參數監控範圍), etc.

(II) Energy Use Efficiency Initiatives and Results Accomplished in 2018

1. *Energy-saving Works*

The Company promoted the use of LED lights with an energy-saving rate of 47% and electricity saving of 300,000 kWh. All of the processing and production lines have been equipped with automatic induction start-stop control, achieving energy conservation of 600,000 kWh per annum. The glazing of the inner cavity of two high flow water pumps under phase one has been completed, achieving water saving rate of more than 10% per unit.

2. *Launch of a Star-Rated Energy Management Assessment to Solidify Foundation and Enhance Management Level*

The Company launched a star-rated energy management assessment for key energy consuming units, in order to refine the energy management structure. By way of establishing a long-term and effective monitoring and inspection mechanism, details of the energy conservation assessment for key energy consuming units suggested by the national government have been implemented by the Company. The energy-saving target and score of indicators have been adjusted significantly with the setup of an energy consumption benchmark to motivate all business units to start energy efficiency benchmarking and actively implement energy-saving measures. The Company included the energy-saving works encouraged by the national government, such as elimination of equipment with high energy consumption and utilization of LED lights, in the assessment, and encouraged all energy consuming units to utilize energy-saving products on their initiatives; established a regular energy management assessment mechanism to identify the issues relating to energy-saving and energy management with immediate rectification on a timely manner, thereby building complete and effective energy management standards at the business unit and company levels as well as a long-term energy management mechanism.

3. *Save Energy at Source and Testing on Power Supply Equipment*

In accordance with the national requirements on energy efficiency of air compressor engines, water pumps and refrigerators, and power utilization test and assessment, the Company ascertained the utilization level of the power-driven equipment in use and carried out measuring and benchmarking to build a model with the best performance and control, and determine the energy efficiency level. The setup of a data model provided data for refined operation and automation, and with the strategy of operating in a cost-effective way, the Company effectively realized delicacy management on the utilities system and achieved its energy-saving target.

(III) 2018 Major Indicators

In 2018, the Company took full advantages of industry and national policies and executed utilities system optimization and upgrading and enhanced energy supply reliability. The Company executed energy management systems, enhancing energy management level and maintaining continual stability of energy consumption indicators.

1. Comparison of Energy Consumption Reduction Indicators over the Past 3 Years

Indicators		Measurement Unit	2016	2017	2018	Comparison between 2016 & 2018
Energy Consumption	Water	Ton	600,811	865,595	1,054,799	76%
	Electricity	In ten thousand kWh	21,619	33,452	42,142	95%
	Natural gas	Thousand cubic meter	11,104	19,093	22,256	100%
	Diesel oil	Ton	4,124	6,693	8,481	106%
Density	Water	Ton per RMB10,000	0.27	0.23	0.23	-13%
	Electricity	kWh per RMB10,000	96	89	92	-4%
	Natural gas	Thousand cubic meter per RMB10,000	0.00492	0.00508	0.00485	-1%
	Diesel oil	Ton per RMB10,000	0.00183	0.00178	0.00185	1%
Integrated energy consumption		Standard coal (ton)	71,808	112,303	132,622	85%
Integrated energy consumption per RMB10,000 output value		Standard coal (ton) per RMB10,000	0.032	0.03	0.029	-9%
New energy (photovoltaic power generation)	In ten thousand kWh		552	500	540	-2%
	Standard coal (ton)		678	614	664	-2%
Financial input for technological improvement of energy conservation		In ten thousand RMB	278	364	837	200%

2. Measures for Acquiring Usable Water Sources and Enhancing Water Usage Efficiency and Results

The Company's water supply mainly comes from municipal pipe network's supply of tap water, and no river water or underground water has been used. Water quality standards and water supply amount both met enterprise production and daily needs. To implement water-saving policies and enhance the efficiency of water resource utilization, the Company started project inspections on water supply devices and pipes network, and undertook a wide variety of water conservation activities to enhance staff awareness of water conservation. The Company commenced water balance testing to investigate the water consumption pattern at all points of water use in the industrial park, and then analyzed and remedied the use, supply and discharge of water resources. Through formulation of a scientific and reasonable water-saving plan, enhancement of water-saving management system, prevention of water waste and increase of the utilization rate of water resources, water consumption fell by 13% per output value of RMB10,000 in 2018 as compared with 2016.

3. *Significant Impacts of the Company's Operations on the Environment and Natural Resources and Measures Taken*

The production activities of the Company mainly consume resources such as electricity, natural gas and diesel oil. The Company regards "Green Power, International Weichai" as its mission, and is committed to mitigating impacts on the environment and natural resources. The Company encouraged its employees to make reasonable suggestions, in order to facilitate the Company's production activities to "go green", and increased its input in environmental protection by upgrading various facilities for environmental protection governance and raising the governance level of environmental pollution. All disposals have been handled in a safe and effective manner, and a series of improvement works for saving energy have been started to reduce energy consumption.

III. Health and Safety

(I) Laws and Regulations and Internal Regulations Observed

1. **Laws and Regulations:** "Safe Production Law of the People's Republic of China" (中華人民共和國安全生產法), "Law on the Prevention and Treatment of Occupational Diseases of the People's Republic of China" (中華人民共和國職業病防治法), "Special Equipment Safety Law of the People's Republic of China" (中華人民共和國特種設備安全法), "Regulations on Safe Production of Shandong Province" (山東省安全生產條例) and "Regulations on Work Safety Responsibility of Production and Operation Entities of Shandong Province" (山東省生產經營單位安全生產主體責任), etc.
2. **Internal Regulations Observed:** "Administrative Measures for Safe Production Responsibility System" (安全生產責任制管理辦法), "Administrative Measures for Safe Production Inspection and the Screening, Investigation and Rectification of Potential Danger" (安全生產檢查與事故隱患排查治理管理辦法) and "Administration Measures for Occupational Health" (職業衛生管理辦法), etc.

(II) 2018 Major Work and Indicators

1. **Number and rate of mortality due to work were both '0'.**
2. **Working days lost due to work-related injury were "200 days".**
3. **Provided safe workplace:** The Company strictly complied with the relevant laws and regulations such as "Safe Production Law of the People's Republic of China" (中華人民共和國安全生產法) and built a comprehensive safety management system, with a view to providing a healthy, safe and comfortable workplace for its employees. Through organizing regular, pre-festival, pre-holiday, seasonal, monthly, district-specific and team-specific safety inspections and project safety inspections on electricity, gas system and logistics, the rectification rate reached 100%. Various units completed the training and drill of their annual contingency plans to ensure proper and effective handling in case of emergency.
4. **Protected its employees from occupational diseases:** The Company strictly observed the relevant laws and regulations such as the "Law of the People's Republic of China on the Prevention and Control of Occupational Diseases" (中華人民共和國職業病防治法). In accordance with the requirements of "Technical Specifications for Occupational Health Surveillance" (職業健康監護技術規範), employees exposed to occupational diseases were arranged to receive occupational health checkups before and during employment and after their departure from their positions. Employees found suffering from occupational contraindication in checkups would be transferred from their original working environment and re-designated to other positions. Medical observation and treatment at service organizations qualified for diagnosis would be arranged for patients with suspected cases of occupational diseases.

5. Measures and Supervising Methods Adopted for Workplace Safety and Protection for Employees from Occupational Diseases

- (1) Launched safe production themed activities. Echoing with the theme of “Enhancing Safety Awareness, Enhancing Safety Literacy” (強化安全意識•提升安全素養), multiple measures were adopted to enhance employees’ safety awareness and responsibility consciousness and strengthen the management on safe production.
- (2) Safety technique and occupational health education and training. Safety induction training for new staff, pre-employment safety education of staff switching position, special equipment training for operators, centralized examinations for group or team leaders and training sessions of safe production for cadres were held to enhance safety consciousness and operation skills of our staff. Staff exposed to occupational hazards were arranged to receive pre-employment occupational health training and 4-level occupational health training during employment.
- (3) Occupational health and safety supervision and inspection. District and team, seasonal, project-by-project, pre-festival, pre-holiday and regular safety inspections and occupational health inspection were conducted, and more than 433 potential safety hazards were identified with a rectification rate of 100%.
- (4) Efforts in labor protection were made. Staff members were provided with protective devices meeting national standards. Heat-resistant materials and food were provided for staff working under high temperature, ensuring production safety and occupational health of our staff.
- (5) Special equipment safety management was conducted. Testing and inspections were conducted on specialized equipment such as boilers, lifting appliances, elevators, forklifts and pressure vessels in use in accordance with the principles of safety comes first, prevention-focused, energy conservation and environmental protection and comprehensive management. Existent potential dangers were rectified.
- (6) Conducted testing of hazard factors of occupational diseases. We engaged service providers qualified for occupational diseases’ hazard testing to conduct inspection of hazard factors of occupational diseases such as dust, noise, benzene series (BTEX), high temperature and vibration and to issue inspection reports thereon. The occupational hazards detection station of the Company conducted daily inspections in 2018 based on occupational hazards daily inspection plan.
- (7) Execution and operation of the occupational health and safety management system. We arranged identification of hazard sources, established methods of controlling major hazard sources, formulated objectives for occupational health and safety and monitoring mode of effectiveness of indicator control, and regulated behaviors in occupational health and safety. Through internal assessment and inspection assessment, non-compliances with system operation were discovered, and corrective and preventive measures were formulated and executed, to ensure continual improvements.

IV. Performance of Environmental Protection, Energy-saving and Safety Duties by Major Subsidiaries

(I) KION

1. Environmental Protection

KION's compliance code and the HSE (Health, Safety and Environment) policies derived therefrom provided framework structures for its activities, particularly compliance with national regulations and standards. KION pledged to:

- ③ Use energy and raw materials effectively;
- ③ Use raw materials, products and production processes that achieve environmental optimization under all circumstances;
- ③ Reduce waste to the maximum extent by raising the utilization rate of raw materials and making thorough use of recyclable materials.

Under the strategic framework of sustainable development, KION is gradually incorporating green notions to different aspects ranging from environment and climate protection, use of resources, social and environmental standards of the supply chain to production of effectively utilized products of energy resources. KION set up specific objects for each aspect and implemented measures to enhance performance in environmental protection.

In the aspect of environmental protection, KION aimed at reducing environmental influence to the maximum extent through efficient management. Its core objectives included: handling waste materials and waste water in an environmentally-friendly way. A set of minimum standards was set up to further foster participation in KION's environmental activities among distributors.

For the purpose of reducing the impact on global warming, KION was dedicated to implementation of "climate-protection" actions, so as to achieve a reduction of 30% greenhouse gas emissions by 2027 (compared to 2017). The introduction of the network of HSE experts and the incorporation of the environmental aspect into the HSE league served to facilitate internal communication and raise the environmental awareness of staff members. All measures were implemented based on the following priority: KION should be committed to reducing carbon dioxide emissions consistently. Otherwise, KION should at least endeavor to use fuels with low pollution as substitutes. In case certain measures failed to further reduce emissions, remedial measures should be taken to offset its influence arising from carbon dioxide emissions.

KION complied with HSE policies, compliance code and requirements under other regulations to fulfil its obligations in emission reduction. It abided by all environmental regulations applicable to the construction and operation for the production services, obtained relevant permission and approval in a timely manner and followed their rules and requirements. KION also complied with the statutory limits of pollution levels and was dedicated to reducing its impact on the environment by appropriate means, particularly in aspects of noise, stinky gas, soil pollution and waste water. It followed all waste handling regulations, particularly the handling of hazardous waste, such as waste paint, lead acid and waste oil.

Euro V emission standards for diesel-fueled forklift trucks are coming into play. Starting from 2019, such standards would be put into effect and would affect trucks with power ranging from 19 to 56 kilowatts. Compared with the current Euro III A standards, it would reduce pollutant limits by 98% under some circumstances.

Types and volume of emissions from KION in 2018

Type of emission		Volume of emissions in 2018
Carbon Monoxide		1,267.5 tons
VOC		339.2 tons
Nitrogen oxides		28.7 tons
Others (Sulphur oxides etc.)		107.4 tons
Particulates		8.1 tons
Greenhouse gases	Direct emission	118,907.6 tons
	Indirect emission	90,848.0 tons
	Others	37,418.6 tons
Hazardous waste		11,467 tons
Non-hazardous waste		55,118 tons

2. *Energy-saving*

- (1) **Policies regarding Effective Utilization of Resources:** KION complied with the requirements such as HSE policies and the compliance code to utilize resources effectively and reduce its impact on the environment and natural resources to the maximum extent. Striving to protect the environment, KION remained competitive and fulfilled its responsibilities as a corporate citizen. KION also developed and produced energy-saving products and adopted environmentally-friendly production techniques in the production process, as well as pushed ahead the development and application of environmental techniques to assist in protecting the environment or reduce its impact on the environment. KION expects all employees of all regions to use natural resources in a sustainable manner.

Effective utilization of resources not only constituted an integral part of shouldering responsibilities in environmental protection, but also served for the purpose of meeting KION's operational needs. At the stage of product utilization, reduction in energy use would result in the greatest leverage in reducing the environmental impact by KION, which was the apparent reason for KION to devote a great deal of effort and incorporate the reduction in energy use as part of its product development activities. Nonetheless, environmental factors would influence the choice of raw materials, and thus KION would take the overall environmental impact of certain raw materials into consideration. In this process, KION adopted the same multi-level system as that used for waste management: prevent (materials with the lowest price are those that cannot be used), reduce, reuse and recycle.

- (2) **Energy Use Efficiency Initiative and Results Accomplished:** KION introduced an energy management system into relevant sites, so as to establish central functions that can coordinate with facilities related to energy standards.

Total volume of energy consumption, direct or indirect, of KION in 2018

Energy consumed		Volume consumed in 2018
Direct energy consumption	Non-transportation consumption (construction, production, etc.)	804,690 GJ
	Transportation consumption (vehicles, vessels, etc.)	801,008 GJ
Indirect energy consumption	Electricity	662,058 GJ
	Heat supply	99,990 GJ
Total water consumed		551.2 MI

3. Health and Safety

- (1) **Safe Production Management Mechanisms:** KION complied with the requirements in the International Labor Organization, Compliance Code and HSE policy regarding health and safety. These included taking comprehensive precautions to create a safe working environment and ensuring employees master the means to avoid risks and accidents. KION provided a safe working environment by identifying, eliminating or reducing risks to an acceptable level as dictated by a risk management approach. KION provided all employees with regular health and safety trainings in relation to workplace. KION implemented an accident reporting mechanism in all aspects in order to improve the occupational health and safety of its subsidiaries.
- (2) **Occupational Safety and Health:** Occupational safety and health were deemed to be an enterprise function and define the minimal standard and objective. KION coordinated various activities by a synergistic management and monitored the occupational health and safety performance via multiple reporting channels.

(II) Shaanxi Heavy-duty Motor

1. Environmental Protection

- (1) **Environmental Protection Policies and Relevant Measures:** Shaanxi Heavy-duty Motor strictly complied with all kinds of environmental protection laws, regulations, standards and industry policies promulgated by the national and local governments. Implementing the "Three Simultaneous" system in environmental protection, Shaanxi Heavy-duty Motor Company Limited followed through on the requirements of simultaneously designing, commencing the construction of, and putting into production and use. The Company invested in pollution treatment equipment and facilities to ensure the emission of pollutants stays within the limit permitted by regulations. Solid waste had to be sorted meticulously under standardized management. The emission of pollutants was subject to regular monitoring. Shaanxi Heavy-duty Motor carried out its review of clean production and accomplished the target of "Saving Energy, Cutting Consumption, Reducing Pollution and Boosting Efficiency" by minimizing pollution and emission at their source and reducing the use of resources.

- (2) **Measures for Reducing Emissions of Exhaust Gas and Discharge of Waste Water and Results Accomplished:** Shaanxi Heavy-duty Motor invested heavily in the construction of equipment and facilities for environmental protection. In terms of handling exhaust gases, an advanced exhaust fumes purification and catalytic combustion device is in place to process the methylbenzene and dimethylbenzene in the organic exhaust fumes generated during the coating process. The exhaust fumes could be emitted in accordance with the standards under the regulations after processing. Ventilation equipment and precipitators have been installed throughout the welding workshops to remove the soot effectively. In terms of handling waste water, industrial sewage treatment stations and comprehensive sewage treatment stations are in place in plant areas. Waste water goes to the coating sewage treatment station for a preliminary treatment, and then enters the comprehensive sewage treatment station for another round of treatment. After the treatment, the waste water is recycled and used for irrigation purposes in the greening of the plant areas.
- (3) **Measures Taken to Reduce Waste Materials and Results Accomplished:** Shaanxi Heavy-duty Motor took the initiative to review its clean production process by making the most out of the resources through the process of selection of raw materials, the control of production technologies and processes, and the output of products and by thoroughly considering the possibility of reducing the amount of waste generated at each stage of production. Shaanxi Heavy-duty Motor Company Limited also stepped up its management of hazardous waste produced to make sure it will not lead to environmental pollution. All hazardous waste is handed over to qualified entities to perform safe detoxification disposal.

(4) Emissions Type and Statistics

Category	Classification	Standards of Implementation	Emissions Statistics
Exhaust Fumes	Organic Exhaust Fumes from Coatings	The "Volatile Organic Compounds Emission Control Standards" (揮發性有機物排放控制標準) (DB61/T1061-2017) were implemented for benzene, methylbenzene, dimethylbenzene and nonmethane hydrocarbon	Volume of exhaust fumes: 220,001 ten thousand standard cubic meters/year; Soot (dust): 0.75 ton/year, 7.43g/vehicle; VOCs: 13.82 tons/year, 0.14kg/vehicle
	Exhaust Fumes from Welding	The "General Emission Standard for Air Pollutants" (大氣污染物綜合排放標準) (GB16297-1996) was implemented for soot	
	Exhaust Fumes released by vehicles	The "General Emission Standard for Air Pollutants" Level 2 (GB16297-1996) was implemented for soot and carbon monoxide	
Waste Water	Level 1 Treatment and Control Indicator for Workshops	Level 3 of the "General Wastewater Discharge Standards" (國家污水綜合排放標準) was implemented for COD, PH and total phosphorus	Volume of wastewater: 427,527 tons/year; COD: 2.43 tons/year, 0.02kg/vehicle; Ammonia nitrogen: 0.056 ton/year, 0.55g/vehicle; Petroleum: 0.032 ton/year, 0.32g/vehicle
	Level 2 Treatment and Control Indicator for Sewage in Plant Areas	Level 2 of the "Integrated Wastewater Discharge Standard for the Yellow River Basin (Shaanxi Section)" (黃河流域陝西段污水綜合排放標準) and the "Urban Water for Municipal Use (Greening) Standards" (城市生活雜用水標準 (綠化)) were implemented for COD, Ammonia nitrogen, PH and total phosphorus	
Waste Materials	General Solid Waste	Waste steel plate, scrap edge materials, packaging materials and domestic sludge	15,125 tons/year, 0.15 ton/vehicle
	Hazardous Waste	Waste slag, scrap phosphorous, industrial sludge, oily sludge, waste oil rag, etc.	1,017 tons/year

2. Use of Resources

(1) Energy Consumption Indicators

Energy Consumption	Emission in 2018
Bituminous coal	18.0 tons
Petrol	134.1 tons
Diesel oil	5117.8 tons
Natural gas	3,567,700 cubic meters, 25.06 cubic meters/vehicle
Electricity	259.84 million kWh, 520.64 kWh/vehicle
Water	Running water 1.3 million cubic meters, 5.31 tons/vehicle

(2) **Energy Use Efficiency Initiative and Results Accomplished:** Energy consumption by electric bicycles decreased by 12.5% compared to the corresponding period last year. Consumption by water bicycles decreased by 41.37% compared to the corresponding period last year. Consumption by natural gas bicycles decreased by 15.85% compared to the corresponding period last year.

(3) **Policies for the Effective Use of Resources:** Pursuant to the Energy Conservation Law of the People's Republic of China (中華人民共和國節約能源法) and the energy saving volume benchmarks for major energy-consumption enterprises under the "Thirteenth Five-year Plan" of Xi'an, in 2018, we attained significant improvements in system construction, energy management innovation, measurement network enhancement, energy saving technology renovation, energy saving basic management and so forth. Having regard to basic energy management, the company is concerned about fundamentals and details and conducted thorough amendments and refinements to the substance of system documents for the management of energy uses and the substance of system documents for the management of energy supply. The two process documents namely the Energy Supply Management Regulations (能源供應管理規定) and Energy Use Management Procedures (能源使用管理規定) were revised and established, while the External Energy Management Regulations (能源外供管理規定), the Energy Statistics Management Regulations (能源統計管理規定), the Energy Measurement Management Regulations (能源計量管理規定), the Energy Saving Low Carbon Implementation Rules (節能低碳實施辦法) and the Contract Energy and Subcontracted Energy Supply Management Regulations (合同能源及外包能源供應管理規定) and so forth.

(4) **Packaging Materials:** No packaging is used for the company's products.

3. Health and Safety

(1) **Safe production control measures:** In accordance with provisions of the Safe Production Law (安全生產法), Shaanxi Heavy-duty Motor established a safety management system (including safe production education, training programs, regulations of safe production, operation manual and Emergency Plan for Production Safety Incidents etc.). Supervision was carried out by on-site inspection, sample check of the progress regarding Letters on Responsibilities to Achieve Quarterly Goals, and year-end performance evaluation and so forth.

(2) **Occupational health Indicators:** According to the provisions of the "Law on the Prevention and Treatment of Occupational Diseases of the People's Republic of China" (中華人民共和國職業病防治法), the occupational disease rate was 0, occupational health check-up rate was 100% and examination rate of the workplace hazard factors was 80% or above.

(3) **Occupational health control measures:** According to the provisions of the "Law on the Prevention and Treatment of Occupational Diseases of the People's Republic of China" (中華人民共和國職業病防治法), Shaanxi Heavy-duty Motor engaged occupational health technological service agencies that have obtained the quality certification granted by the administrative departments of health to conduct examination in the workplace with occupational hazard factors and occupational health check-ups for relevant staff members. The company also adopted corresponding control measures such as selecting protective gears in accordance with different occupational hazard factors and arranging reasonable work schedule, established corresponding measures for the operation, maintenance and management of relevant equipment and facilities, and regularly examined the operation and maintenance records regarding occupational disease prevention measures.

(III) Fast Gear

1. *Environmental Protection*

Fast Gear strove to reduce emissions of pollutants, implemented clean production and insisted on green development by upholding the principles of low input, low consumption, low emissions and high efficiency. It strictly complied with laws and regulations including the Environmental Protection Law of the People's Republic of China" (中華人民共和國環境保護法), "Law of the People's Republic of China on Water Pollution Prevention and Control" (中華人民共和國水污染防治法), "Law of the People's Republic of China on Prevention and Control of Atmospheric Pollution" (中華人民共和國大氣污染防治法), "Law of the People's Republic of China on Prevention and Control of Solid Waste" (中華人民共和國固體廢物污染防治法), etc. All projects developed, redeveloped or expanded are required to undergo environmental impact appraisals pursuant to the environmental protection requirements of the state. Meanwhile, the company strictly followed the reply from the competent environmental protection bureau in its implementation and administration, to ensure that the production processes comply with environmental requirements.

- (1) **Operation, Monitoring and Inspection of the Environmental Safety Management Systems:** Fast Gear completed the internal review, management and assessment on environmental management systems. It also completed the monitoring and review on ISO14001 Environmental Management Systems, rectified and verified the problems found to ensure normal operation of the system.
- (2) **Waste Handling:** A total of 1,134.82 tons of hazardous waste and a total of 19,223.47 tons of harmless waste were generated, all of which were handled safely and effectively and caused no pollution to the environment. 11.42 tons of nitrogen oxides, 0.60 tons of sulphur dioxide and 3.99 tons of ammonium nitrogen were generated. A sewage treatment plant, which discharged production waste water and domestic waste water (upon treatment) in accordance with standards, was set up in Fast Gear. Our boilers adopted clean natural gas as the energy source which complied with national environmental requirements and the exhaust fumes met environmental standards. Fast Gear monitored the norms every year based on national requirements. Currently, all monitoring results met the standards for emission or discharge.
- (3) **Concrete Work:** Fast Gear introduced equipment to recycle waste oil fluid and put forward the zero-emission objective. Substantial decrease in waste fluid output volume was recorded, which conserved the use of emulsified fluid and reduced waste fluid. A win-win scenario with greater economic and environmental efficiency was achieved. 455.2 tons of waste oil and 230.6 tons of waste fluid could be reused every year. Fast Gear adopted the reuse of emulsified fluid proactively and introduced a set of online oily fluid purification equipment. It also conducted elementary filtration, added preservatives and enhanced the internal reuse of emulsified fluids for our vehicles.

2. *Energy conservation*

- (1) **Energy Management Systems:** Fast Gear was committed to taking guidance from the scientific philosophy of development and to the principle of mutual facilitation of energy conservation and development. It strictly abided by laws and regulations on energy conservation, including the Energy Conservation Law of the People's Republic of China (中華人民共和國節約能源法) and the Law of the People's Republic of China on Prevention and Control of Solid Waste (中華人民共和國固體廢物污染防治法). In 2015, Fast Gear started to set up its energy management system. Assessed by China Quality Certification Center, the energy management system of Fast Gear was approved and granted the "Energy Management System Certification" on 31 May 2016. In May 2018, Fast Gear organized a 2-day system review covering all departments. In June, China Quality Certification Center conducted a supervisory review on its operation of system. The internal review and the supervisory review showed its energy management system continued to operate in an effective manner.
- (2) **Major indicators:** In 2018, the overall energy consumption amounted to 73,450 tons of standard coal. The output value for energy consumption of RMB10,000 amounted to 0.0393 tons of standard coal per RMB10,000. Total water consumption amounted to 2,187,235 tons, and the output value for water consumption of RMB10,000 amounted to 1.17 tons per RMB10,000. Electricity consumption was 375 million units of electricity; diesel oil consumption was 475.76 tons; and natural gas consumption was 17,432,500 cubic meters. It completed a total output energy-saving value of 2,242 tons of standard coal. Renovation of all boilers was completed by the end of 2016. Starting from 2017, crude coal was no longer used. In 2018, Fast Gear's consumption of packaging materials amounted to RMB35.31 million, representing packaging costs per unit of approximately 38.83 per unit. That included predominantly wooden boxes, transparent ribbons, packaging ribbons for special uses, packaging bags for special uses, plastic bags, PET packaging ribbons, nylon ribbons and so forth.
- (3) **Major Work:** In 2018, by actively participating in campaigns including "National Energy Saving Promotion Week and National Low Carbon Day" and "Metropolitan Water Saving Promotion Week", making use of WeChat Q & A and promotion activities via official account, Fast Gear promoted energy-saving culture and knowledge, in order to enhance public awareness. Fast Gear engaged Xi'an City Energy-saving Assessment Centre for an assessment on our "export base construction project" and passed the review assessment successfully.

Leakage checks were conducted for the company's running water pipelines. After some means including on-site inspections, the accumulation of data for the purpose of water meter installations for its pipelines (3 locations of leakage identified), and the engagement of third parties for measurement with equipment and for opening lids of wells (1 location of leakage identified), the company attained remarkable outcome in leakage rectification and saved approximately 300 tons of water per day.

3. *Health and Safety*

- (1) **Safe Production Management Systems:** In compliance with laws and regulations including the Safe Production Law of the People's Republic of China and the "Law on the Prevention and Treatment of Occupational Diseases of the People's Republic of China" (中華人民共和國職業病防治法), the company sought to develop safety awareness among staff members, paid attention to safe production, refined its management system for occupational health, and stepped up health guidance. Trainings on occupational health and skill drills for safe production were arranged. It was intended to prevent the risks against occupational health and safety, and to protect the occupational safety of staff members. Fast Gear passed the Environmental and Occupational Health Safety Management Systems Certification. It passed the supervisory review in June 2018. Operational results of the system were enhanced in a stable manner.
- (2) **Occupational Safety and Health:** Fast Gear organized a test on hazard factors of poisonous and hazardous sites for 273 monitoring spots and completed occupational health body checks for a total of 1,015 staff members. The incidence of occupational disease was zero.
- (3) **Safety Training:** Fast Gear provided new and resumed staff members with safety education at three levels (company, workshop and class group) and the training rate reached 100%. 103 specific work staff members were trained for forensics and re-inspections. Fast Gear also held 20 training sessions on safety, environmental friendliness and occupational health at company level, amongst which, Fast Gear managed to train a total of around 260 middle and senior management, professional and part-time safety management staff members, who received annual training and sat an examination on safety management knowledge. All 110 staff members with a Safety Management Certificate passed the review assessment.
- (4) **Emergency Management Mechanisms:** Fast Gear prepared 16 contingency plans under 3 major aspects. It organized 46 emergency drills such as elevator emergency rescue drills, pipeline rupture in an air compressor station, working in limited space and heat stroke rescue in Xi'an plant areas. It also completed the filing of the "General Contingency Plan for Production Safety Incidents" (生產安全事故綜合應急預案) of the company with the local government department in charge of safety surveillance.
- (5) **In 2018, incidents resulting in serious injury and death were both '0'. Working days lost due to work-related injury were 187 days.**

Community

In recent years, the Company organically combined the maximization of its economic interests with society's interests by actively fulfilling its social responsibility, participating in community welfare activities, fostering local economic construction and enhancing the Company's reputation and goodwill.

I. Community activities

(I) Social activities

In August 2018, 11 counties of Weifang suffered serious flood disaster. The Company organized a fund-raising campaign named "caring and delivering love for disaster-stricken areas" (情系災區，奉獻愛心), which gained positive responses from our employees, and successfully raised over RMB1 million within one day. The Company immediately delivered the disaster-relief fund of over RMB1 million to the disaster-stricken areas to facilitate the reconstruction.



Fund-raising campaign named "Caring and delivering love for disaster-stricken areas"



"Building the Chinese dream together in a new era"(攜手新時代 共築中國夢) performance

(II) Union activities

1. *Caring for frontline workers*

The union delivered materials including microwave ovens and washing machines to production workers, organized service teams with the aim of dedicatedly serving workers and promoting satisfactory production volumes and brought cooling down materials to production workers. The union also organized a concert for celebrating the 97th anniversary of the establishment of the Communist Party of China and the 20th anniversary of reform and innovative development as well as performance by the Art and Cultural Trope of National Workers in Weichai, which not only enriched the cultural life of our employees, but also alleviated fatigue due to continuous high production workload and boosted their morale.

2. *Demonstrating the capabilities of female staff members by launching activities for female staff members*

- (1) **Promoting cultural lectures and reading activities for female employees.** In 2018, among other programmes, a gratitude training with the theme of “gratitude – secret to happiness and success”(感恩力-幸福與成功的秘密), a female health training named “self-care and disease prevention”(自我保健及疾病預防) and a happiness training named “scientific ways to reduce your stress – happy career”(科學減壓•幸福職場) were held, totaling 11 trainings with more than 1,140 attendees for the year. Through various ways including reading sessions, sharing sessions and parent-child reading sessions, the union organized a reading activity for female employees with the theme of “Encouraging female to read, building civilized families”(引領女性閱讀 建設文明家庭) for a period of 100 days, in which nearly 200 books were read by over 1,560 female participants. Among those books, four were included as part of the book list in the “Beauty of Books”(書香三八), the national reading campaign.
- (2) **Enhancing matchmakers’ service quality, caring for single employees.** Since its establishment 4 years ago, the matchmaker union of the Company has expanded into a team of over 60 people compared to 10 at the beginning. In 2018, 5 matchmaking activities were held with more than 360 participants. The online and offline matchmaking services for over 180 people served as a matchmaking platform for single youths to communicate with each other.



Reading activities named “encouraging female to read, building civilized families”



Matchmaking activities

3. Honoring and caring for the elderly, serving elderly staff members

The Company visited 356 elderly employees for the whole year and helped with registration on designated hospitals, annual review on medical certificates, receipt of medication charges upon certificates, reimbursement audit for 79 retired cadres and elderly workers. The Company sent out subsidies to 117 family members of deceased employees and helped register the certificate of chronic disease (慢性病證) and medical claims for retired employees. Recreational activities including ball games, yoga, reading, exhibitions of calligraphy and painting as well as photography and cultural performances amounted to 38 times, in which our retired employees fully embraced care and happiness delivered by our Company and gained a sense of happiness, participation and fulfillment.



Honoring and caring for the elderly, serving elderly staff members



Youth exchange conference themed "Making a dream come true with passion"

(III) Activities for young staff members

The Company held a youth exchange conference themed "Making a dream come true with passion", on which our Chairman Mr. Tan Xuguang delivered a speech, sharing his stories with newly recruited university graduates in 2018. More than one thousand people including newly-recruited staff, youth cadres, and youth representatives have attended the conference. It not only facilitated the communication between young staff members and management personnel, but also increased their recognition towards our Company, which in turn served as an incentive for them to improve themselves focusing on their positions.

II. Combating corruption

(I) Anti-corruption, anti-bribery, anti-fraud and anti-money laundering policies: "Administrative Measures for Administrative Accountability"(行政問責管理辦法), "Administrative Measures for Inspections"(巡察工作管理辦法), "Administrative Measures for Disciplined Conversations"(紀律談話管理辦法), "Whistle-blowing System"(舉報制度), "Administrative Measures for Integrity Conversations and Discussions" (廉潔談話約談管理辦法), "Administrative Measures for Enquiring about Investigation"(詢問調查管理辦法), "Interim Provisions on the Prohibition of Commercial Bribery" (關於禁止商業賄賂行為的暫行規定), and so forth.

(II) The national laws, regulations, rules and policies observed: "Standards on Integrity and Self-discipline of the Communist Party of China" (中國共產黨廉潔自律準則), "Regulation of the Communist Party of China on Disciplinary Actions" (中國共產黨紀律處分條例), "Regulation of the Communist Party of China on Accountability" (中國共產黨問責條例) and the "Regulation of the Communist Party of China on Internal Supervision"(中國共產黨黨內監督條例) etc.

(III) Key Indicators

1. **Total Number and Percentage of Business Units Subject to Risk Analysis for Corruption:** the coverage of risk analysis is at 100%.
2. **Anti-Corruption Policies and Procedure Trainings:** In 2018, the Company placed great emphasis on anti-corruption policies and procedure trainings by implementing various measures to deepen the understanding on anti-corruption policies, such as organizing themed trainings on “Regulation of the Communist Party of China on Disciplinary Actions”(中國共產黨紀律處分條例), promoting themed education on “Four consciousness”(四個意識) and upholding disciplinary bottom lines, organizing anti-corruption speeches for key departments such as purchase and marketing departments, and carrying out tests on regulatory rules of Regulation of the Communist Party.
3. **No incident of corruption-related litigations occurred as regards the Company in 2018.**
4. **Anti-Corruption Measures, Whistle-blowing Procedure, and the Means of Enforcement and Monitoring:** In 2018, the Company refined its numerous whistle-blowing channels including petitions through mails, in-person visits, phone, internet and letterbox by making the channels available to the public in a conspicuous location. To ensure that whistle-blowing is possible through multiple channels, a reporting network “I want to report” (我要舉報) was established in order to build a comprehensive whistle-blowing system, standardize procedures of handling whistle-blowing reporting and maintain smooth channels of whistle-blowing.

(IV) Major initiatives at combating corruption and achievements for 2018:

In 2018, the Company earnestly discharged its responsibility of monitoring, deeply promoted integrity building and anti-corruption work. Firstly, the Company stepped up monitoring and inspection by discovering problems through reviewing materials, figuring out the sally point through talks and verifying whistle-blowing reporting through investigations and visits. Secondly, the Company outlined and monitored the authority of key positions in order to strengthen our prevention and control of integrity risk and build a dynamic control system of integrity risk. Thirdly, the Company raised our employees’ awareness towards self-discipline and capability of combating corruption by way of warnings. Fourthly, the Company precisely grasped the understandings on four forms of discipline supervision and enforcement, stepped up management of integrity talks and daily supervision under normal and substantially all circumstances, as well as actively promoted the concept of anti-corruption.

III. Performance of duties by major subsidiaries in community activities and anti-corruption

(I) KION

1. Community activities

KION has put in place policies on donation in order to regulate donation and sponsorship behaviors, which can be conducted by way of cash or non-cash for projects for social and humanitarian purposes, for education and science, for art and culture, and for projects to protect the environment and conserve resources. The recipient of the donation and the purposes for which it is to be used must be transparent and clearly documented. The company does not give donations to individuals or for-profit organizations. The objectives of the recipient must not conflict with corporate principles. The company does not make political donations to individuals, parties or other organizations. Sponsorship of an event is permitted if it affords the company promotional and marketing opportunities. However, the amount of the sponsorship must not exceed the cost of other comparable promotional activities. Furthermore, all sponsorship activities must be transparent and must be documented in writing. They must serve a legitimate business purpose and ensure that a reasonably proportional benefit can be obtained from the event organizer.

2. Anti-corruption

- (1) **Anti-corruption, anti-bribery, anti-fraud and anti-money laundering policies:** The compliance code clearly listed ways to exclude any possibility of corruption. As for anti-corruption, there are also certain internal rules on the subject of preventing corruption that set out in detail what is allowed or not. The employees in the company are instructed clearly that they should never use their position to secure the group or themselves any improper advantages. In general, payment in cash is prohibited in commercial deals, especially when a large amount is involved. In order to prevent fraud and money laundering, detailed regulations are formulated. For example, payments should always be cashless, unless in exceptional cases like where spare parts, smaller sums are involved, but this would always require consent of local executive boards as to an upper limit amount. The local Compliance Representative and the Compliance Department should be informed immediately if any unusual payment pattern has been identified.
- (2) **Anti-Corruption Measures, Whistle-blowing Procedure, and the Means of Enforcement and Monitoring:** As for systematic risk assessment regarding corruption and bribery, a new anti-corruption and bribery policy was implemented with comprehensive compliance trainings, which were integrated into contracts with dealers and suppliers. A 24/7 whistle-blowing hotline for external and internal parties was established.

(II) Shaanxi Heavy-duty Motor

In compliance with laws and regulations including the “Standards on Integrity and Self-discipline of the Communist Party of China” (中國共產黨廉潔自律準則), “Regulation of the Communist Party of China on Disciplinary Actions” (中國共產黨紀律處分條例) and so forth, non-compliant behaviors such as bribery, blackmail and fraud shall be prevented by following rules and systems including “Administrative Measures for Whistleblowing and Complaining” (舉報投訴管理辦法), “Administrative Measures for Tender Supervision” (招標監督管理辦法), “Interim Measures for Investigating Duties on Asset Losses” (資產損失責任追究暫行辦法) and so forth. In 2018, the company updated 19 points of discipline inspection system with focus on “Administrative Measures for Whistleblowing and Complaining” and “Measures for Handling Clues”(綫索處置辦法). Mail boxes and phone numbers for whistle-blowing were announced to improve access by whistleblowers. Disciplinary inspections were also carried out.

(III) Fast Gear

1. Community activities

For years, Fast Gear has always attached great importance to building harmonious relations in communities. It has striven to attain mutual development with the communities in which it has presence. Fast Gear encourages staff members to participate in charitable deeds; continually improves the construction of infrastructure facilities in communities; and improve the living conditions of staff members.

- (1) **Caring for employees:** The company helped 53 employees in difficulty, and provided compassionate fees amounting to RMB0.154 million. It maintained insurance and insurance covering special illnesses for female employees for more than 217 employees; and handled claims amounting to RMB0.32 million. Body check-up was also arranged for employees.
- (2) **Staff activity center:** Activity facilities including swimming pools, basketball courts, badminton courts, table-tennis rooms, gym rooms and dance rooms became operational in our staff activity center. The facilities are open to all staff members and their families.
- (3) **Diverse leisure activities:** The company organized a variety of activities including “6th Sports Meeting for Employees”, Funny Sports Meeting on the Women’s Day, games of basketball and badminton, and exhibitions of calligraphy, paintings and photos, in which the company ignited the employees’ passion for work and motivation, and boosted cohesion and strength of our team.
- (4) **Scholarships:** The “Fast Gear” Scholarship has been established by Fast Gear since 2005. In 2018, donations were made to six major universities in China, namely Jilin University, Northwestern Polytechnic University, Xi’an Jiaotong University, Wuhan University of Technology, Chang’an University and Beijing Institute of Technology, in support of education and bright university students in poverty to complete their studies.

2. Anti-corruption

- (1) **Policies for the prevention of bribery, blackmail, fraud and money laundering and relevant laws and regulations:** In compliance with laws and regulations including the “Standards on Integrity and Self-discipline of the Communist Party of China” (中國共產黨廉潔自律準則), “Regulation of the Communist Party of China on Disciplinary Actions” (中國共產黨紀律處分條例) and so forth, the company formulated the “Standards of Integrity for Cadres in Fast Gear”(法士特公司幹部廉政準則), “Measures for Due Implementation of the ‘Eight Rules’ set by the Central Government for Improving Work Ethics in Fast Gear” (法士特公司貫徹落實中央“八項規定”改進工作作風實施辦法), “Procedures for Discipline Inspection in Fast Gear”(法士特公司紀律審查流程) and so forth. By solidly embarking on a series of activities including the Party’s crowd-based education and the “Three Strictness and Three Implementation” topical education, the company sought to foster the prevention and control of corruption risks, strengthen the supervision of the accountability of executive disciplinary officers, and solidify the defense line for the formation of clean and corruption-free culture.
- (2) **No incident of corruption-related litigations occurred as regards the company in 2018.**
- (3) **Anti-Corruption Measures, Whistle-blowing Procedure, and the Means of Enforcement and Monitoring:** In 2018, by firmly adhering to the requirements of the higher-ranking disciplinary committees and the party committee of the company for strict governance, the company launched its work on integrity building and anti-corruption, whereby the company deployed more energy to the main duty of supervising accountability, and pragmatically warranted the precise implementation of supervisory duties. The company also strengthened education on anti-corruption and integrity, built integrity education offices, organized and convened special-topic seminars on integrity, pushed the company WeChat messages on the Qingfengyuan (清風苑) platform of Fast Gear and sent alert messages about anti-corruption. In each quarter, the company conducted inspections on the anti-corruption work done by our branches, announced whistleblowing phone numbers and emails and made mailboxes available at fixed locations in our factory areas for collecting reports on disciplinary problems, ensuring that the channels for whistleblowing were clear. Further, the company conducted on-site supervisory inspections by combining political inspections and business examinations and integrating the supervisory function of disciplinary committee into each part of the production and operation, to ensure the effective operation of the internal control system and safeguard the corruption-free production and operation environment.

2019 Outlook

2019 not only marks the 70th anniversary of founding of new China, but a critical year for building a moderately well-off society in all aspects. On a new starting point, confronted with new missions, requirements and challenges, the Company will continue to uphold the principle of “we aim at customers’ satisfaction” by adhering to our strategic targets between 2020 and 2030, speeding up the pace of technological advancements, optimizing our operational structures continuously, enhancing operational efficiency and quality, so as to contribute our efforts to promote the sustainable healthy development of our economy, society and eco-environment.

A new year is of great significance for the Company to achieve breakthroughs in its traditional business and industrial implementation of its new energy business. Great emphasis will be placed on winning market battles for orders, production, quality and levels by adhering to the customer orientation principle. The Company will fully explore the advantages of our combined products, integrate industrial resources efficiently and consolidate its market presence as a market leader. Faced with a new cycle of technological and industrial reform, the Company will continuously enhance its innovation strength by focusing on building an innovative system which integrates engineering technologies, scientific technologies and fundamental research, speeding up building a cutting-edge technological research and development platform, with an emphasis on achieving breakthroughs in fields such as new energy, electrical control, intelligent driving, and intelligent connected products. Meanwhile, the Company will expedite the promotion of products that meet the newest emission requirements, play the leading role in upgrading industrial regulatory rules and spare no efforts in winning the “Blue Sky Defending Plan”. By leveraging on the replacement of “old power” with “new power”, the Company strives to boost the development of emerging industries, advances construction and materialization of high-end products, new energy reform and new investment projects in full swing, and launches the first “green power for hydrogen energy city” project in Shandong. The integration of information and industry will be deeply promoted with focus on digitalization, in order to facilitate the construction of our private cloud platform, which will build a comprehensive value chain information system and improve the Company’s ability of management and control as well as industrial chain synchronization. The Company proactively facilitates the strategic plan “Made in China 2025” (中國製造2025) at high levels with intelligent, internet-connected and digital transformation. To continuously respond to the national “Belt and Road” initiative, the Company proactively creates overseas umbrella brands, betters channels construction, deeply explores the advantages of combined products and resources to draw a more competitive international layout and promote our civil brand to go global. In 2019, the Company will continue to deepen the reform of safety management system, improve the construction of energy management system, and actively advocate energy conservation and emission reduction as well as green production. The Company will improve the sense of satisfaction, achievement and happiness for our employees by creating a warm and cozy working environment. In the meantime, by taking fulfillment of social responsibilities as our mission, the Company actively responds to our society and continues to participate in charitable activities, with the aim of delivering positive energy for corporate development and construction of a harmonious society.

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