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**潍柴動力股份有限公司**

**WEICHAI POWER CO., LTD.**

*(a joint stock limited company incorporated in the People's Republic of China with limited liability)*

**(Stock Code: 2338)**

**FINAL RESULTS ANNOUNCEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2022**

**FINANCIAL HIGHLIGHTS**

- Revenue was approximately RMB175,158 million, representing a decrease of approximately 20.5%.
- Net profit attributable to the shareholders of the parent was approximately RMB4,905 million, representing a decrease of approximately 48.3%.
- Basic earnings per share was approximately RMB0.57.

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

The board of directors (the “Board”) of Weichai Power Co., Ltd. (the “Company”) is pleased to announce the audited consolidated financial statements of the Company and its subsidiaries (the “Group”) prepared in accordance with the China Accounting Standards for Business Enterprises for the year ended 31 December 2022 (the “Year”), together with comparative figures for the corresponding period of 2021 as follows:

## CONSOLIDATED INCOME STATEMENT

January to December 2022 (Expressed in Renminbi Yuan)

Item	Notes	2022	2021 (Restated)
Revenue	7	<b>175,157,535,625.82</b>	220,215,066,328.86
Less: Cost of sales	7	<b>144,010,596,212.12</b>	178,434,041,284.59
Taxes and surcharges	8	<b>480,817,965.88</b>	840,194,357.40
Distribution and selling expenses		<b>10,661,211,027.82</b>	11,490,071,056.83
General and administrative expenses		<b>8,092,309,897.22</b>	8,668,766,694.83
Research & development expenses		<b>7,731,181,220.54</b>	7,312,553,419.56
Finance expenses		<b>(908,559,884.60)</b>	(460,556,059.63)
Incl: Interest expenses		<b>1,401,308,298.47</b>	1,134,632,468.29
Interest income		<b>2,359,191,391.03</b>	1,808,853,552.82
Add: Other income		<b>735,647,155.81</b>	463,994,678.64
Investment income		<b>243,040,509.28</b>	632,827,619.61
Incl: Investment income (loss) from associates and joint ventures		<b>(143,647,623.76)</b>	180,100,701.34
Profit on change of fair value		<b>1,010,505,916.64</b>	393,084,821.25
Impairment loss of credit		<b>(412,420,309.85)</b>	(474,842,218.82)
Impairment loss of assets		<b>(875,208,571.12)</b>	(773,171,410.42)
Gain on disposal of assets		<b>42,488,657.30</b>	117,174,789.75
Operating profit		<b>5,834,032,544.90</b>	14,289,063,855.29
Add: Non-operating income		<b>413,350,498.75</b>	318,784,731.22
Less: Non-operating expenses		<b>162,176,038.43</b>	148,313,338.96
Total profit		<b>6,085,207,005.22</b>	14,459,535,247.55
Less: Income tax expenses	9	<b>402,515,654.25</b>	2,275,515,991.46
Net profit		<b>5,682,691,350.97</b>	12,184,019,256.09
(I) Breakdown by continuity of operations			
1. Net profit from continuing operations		<b>5,682,691,350.97</b>	12,184,019,256.09
(II) Breakdown by attributable interests			
1. Net profit attributable to shareholders of the parent		<b>4,905,013,042.11</b>	9,492,605,156.58
2. Minority interests		<b>777,678,308.86</b>	2,691,414,099.51

Item	Notes	2022	2021 (Restated)
Net other comprehensive income after tax		<b>4,471,215,741.25</b>	1,195,039,494.79
Net other comprehensive income attributable to shareholders of the parent after tax	11	<b><u>1,876,175,355.42</u></b>	<u>1,122,390,405.89</u>
(I) Those other comprehensive income not to be reclassified into profit or loss			
1. Changes arising from re-measuring of defined benefit plan		<b>1,580,411,176.85</b>	625,093,753.70
2. Other comprehensive income not to be reclassified into profit or loss using the equity method		<b>33,986,931.49</b>	106,584.02
3. Change in fair value of investment in other equity instruments		<b><u>(300,829,387.68)</u></b>	<u>492,233,671.71</u>
(II) Those other comprehensive income to be reclassified into profit or loss			
1. Other comprehensive income to be reclassified into profit or loss using the equity method		<b>(52,951,314.27)</b>	2,632,875.60
2. Cashflow hedging reserve		<b>130,869,878.09</b>	7,587,369.05
3. Exchange differences on foreign currency translation		<b><u>484,688,070.94</u></b>	<u>(5,263,848.19)</u>
Net other comprehensive income attributable to minority interests after tax		<b><u>2,595,040,385.83</u></b>	<u>72,649,088.90</u>
Total comprehensive income		<b>10,153,907,092.22</b>	13,379,058,750.88
Total comprehensive income attributable to the shareholders of the parent		<b>6,781,188,397.53</b>	10,614,995,562.47
Total comprehensive income attributable to minority interests		<b><u>3,372,718,694.69</u></b>	<u>2,764,063,188.41</u>
Earnings per share	10		
(I) Basic earnings per share		<b>0.57</b>	1.13
(II) Diluted earnings per share		<b><u>0.57</u></b>	<u>1.13</u>

There was an acquisition through combination under common control by the Company in June 2022. Net profit realised by the acquiree Weichai Lovol Intelligent Agricultural Technology Co., Ltd. (“Weichai Lovol”, formerly known as “Weichai Lovol Heavy Industry Co., Ltd.”) before the combination amounted to RMB398,575,086.61 and net profit realised in 2021 amounted to RMB672,509,747.86.

There was an acquisition through combination under common control by the Company in September 2022. Net profit realised by the acquiree, a components branch under Weichai Heavy Machinery Co., Ltd. (hereinafter the “Components Branch of Heavy Machinery”) before the combination amounted to RMB742,094.12. Net profit realised in 2021 amounted to RMB11,995,082.06.

## CONSOLIDATED BALANCE SHEET

31 December 2022 (Expressed in Renminbi Yuan)

Item	Notes	31 December 2022	31 December 2021 (Restated)
Current assets			
Cash and cash equivalents		<b>70,841,690,615.34</b>	79,678,748,969.61
Financial assets held for trading		<b>11,864,020,567.44</b>	6,387,192,900.95
Notes receivable	3	<b>9,602,586,343.47</b>	9,644,035,766.21
Accounts receivable	4	<b>21,418,523,616.59</b>	18,667,187,992.66
Receivable financing		<b>6,972,217,007.03</b>	6,963,497,132.74
Prepayments		<b>1,472,527,993.82</b>	1,611,920,646.47
Other receivables		<b>1,260,827,218.05</b>	3,693,086,697.34
Inventories		<b>33,373,961,762.55</b>	35,424,893,249.08
Contract assets		<b>4,042,186,086.76</b>	3,766,036,780.20
Assets held for sale		<b>203,550,763.80</b>	2,014,296.30
Non-current assets due within one year		<b>3,858,312,076.50</b>	3,357,896,909.40
Other current assets		<b>3,573,816,314.90</b>	4,912,313,996.90
Total current assets		<b>168,484,220,366.25</b>	174,108,825,337.86
Non-current assets			
Long-term receivables		<b>10,172,965,683.60</b>	9,521,961,254.20
Long-term equity investments		<b>5,340,553,607.62</b>	5,709,475,643.21
Investment in other equity instruments		<b>3,395,947,023.27</b>	3,694,701,648.16
Other non-current financial assets		<b>902,292,850.10</b>	262,923,856.20
Investment property		<b>621,930,393.42</b>	649,878,228.05
Fixed assets		<b>37,894,423,285.01</b>	34,976,872,824.21
Construction in progress		<b>7,980,410,006.36</b>	6,106,255,626.08
Right-of-use assets		<b>5,034,097,940.33</b>	5,771,121,343.90
Intangible assets		<b>22,759,467,050.26</b>	22,686,821,665.87
Development expenditure		<b>339,108,712.35</b>	212,459,914.33
Goodwill		<b>24,019,149,507.73</b>	22,847,040,337.79
Long-term prepaid expenses		<b>312,130,240.35</b>	294,121,454.13
Deferred tax assets		<b>4,905,290,205.76</b>	5,987,096,009.39
Other non-current assets		<b>1,504,100,980.08</b>	826,644,158.23
Total non-current assets		<b>125,181,867,486.24</b>	119,547,373,963.75
Total assets		<b>293,666,087,852.49</b>	293,656,199,301.61

<b>Item</b>	<i>Notes</i>	<b>31 December 2022</b>	31 December 2021 (Restated)
<b>Current liabilities</b>			
Short-term loans		<b>4,609,106,808.74</b>	2,418,042,581.66
Financial liabilities held for trading		<b>85,556,345.40</b>	111,876,471.20
Notes payable	5	<b>22,024,750,934.33</b>	33,661,111,683.59
Accounts payable	6	<b>45,560,077,179.76</b>	43,649,249,992.69
Contract liabilities		<b>13,086,786,850.63</b>	16,219,919,743.72
Liabilities classified as held for sale		<b>201,695,038.80</b>	–
Payroll payable		<b>6,133,750,533.67</b>	6,126,744,412.52
Taxes payable		<b>1,665,377,748.46</b>	1,611,255,470.23
Other payables		<b>8,190,858,301.41</b>	8,172,637,016.89
Non-current liabilities due within one year		<b>11,215,162,500.91</b>	10,762,141,725.17
Other current liabilities		<b>6,969,573,180.76</b>	6,275,285,905.22
<b>Total current liabilities</b>		<b><u>119,742,695,422.87</u></b>	<u>129,008,265,002.89</u>
<b>Non-current liabilities</b>			
Long-term borrowings		<b>22,782,303,500.82</b>	12,906,667,271.93
Bonds payable		<b>6,056,952,787.80</b>	5,932,319,194.50
Lease liabilities		<b>4,424,326,131.24</b>	5,041,121,870.30
Long-term payables		<b>8,015,209,194.73</b>	7,144,750,346.72
Long-term payroll payable		<b>6,863,810,957.10</b>	11,339,753,713.35
Accruals and provisions		<b>671,834,753.46</b>	445,059,417.36
Deferred income		<b>4,650,817,121.11</b>	4,471,169,879.38
Deferred tax liabilities		<b>4,449,817,821.47</b>	4,736,488,855.04
Other non-current liabilities		<b>11,897,668,001.48</b>	7,115,720,413.05
<b>Total non-current liabilities</b>		<b><u>69,812,740,269.21</u></b>	<u>59,133,050,961.63</u>
<b>Total liabilities</b>		<b><u>189,555,435,692.08</u></b>	<u>188,141,315,964.52</u>



# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2022

## 1. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

### a. Preparation basis of the financial statements

#### *Preparation basis*

The Group has adopted the Accounting Standards for Business Enterprises and relevant provisions promulgated by the MOF. In addition, the Group also disclosed relevant financial information in accordance with Compilation Rules No. 15 for Information Disclosure by Companies Offering Securities to the Public – General Requirements for Financial Reporting (2014 Revision), the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

#### *Continuing operations*

The Group carried out assessment on the going concern for the 12 months' period commencing from 31 December 2022, and did not recognise any matters and situation leading to material doubt on the continuity of operation. Therefore, these financial statements have been prepared based on the going-concern assumption.

#### *Basis of book-keeping and principle of measurement*

The Group adopts the accrual basis as the basis of book-keeping in accounting. Other than certain financial instruments, these financial statements have been prepared at historical costs. Disposal group held-for-sale is carried at the lower of carrying amount or the net value of fair value less selling expenses. If the assets are impaired, corresponding provisions for impairment shall be made according to relevant provisions.

Under historical cost method, the amount of assets was measured at the fair value of cash or cash equivalents or consideration paid at the time of purchase. Liabilities were measured at the amount of money or assets due to the current obligations actually received, or a present obligation of the contract amount, or the measurement of cash or cash equivalents in accordance with daily activities to repay the liabilities of the amount expected to be paid.

The fair value refers to the amount, at which both willing parties engaged to an orderly transaction who are familiar with the condition sell their assets or transfer their liabilities. Whether the fair value is observable or measured by valuation techniques, the measurement and disclosure of the fair value in these financial statements were all based on it.

For financial assets with transaction prices as the fair value upon initial recognition and a valuation technique that unobservable inputs are to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that the results of the valuation technique equals to the transaction price.

Fair value measurements are categorised into three levels based on the degree to which the inputs of the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

**b. The accounting treatment of business combinations involving enterprises under common control and business combinations involving enterprises not under common control**

Business combinations include business combinations involving enterprises under common control and business combinations involving enterprises not under common control.

*Business combinations involving enterprises under common control*

A business combination involving enterprises under common control is a business combination in which all of the combining enterprises are ultimately controlled by the same party or parties both before and after the combination, and that control is not transitory.

Assets and liabilities that are obtained in a business combination shall be measured at the carrying amounts on the financial statements of the acquiree as at the combination date. The difference between the carrying amount of the net assets obtained by the acquirer and the carrying amount of the consideration paid for the combination (or the aggregate face value of shares issued as consideration) shall be adjusted to share premium under capital reserve. If the capital reserve is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

Costs that are directly attributable to the combination are charged to profit or loss when incurred.

*Business combinations involving enterprises not under common control and goodwill*

A business combination involving enterprises not under common control is a business combination in which all of the combining enterprises are not ultimately controlled by the same party or parties before and after the combination.

Combination cost refers to the fair value of assets paid, liabilities incurred or assumed and equity instruments issued by the acquirer for acquiring control of the acquiree. For business combinations of enterprises not under common control achieved in stages through multiple transactions, the combination cost shall be the sum of the consideration paid on the date of acquisition and the fair value, as at the date of acquisition, of the equity interests in the acquiree held prior to the date of acquisition.

The fees paid to intermediaries including audit, legal services, appraisal and so forth and other related administrative expenses incurred by the acquirer for the business combination are charged to profit or loss for the current period when incurred.

The identifiable assets, liabilities and contingent liabilities of acquiree qualifying for the conditions of recognition acquired by the acquirer in the business combination are measured at fair value on the date of acquisition. When the business combination contract provides that, upon the occurrence of multiple future contingencies, the acquirer shall require the return of consideration paid for the business combination, such contingent consideration as set out in the contract shall be recognised as an asset by the Group as a part of the aggregate consideration transferred in the business combination, and be included in the cost of combination at the fair value at the date of acquisition. Within twelve months after the acquisition, if the contingent consideration needs to be adjusted as new or further evidences are obtained in respect of circumstances existed as of the date of acquisition, the amount previously included in the goodwill shall be adjusted. A change in or adjustment to the contingent consideration under other circumstances shall be measured in accordance with Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments and Accounting Standards for Business Enterprises No. 13 – Contingencies. Any change or adjustment is included in profit or loss for the current period.



Where the combination cost is larger than the portion of fair value of net identifiable assets of acquiree acquired in the business combination, the difference is recognised as goodwill as an asset, and initially measured at cost. For those with combination cost lower than the portion of fair value of net identifiable assets of acquiree acquired in the business combination, re-verification is first carried out on the measurement of the fair value of all identifiable assets, liabilities and contingent liabilities as well as the combination cost. For those with combination cost lower than the portion of fair value of net identifiable assets of acquiree acquired in the business combination after re-verification, they are charged to profit or loss for the current period.

If either the fair values of identifiable assets, liabilities and contingent liabilities acquired in a combination or the cost of business combination can be determined only provisionally by the end of the period in which the business combination was effected, the acquirer recognizes and measures the combination using those provisional values. Any adjustments to those provisional values within 12 months after the acquisition date are treated as if they had been recognized and measured on the acquisition date.

Goodwill arising from the business combination shall be recognised separately in the consolidated financial statements and measured at cost less accumulated impairment losses.

**c. Basis for preparation of consolidated financial statements**

The consolidation scope of consolidated financial statements is determined on the basis of control. Control refers to the power of an investor over an investee, and exposure, or rights, to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect the amount of its returns. Once the relevant facts and situation which alters the elements that define control change, the Group shall perform re-evaluation.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

For a subsidiary acquired through a business combination involving enterprises not under common control, the operating results and cash flows from the date of acquisition (the date when the control is obtained) are included in the consolidated income statement and consolidated cash flow statement, as appropriate.

No matter when the business combination occurs in the reporting period, subsidiaries acquired through a business combination involving enterprises under common control or the party being absorbed under merger by absorption are included in the Group's scope of consolidation as if they had been included in the scope of consolidation from the date when they first came under the common control of the ultimate controlling party. Their operating results and cash flows from the beginning of the earliest reporting period or from the date when they first came under the common control of the ultimate controlling party are included in the consolidated income statement and consolidated cash flow statement, as appropriate.

The significant accounting policies and accounting periods adopted by the subsidiaries are determined based on the uniform accounting policies and accounting periods set out by the Company.

The effect of all intra-group transactions between the Company and its subsidiaries and among subsidiaries on the consolidated financial statements is eliminated on consolidation.

The portion of subsidiaries' equity that is not attributable to the Company is treated as minority interests and presented as "minority interests" in the consolidated balance sheet within shareholders' equity. The portion of net profits or losses of subsidiaries attributable to minority interests is presented as "minority interests" in the consolidated income statement below the "net profit" line item.

Where the amount of losses of a subsidiary attributable to the minority shareholders exceeds their share of the opening balance of owner's equity of the subsidiary, the excess shall be allocated against minority interests.

Acquisition of minority interests or disposal of interest in a subsidiary that does not result in the loss of control over the subsidiary is accounted for as an equity transaction. The carrying amounts of the interests attributable to the parent and minority interests are adjusted to reflect the changes in their relative interests in the subsidiary. The difference between the amount by which the minority interests are adjusted and the fair value of the consideration paid or received is adjusted to capital reserve. If the capital reserve is not sufficient to absorb the difference, the excess is adjusted against retained earnings.

## **2. SEGMENT REPORTING**

### **Operating segments**

The Group organises and manages its operating business in accordance with the nature of business and provision of products and services. Each operating segment of the Group is one operating group, providing products and services with risks and rewards different from those of other operating segments.

The details of operating segments are as follows:

- (a) manufacturing and sale of engines and related parts ("Engines");
- (b) manufacturing and sale of automobiles and automobile components other than Engines ("Automobiles and automobile components");
- (c) manufacturing and sale of agricultural equipment (complete machineries), agricultural machineries, agricultural vehicles and related parts ("Agricultural equipment");
- (d) forklift trucks production, warehousing technology and supply chain solution services ("Intelligent logistics").

There was an acquisition through combination under common control by the Company during the year to acquire control over Weichai Lovol. The business of agricultural equipment operated by Weichai Lovol meets the criteria for the identification of an operating segment and it has been recognised as a new operating segment of the Company. The comparative data of operating segments have been restated for the purpose of information comparison.

Management monitors the results of operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reported segment profit, which is a measure of adjusted total profits. The adjusted total profits are measured consistently with the Group's total profits, except that finance expenses, investment income, profit or loss on change of fair value as well as other unallocated income or expense are excluded from such measurement.

Segment assets exclude cash and cash equivalents, derivative instruments, dividends receivable, interests receivable, investment in other equity instruments, deferred tax assets and other unallocated head office assets.

Segment liabilities exclude derivative instruments, borrowings, income tax payable, deferred tax liabilities and other unallocated head office liabilities.

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

RMB

Item	Engines	Automobiles and automobile components	Agricultural equipment	Intelligent logistics	Inter-segment elimination	Total
<b>Incurring during the year</b>						
Segment revenue:						
Sale to external customers	33,205,742,234.46	45,385,945,331.74	17,655,455,265.88	78,910,392,793.74	-	175,157,535,625.82
Inter-segment sale	5,944,944,276.77	1,425,922,380.16	77,058,414.15	100,052,542.46	(7,547,977,613.54)	-
Total	<u>39,150,686,511.23</u>	<u>46,811,867,711.90</u>	<u>17,732,513,680.03</u>	<u>79,010,445,336.20</u>	<u>(7,547,977,613.54)</u>	<u>175,157,535,625.82</u>
Segment results	2,823,299,911.27	(599,470,830.88)	546,970,684.85	427,673,355.88	473,453,113.26	3,671,926,234.38
Adjustment:						
Interest income	-	-	-	-	-	2,359,191,391.03
Dividend income and unallocated income	-	-	-	-	-	1,666,896,924.67
Corporate and other unallocated expenses	-	-	-	-	-	(162,176,038.43)
Finance expenses	-	-	-	-	-	(1,450,631,506.43)
Profit before tax	-	-	-	-	-	<u>6,085,207,005.22</u>
31 December 2022						
Segment assets	68,239,419,418.82	52,232,604,699.52	6,774,340,868.36	107,402,285,965.21	(32,011,848,610.15)	202,636,802,341.76
Adjustment:						
Corporate and other unallocated assets						<u>91,029,285,510.73</u>
Total assets						<u>293,666,087,852.49</u>
Segment liabilities	34,434,414,530.82	44,858,707,520.41	10,921,232,564.34	56,003,644,189.38	(7,272,238,423.97)	138,945,760,380.98
Adjustment:						
Corporate and other unallocated liabilities						<u>50,609,675,311.10</u>
Total liabilities						<u>189,555,435,692.08</u>
<b>Incurring during the year</b>						
Other segment information:						
Share of profit and loss from:						
Gain/(loss) from associates and joint ventures						
	83,683,738.24	(170,774,137.78)	(156,804,262.12)	100,247,037.90	-	(143,647,623.76)
Loss of impairment of inventories	(57,179,766.25)	(124,141,273.87)	16,558,930.26	(266,605,810.33)	-	(431,367,920.19)
Loss of credit impairment of receivables and lease receivable	(12,618,059.91)	(231,610,948.31)	8,941,504.77	(177,132,806.40)	-	(412,420,309.85)
Loss of impairment of non-current assets	(302,755,837.96)	-	-	(141,084,812.97)	-	(443,840,650.93)
Depreciation and amortisation	(1,714,662,881.39)	(1,523,246,658.97)	(278,968,211.33)	(7,631,070,027.49)	-	(11,147,947,779.18)
(Loss)/gain from disposal of fixed assets	(2,255,566.62)	11,036,921.33	808,651.19	32,898,651.40	-	42,488,657.30
Investment in associates and joint ventures	3,311,290,393.29	1,201,199,390.33	-	828,063,824.00	-	5,340,553,607.62
Capital expenditure	<u>3,654,748,952.96</u>	<u>1,604,098,229.31</u>	<u>185,172,659.74</u>	<u>10,486,293,711.60</u>	<u>-</u>	<u>15,930,313,553.61</u>

RMB

Item	Engines	Automobiles and automobile components	Agricultural equipment	Intelligent logistics	Inter-segment elimination	Total
Incurred in the previous year (restated)						
Segment revenue:						
Sale to external customers	51,807,028,816.71	72,712,118,620.32	17,215,577,205.61	78,480,341,686.22	–	220,215,066,328.86
Inter-segment sale	12,652,761,195.12	1,545,846,690.93	–	144,230,489.58	(14,342,838,375.63)	–
Total	<u>64,459,790,011.83</u>	<u>74,257,965,311.25</u>	<u>17,215,577,205.61</u>	<u>78,624,572,175.80</u>	<u>(14,342,838,375.63)</u>	<u>220,215,066,328.86</u>
Segment results	7,407,326,569.26	446,251,977.03	202,016,020.15	5,337,769,950.00	(590,769,161.64)	12,802,595,354.80
Adjustment:						
Interest income	–	–	–	–	–	1,808,853,552.82
Dividend income and unallocated income	–	–	–	–	–	1,344,697,172.08
Corporate and other unallocated expenses	–	–	–	–	–	(148,313,338.96)
Finance expenses	–	–	–	–	–	(1,348,297,493.19)
Profit before tax	–	–	–	–	–	<u>14,459,535,247.55</u>
31 December 2021 (restated)						
Segment assets	58,906,932,580.28	57,419,062,695.26	12,488,304,333.00	98,035,126,171.27	(28,996,860,961.20)	197,852,564,818.61
Adjustment:						
Corporate and other unallocated assets						<u>95,803,634,483.00</u>
Total assets						<u>293,656,199,301.61</u>
Segment liabilities	42,548,146,800.76	43,150,087,388.25	13,644,640,140.45	58,053,913,887.48	(4,859,255,955.89)	152,537,532,261.05
Adjustment:						
Corporate and other unallocated liabilities						<u>35,603,783,703.47</u>
Total liabilities						<u>188,141,315,964.52</u>
Incurred in the previous year						
Other segment information:						
Share of profit and loss from:						
Gain/(loss) from associates and joint ventures	(45,347,735.20)	132,105,959.56	(7,010,810.61)	100,353,287.59	–	180,100,701.34
Loss of impairment of inventories	(182,996,093.52)	(334,402,785.82)	(72,346,200.99)	(124,226,395.73)	–	(713,971,476.06)
Loss of credit impairment of receivables and lease receivable	(2,208,675.05)	(149,400,593.50)	(267,484,063.17)	(55,748,887.10)	–	(474,842,218.82)
Loss of impairment of non-current assets	(18,102,372.53)	(11,118,538.52)	(12,948,656.04)	(17,030,367.27)	–	(59,199,934.36)
Depreciation and amortisation	(1,390,398,556.22)	(1,565,083,562.56)	370,123,276.23	(7,641,958,915.12)	–	(10,967,564,310.13)
Gain/(loss) from disposal of fixed assets	80,536,767.93	(43,000.50)	(5,489,884.88)	42,170,907.20	–	117,174,789.75
Investment in associates and joint ventures	3,716,455,682.49	1,198,267,252.10	22,122,073.72	772,630,634.90	–	5,709,475,643.21
Capital expenditure	<u>2,241,972,627.47</u>	<u>3,490,991,947.79</u>	<u>257,968,413.92</u>	<u>10,825,136,343.10</u>	<u>–</u>	<u>16,816,069,332.28</u>

## Group information

### Information about products and services

Revenue from external transactions

RMB

Item	Incurred during the year	Incurred in previous year (Restated)
Powertrain, complete vehicles and machines and key components	61,707,846,378.76	103,761,513,203.12
Other components	9,406,269,834.02	13,064,172,377.10
Agricultural equipment	17,342,820,525.98	16,749,467,034.01
Intelligent logistics	78,910,392,793.74	78,480,341,686.22
Others	7,790,206,093.32	8,159,572,028.41
<b>Total</b>	<b>175,157,535,625.82</b>	<b>220,215,066,328.86</b>

### Geographic information

Revenue from external transactions

RMB

Item	Incurred during the year	Incurred in previous year (Restated)
China	80,100,572,872.72	133,155,810,315.69
Other countries and regions	95,056,962,753.10	87,059,256,013.17
<b>Total</b>	<b>175,157,535,625.82</b>	<b>220,215,066,328.86</b>

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

Total non-current assets

RMB

Item	31 December 2022	31 December 2021 (Restated)
China	33,117,968,164.81	30,557,236,594.77
Other countries and regions	72,687,403,558.70	69,523,454,601.03
<b>Total</b>	<b>105,805,371,723.51</b>	<b>100,080,691,195.80</b>

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

### 3. NOTES RECEIVABLE

#### Classification of notes receivable

RMB

Item	31 December 2022	31 December 2021 (Restated)
Bank acceptance bills	9,491,886,182.48	9,604,707,554.86
Commercial acceptance bills	<u>110,700,160.99</u>	<u>39,328,211.35</u>
<b>Total</b>	<b><u>9,602,586,343.47</u></b>	<b><u>9,644,035,766.21</u></b>

Notes receivable pledged by the Group as at year end

RMB

Item	31 December 2022	31 December 2021
Bank acceptance bills	<u>6,324,081,527.25</u>	<u>7,646,194,060.76</u>

Notes receivable endorsed or discounted as at year end and not yet expired as at the balance sheet date

RMB

	31 December 2022		31 December 2021 (Restated)	
	Derecognised	Not derecognised	Derecognised	Not derecognised
Bank acceptance bills	10,170,000.00	–	1,066,019,621.59	–
Commercial acceptance bills	<u>–</u>	<u>–</u>	<u>5,820,000.00</u>	<u>–</u>

As at 31 December 2022, the Group had not transferred any notes into accounts receivable due to issuers' failure in performance (31 December 2021: Nil).

As the Group considered that the credit rating of the bank acceptance bills was relatively high and the credit quality of acceptors of all commercial acceptance bills held by it was good, there was no significant credit risk.

#### 4. ACCOUNTS RECEIVABLE

The Group trades with its customers primarily on credit terms, and generally requires prepayments or cash on delivery for new customers. Credit period for credit customers is generally one to twelve months. Accounts receivable is non-interest bearing.

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

RMB

Age	31 December 2022	31 December 2021 (Restated)
Within 1 year	<b>20,528,709,966.91</b>	18,256,096,222.71
1 to 2 years	<b>1,421,597,883.19</b>	577,535,809.13
2 to 3 years	<b>262,341,986.76</b>	1,168,617,110.18
Over 3 years	<b>2,403,481,239.17</b>	1,458,357,509.43
Gross carrying amount	<b>24,616,131,076.03</b>	21,460,606,651.45
Less: Provision for credit loss	<b>3,197,607,459.44</b>	2,793,418,658.79
<b>Carrying amount</b>	<b>21,418,523,616.59</b>	18,667,187,992.66

Disclosure by category of provision for bad debts:

Item	31 December 2022				Carrying amount
	Gross carrying amount	Proportion (%)	Provision for credit losses	Percentage (%)	
Items assessed for expected credit losses individually	5,264,751,188.55	21.39	2,485,020,803.34	47.20	2,779,730,385.21
Items assessed for expected credit losses by group with distinctive credit risk characteristics	<u>19,351,379,887.48</u>	<u>78.61</u>	<u>712,586,656.10</u>	<u>3.68</u>	<u>18,638,793,231.38</u>
<b>Total</b>	<b><u>24,616,131,076.03</u></b>	<b><u>100.00</u></b>	<b><u>3,197,607,459.44</u></b>	<b><u>12.99</u></b>	<b><u>21,418,523,616.59</u></b>
Item	31 December 2021 (Restated)				Carrying amount
	Gross carrying amount	Proportion (%)	Provision for credit losses	Percentage (%)	
Items assessed for expected credit losses individually	3,519,712,222.36	16.40	2,129,050,607.15	60.49	1,390,661,615.21
Items assessed for expected credit losses by group with distinctive credit risk characteristics	<u>17,940,894,429.09</u>	<u>83.60</u>	<u>664,368,051.64</u>	<u>3.70</u>	<u>17,276,526,377.45</u>
<b>Total</b>	<b><u>21,460,606,651.45</u></b>	<b><u>100.00</u></b>	<b><u>2,793,418,658.79</u></b>	<b><u>13.02</u></b>	<b><u>18,667,187,992.66</u></b>

As at 31 December 2022, the Group's accounts receivable assessed for expected credit losses individually are presented as follows:

RMB

Customers	Gross carrying amount	Provision for credit losses	Percentage (%)	Reasons
Customer 1	860,150,866.93	558,654,155.10	64.95	Bad repayment ability
Customer 2	449,576,400.00	48,000,000.00	10.68	Significant decrease in recovery rate
Customer 3	215,229,874.41	183,408,527.53	85.22	Bad repayment ability
Customer 4	162,517,310.06	56,967,877.32	35.05	Bad repayment ability
Customer 5	111,878,808.83	111,878,808.83	100.00	Bad repayment ability
Customer 6	75,871,191.17	75,871,191.17	100.00	Bad repayment ability
Customer 7	56,927,140.00	56,927,140.00	100.00	Long credit age
Customer 8	49,159,575.31	49,159,575.31	100.00	Bad repayment ability
Customer 9	47,813,595.03	35,130,334.31	73.47	Assets have been preserved
Customer 10	44,693,549.06	44,693,549.06	100.00	Long credit age
Others	3,190,932,877.75	1,264,329,644.71	39.62	Long credit age, etc.
<b>Total</b>	<b>5,264,751,188.55</b>	<b>2,485,020,803.34</b>		

As at 31 December 2022, the Group's accounts receivable for which credit losses are provided for using impairment matrix based on aging analysis are presented as follows:

RMB

Age	31 December 2022		
	Gross carrying amount	Lifetime expected credit loss	Expected credit loss rate (%)
Within 1 year	5,818,688,270.24	156,987,393.46	2.70
1 to 2 years	317,822,403.27	49,708,243.91	15.64
2 to 3 years	89,237,039.20	31,396,864.64	35.18
3 to 4 years	51,439,846.54	36,917,260.25	71.77
4 to 5 years	39,689,391.85	36,454,962.00	91.85
Over 5 years	293,540,984.80	293,540,984.79	100.00
<b>Total</b>	<b>6,610,417,935.90</b>	<b>605,005,709.05</b>	<b>9.15</b>



As at 31 December 2022, the Group's accounts receivable for which credit losses are provided for using overdue ages as credit risk characteristics are presented as follows:

RMB

Overdue ages	31 December 2022		
	Gross carrying amount	Lifetime expected credit loss	Expected credit loss rate (%)
Not yet overdue or overdue for less than 90 days	11,125,637,872.19	62,491,656.13	0.56
Overdue for more than 90 days but less than 180 days	452,654,497.00	10,078,897.09	2.23
Overdue for more than 180 days	243,913,487.40	20,829,720.65	8.54
<b>Total</b>	<b>11,822,205,856.59</b>	<b>93,400,273.87</b>	<b>0.79</b>

As at 31 December 2022, provisions for credit losses for the Group's accounts receivable with good credit history are presented as follows:

RMB

Item	31 December 2022		
	Gross carrying amount	Lifetime expected credit loss	Expected credit loss rate (%)
Accounts receivable with good credit history	918,756,094.99	14,180,673.18	1.54

As at 31 December 2022, the top five balances in respect of accounts receivable by closing balance are presented as follows:

RMB

Name of entity	Gross carrying amount	Proportion (%)	Provision for credit losses
First place	860,150,866.93	3.49	558,654,155.10
Second place	553,347,935.50	2.25	–
Third place	449,576,400.00	1.83	48,000,000.00
Fourth place	390,683,161.48	1.59	7,949,576.34
Fifth place	347,456,049.80	1.41	10,423,681.49
<b>Total</b>	<b>2,601,214,413.71</b>	<b>10.57</b>	<b>625,027,412.93</b>

Movements in provision for credit losses:

RMB

<b>Provision for credit losses</b>	<b>Lifetime expected credit loss (without impairment of credit)</b>	<b>Lifetime expected credit loss (with impairment of credit)</b>	<b>Total</b>
Balance as at 31 December 2021 (Restated)	758,002,914.97	2,035,415,743.82	2,793,418,658.79
Balance as at 31 December 2021 in the current year			
– Transferred to receivables with impairment of credit	(107,247.32)	107,247.32	–
– Reversal of receivables without impairment of credit	–	–	–
Provision for the year	187,962,447.99	502,717,750.65	690,680,198.64
Reversal during the year	(180,934,538.86)	(20,000,000.00)	(200,934,538.86)
Written-off during the year	–	(91,091,571.41)	(91,091,571.41)
Adjustment for exchange differences	511,583.14	5,023,129.14	5,534,712.28
Balance as at 31 December 2022	<u>765,435,159.92</u>	<u>2,432,172,299.52</u>	<u>3,197,607,459.44</u>

As at 31 December 2022, the balance of restricted accounts receivable of the Group amounted to RMB63,589,641.23 (31 December 2021: RMB272,424,416.97).

## 5. NOTES PAYABLE

RMB

Item	31 December 2022	31 December 2021 (Restated)
Bank acceptance bills	21,998,263,547.45	30,187,620,343.17
Commercial acceptance bills	<u>26,487,386.88</u>	<u>3,473,491,340.42</u>
<b>Total</b>	<b><u>22,024,750,934.33</u></b>	<b><u>33,661,111,683.59</u></b>

As at 31 December 2022, the Group had no outstanding notes payable which were due (31 December 2021: Nil).

## 6. ACCOUNTS PAYABLE

An aging analysis of accounts payable based on billing dates is presented as follows:

RMB

Item	31 December 2022	31 December 2021 (Restated)
Within 1 year	43,792,975,117.25	42,668,154,123.40
Over 1 year	<u>1,767,102,062.51</u>	<u>981,095,869.29</u>
<b>Total</b>	<b><u>45,560,077,179.76</u></b>	<b><u>43,649,249,992.69</u></b>

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

As at 31 December 2022, there was no payable which was material and aged over one year (31 December 2021: Nil).

## 7. REVENUE AND COST OF SALES

### (1) Revenue and cost of sales

RMB

Item	Incurred during the year		Incurred in previous year (Restated)	
	Revenue	Cost	Revenue	Cost
Revenue from principal operations	172,170,215,429.74	141,420,288,397.55	214,703,694,521.45	173,727,063,473.82
Other revenue	2,987,320,196.08	2,590,307,814.57	5,511,371,807.41	4,706,977,810.77
<b>Total</b>	<b>175,157,535,625.82</b>	<b>144,010,596,212.12</b>	<b>220,215,066,328.86</b>	<b>178,434,041,284.59</b>

### (2) Details of revenue

RMB

Item	Incurred during the year	Incurred in previous year (Restated)
Revenue from principal operations		
Sales of goods and others	75,917,002,110.02	119,473,885,801.22
Revenue from forklift trucks production and sales and warehousing technology	52,025,038,787.05	49,609,393,119.57
Revenue from supply chain solution services	26,885,354,006.69	28,870,948,566.65
Agricultural equipment	17,342,820,525.98	16,749,467,034.01
Sub-total	172,170,215,429.74	214,703,694,521.45
Other revenue		
Sales of materials	2,231,493,925.01	4,687,015,371.40
Lease income	81,760,203.26	103,310,729.61
Provision of non-industrial labour	158,499,663.39	167,103,043.69
Others	515,566,404.42	553,942,662.71
Sub-total	2,987,320,196.08	5,511,371,807.41
<b>Total</b>	<b>175,157,535,625.82</b>	<b>220,215,066,328.86</b>

### (3) Reporting segment

RMB

Item	Engines	Automobiles and automobile components	Intelligent logistics	Agricultural equipment	Total
Classified by major regions of operation					
Including: Mainland China	25,183,720,865.74	32,974,879,548.40	5,243,742,554.07	16,698,229,904.51	80,100,572,872.72
Other countries and regions	8,022,021,368.72	12,411,065,783.34	73,666,650,239.67	957,225,361.37	95,056,962,753.10
<b>Total</b>	<b>33,205,742,234.46</b>	<b>45,385,945,331.74</b>	<b>78,910,392,793.74</b>	<b>17,655,455,265.88</b>	<b>175,157,535,625.82</b>
Classified by time for recognition of revenue					
Including: Transferred at a certain point of time	33,131,867,265.89	45,247,809,365.30	42,796,326,602.41	17,576,486,173.72	138,752,489,407.32
Provided over a certain period of time	5,331,578.91	87,084,190.08	28,267,682,805.21	76,728,126.47	28,436,826,700.67
Revenue arising from the contracts with customers	33,137,198,844.80	45,334,893,555.38	71,064,009,407.62	17,653,214,300.19	167,189,316,107.99
Revenue under the Standard on Lease	68,543,389.66	51,051,776.36	7,846,383,386.12	2,240,965.69	7,968,219,517.83
<b>Total</b>	<b>33,205,742,234.46</b>	<b>45,385,945,331.74</b>	<b>78,910,392,793.74</b>	<b>17,655,455,265.88</b>	<b>175,157,535,625.82</b>

### (4) Performance of obligations

The supply chain solution services provided by the Group belong to the performance obligation satisfied over a certain period of time. The performance costs actually incurred on a cumulative basis as a percentage of estimated total costs is used to ascertain progress of performance of supply chain solution services contracts. As at 31 December 2022, some of the Group's supply chain solution services contracts were still in the process of performance, the transaction price allocated to the outstanding (or partially unperformed) performance obligations is related to the performance progress of each supply chain solution services contract, and will be recognised as revenue in the future performance period of each supply chain solution services contracts based on the performance progress.

(5) **Allocation to the outstanding performance obligations**

The amount of revenue corresponding to the contract performance obligations for which the contracts had been entered into and which had not been performed or fully performed as at the end of the Year was RMB30,642,896,595.30. Information related to revenue expected to be recognised in respect of outstanding performance obligations under contracts is set out below:

*RMB*

<b>Term</b>	<b>31 December 2022</b>
Within 1 year	<b>19,036,012,204.20</b>
1 to 2 years	<b>7,945,984,340.10</b>
2 to 3 years	<b>1,784,153,398.20</b>
3 to 4 years	<b>999,337,604.10</b>
4 to 5 years	<b>527,864,687.70</b>
Over 5 years	<b>349,544,361.00</b>

8. **TAXES AND SURCHARGES**

*RMB*

<b>Item</b>	<b>Incurred during the year</b>	<b>Incurred in previous year (Restated)</b>
Property tax	<b>213,249,183.50</b>	144,640,051.31
City maintenance and construction tax	<b>50,251,602.40</b>	201,751,610.82
Educational surtax	<b>37,172,438.43</b>	216,291,317.57
Stamp duty	<b>83,169,897.00</b>	154,620,159.78
Others	<b>96,974,844.55</b>	122,891,217.92
<b>Total</b>	<b>480,817,965.88</b>	840,194,357.40

## 9. INCOME TAX EXPENSES

RMB

Item	Incurred during the year	Incurred in previous year (Restated)
Current tax expenses	984,266,790.64	2,671,874,469.95
Deferred tax expenses	(581,751,136.39)	(396,358,478.49)
<b>Total</b>	<b>402,515,654.25</b>	<b>2,275,515,991.46</b>

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

RMB

Item	Incurred during the year	Incurred in previous year (Restated)
Total profit	6,085,207,005.22	14,459,535,247.55
Tax at statutory tax rate	<i>Note 1</i> 1,521,301,751.31	3,614,883,811.89
Effect of different tax rates applicable to the Company and some subsidiaries	<i>Note 2</i> (647,767,817.01)	(885,953,845.62)
Effect of tax rate change on opening balance of deferred income tax	(214,704.00)	(5,875,134.39)
Adjustments to current tax of previous periods	(220,092,846.52)	7,872,862.91
Profits and losses attributable to associates and joint ventures	63,622,110.52	(18,344,949.04)
Income not subject to tax	(235,655,738.33)	(387,864,771.20)
Expenses not deductible for tax	395,584,245.04	245,227,197.69
Effect of tax incentives on eligible expenditures	(908,914,642.26)	(815,349,174.01)
Effect of utilisation of deductible losses and deductible temporary difference of unrecognised deferred tax assets from prior years	(150,208,213.70)	(88,720,555.63)
Effect of unrecognised deductible losses and deductible temporary difference	609,754,998.53	626,441,053.61
Others	(24,893,489.33)	(16,800,504.75)
Tax expense at the Group's effective tax rate	<b>402,515,654.25</b>	<b>2,275,515,991.46</b>

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

*Note 2:* The PRC income tax of the Group is calculated based on the estimated taxable income gained in the PRC and applicable tax rate. Tax arising from the taxable income in other regions is calculated at applicable tax rate according to existing laws, interpretations and practices of the country in which the Group operates.

No provision for Hong Kong profit tax has been made as the Group had no taxable profits arising in Hong Kong for the year.

## 10. EARNINGS PER SHARE (EPS)

The basic EPS is calculated by dividing the net profit of the current period attributable to the ordinary shareholders of the Company by the weighted average number of outstanding ordinary shares.

The calculation of basic EPS is detailed as follows:

	<i>RMB</i>	
<b>Item</b>	<b>Incurred during the year</b>	Incurred in previous year (Restated)
Earnings		
Net profit of the current year attributable to ordinary shareholders of the Company	<b><u>4,905,013,042.11</u></b>	<u>9,492,605,156.58</u>
Shares		
Weighted average number of the ordinary shares outstanding of the Company	<b><u>8,675,816,523.08</u></b>	<u>8,396,272,268.50</u>
Basic EPS (RMB/share)	<b><u>0.57</u></b>	<u>1.13</u>

The Group holds no potential shares that are significantly dilutive.



## 11. OTHER COMPREHENSIVE INCOME

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

RMB

Item	Balance as at 31 December 2021 (Restated)	Incurred before the income tax for the current year	Less: Amount recognised in other comprehensive income in previous period and recognised in profit or loss in current period	Incurred during the year			Less: Amount recognised in other comprehensive income in previous period and recognised in retained earnings in current period	Balance as at 31 December 2022
				Less: Income tax expenses	Attributable to parent company after tax	Attributable to minority interests after tax		
I. Those other comprehensive income not to be reclassified								
into profit or loss	139,454,929.85	4,234,199,017.53	-	1,185,333,818.72	1,313,568,720.66	1,735,296,478.15	8,253,383.72	1,444,770,266.79
Changes arising from re-measuring of defined benefit plan	(747,185,726.58)	4,449,475,235.43	-	1,250,939,153.99	1,580,411,176.85	1,618,124,904.59	-	833,225,450.27
Other comprehensive income not to be reclassified into								
profit or loss using the equity method	(146,749,317.89)	92,520,934.87	-	-	33,986,931.49	58,534,003.38	-	(112,762,386.40)
Change in fair value of investment in other equity instruments	1,033,389,974.32	(307,797,152.77)	-	(65,605,335.27)	(300,829,387.68)	58,637,570.18	8,253,383.72	724,307,202.92
II. Other comprehensive income to be reclassified into								
profit or loss	(1,267,891,291.75)	1,336,533,381.22	(95,951,745.00)	10,134,583.78	562,606,634.76	859,743,907.68	-	(705,284,656.99)
Other comprehensive income to be reclassified into								
profit or loss using the equity method	41,559,933.95	(52,951,314.27)	-	-	(52,951,314.27)	-	-	(11,391,380.32)
Cashflow hedging reserve	(2,914,146.19)	73,777,340.46	(95,951,745.00)	10,134,583.78	130,869,878.09	28,724,623.59	-	127,955,731.90
Exchange differences on foreign currency translation	(1,306,537,079.51)	1,315,707,355.03	-	-	484,688,070.94	831,019,284.09	-	(821,849,008.57)
Total of other comprehensive income	<u>(1,128,436,361.90)</u>	<u>5,570,732,398.75</u>	<u>(95,951,745.00)</u>	<u>1,195,468,402.50</u>	<u>1,876,175,355.42</u>	<u>2,595,040,385.83</u>	<u>8,253,383.72</u>	<u>739,485,609.80</u>

## 12. DIVIDEND

	2022 RMB'000	2021 RMB'000
Proposed final dividend – RMB0.158 (2021: RMB0.185) per ordinary share	<u>1,365,008</u>	<u>1,599,937</u>

On 30 March 2023, the Company's 2022 profit distribution proposal was approved by the Company's fifth meeting of the sixth session of the Board. The Company proposed a distribution to all shareholders of a cash dividend of RMB1.58 (including tax) for every 10 shares held, without any capitalisation of reserve, based on the total number of shares of 8,639,291,296 shares (eligible for profit distribution (calculated by deducting 87,265,525 shares in the securities account designated for share repurchase from the total share capital of the Company of 8,726,556,821 shares) as at 31 December 2022. Implementation of the proposal is subject to the consideration and approval by the 2022 annual general meeting of the Company.

## 13. COMPARATIVE FIGURES

The mergers and absorptions of Weichai Lovol and Components Branch of Heavy Machinery during the Year were both considered a business combination under common control. Therefore, the Company retrospectively adjusted the opening balance of the Year and the relevant financial statements for the corresponding period of the previous year in accordance with the relevant requirements for business combinations under common control.

## CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board, I would like to present the audited annual results of the Company as of 31 December 2022.

### I. REVIEW OF OPERATING CONDITIONS

In 2022, despite facing three-fold pressure from shrinking demand, supply shock and weakened expectations and being affected by unexpected factors such as geo-political conflicts, China sustained stability while seeking progress with its effective coordination and maintained stability in the overall economic and social development. The annual gross domestic product reached RMB121.02 trillion, representing a year-on-year increase of 3% at constant prices. Affected by factors such as slowdown in economic growth and impeded logistics, the heavy-duty truck industry of China delivered a sales volume of 671,900 units, representing a year-on-year decrease of 51.8%; the light-duty truck industry delivered a sales volume of 1,618,000 units, representing a year-on-year decrease of 23.4%; the construction machinery industry delivered a sales volume of 814,000 units (including 341,000 units of diesel forklift trucks), representing a year-on-year decrease of 20%; the agricultural equipment industry delivered a sales volume of 510,000 units, representing a year-on-year increase of 11.6%.

During the reporting period, in the face of the downward pressure in macroeconomy and industry, the Company made scientific planning and implemented precise policies to continuously deepen internal reforms, actively expand segment markets, continuously increase investment in research and development, maintaining its advantageous position in the industry. Continuous breakthroughs in new technology, new products and new business maintained a high-quality development of the Company and demonstrated its great resilience. In 2022, the Company's revenue decreased by 20.5% as compared with that in the corresponding period of 2021 to approximately RMB175,158 million. Net profit attributable to the shareholders of the listed company amounted to approximately RMB4,905 million, representing a decrease of approximately 48.3% as compared with that in the corresponding period of 2021. Basic earnings per share was RMB0.57, representing a decrease of approximately 50.0% as compared with that in the corresponding period of 2021.

#### 1. Power System Business

**With comprehensive enhancement in technological R&D capability, our innovations took lead in the industry.** We established the National Internal Combustion Engine Product Quality Inspection and Testing Center and the National Internal Combustion Engine Industrial Measurement and Testing Center. The establishment of the national key laboratories of internal combustion engine and power system based on the State Key Laboratory of Internal Combustion Engine Reliability has been officially approved by the Ministry of Science and Technology. These laboratories are the first national key laboratories which had completed reorganisation with a leading position in the industry for both cutting-

edge and fundamental scientific research capability. The successive launch of the world's first commercial diesel engines with thermal efficiency exceeding 51% and 52% has set new world records consecutively and continued to take lead in the global internal combustion engine industry. The launch of WP14H, WP15H, WP15NG and the new T-series high-end products with outstanding technical and performance indicators led the transformation and upgrade of the industry. Large-diameter high-speed engine products continued to make contribution with their high-quality and high-performance; with continuous efforts in markets such as data centre, ocean fishing and official vessel, sales volume of such products achieved a rapid growth. **With significant advantage as a market leader in powertrains, our product value continued to increase.** Continuous upgrade in commercial vehicle powertrains and development of integrated powertrain system provided higher reliability and better economy. 100-ton wide-bodied mining trucks equipped with high-horsepower gold-rank powertrain were delivered in batches and received wide recognition from the market and customers. The independently-built high-end hydraulic powertrain for construction machinery was fully introduced to the market, and the first static hydraulic powertrain successfully realised bulk installation and configuration, leading the industry to a new round of upgrade.

During the reporting period, the Company's product and market structures continued to optimise and its brand value was further increased, maintaining a healthy and stable development. Sales volume of various kinds of engines, gear boxes and axles amounted to 573,000 units, 590,000 units and 530,000 units, respectively. Among which, the export volume of engines and gear boxes reached 55,000 units and 25,000 units, representing a year-on-year increase of 55.9% and 54.2%, respectively. The revenue of large-diameter engines achieved RMB2.95 billion, representing a year-on-year growth of 109%. The domestic revenue of high-end hydraulic products amounted to RMB650 million, representing a year-on-year growth of 14.9%.

## 2. Commercial Vehicle Business

The Company unswervingly implemented the leading strategy with complete vehicles and machineries, accelerated the coordination of resources and upgrade of the industrial chain structure, and continuously enhanced the competitiveness of its products. Struck by multiple unfavorable factors such as industry downturn and shrinking demands, Shaanxi Heavy-duty Motor Company Limited ("Shaanxi Zhongqi"), a controlling subsidiary of the Company, focused on customers' demand, fully upgraded the product platform, comprehensively implemented marketing reform and deepened service innovation, recording a total sales volume of heavy-duty trucks of 80,000 units throughout the year. **With the increased market competitiveness of our major products, the export sales volume reached the highest level in history.** The construction dump truck segment maintained its industry-leading position and the sales volume of cargo trucks increased by five times. We actively integrated into the "Belt and Road" initiative

for joint construction and sharing, and seized the opportunities in the international market. Sales volume in the overseas market increased by more than 79% year-on-year, achieving the best performance in history. **Adhering to innovation-driven development, we took the lead to enter the new energy-saving era of high-horsepower high-end heavy-duty trucks in China.** High-end products of the high-horsepower series were successfully launched for sale and the sales volume of X6000-series products exceeded 2,000 units, forgoing Shaanxi Zhongqi into the most fuel-efficient brand in the heavy-duty industry and achieving new breakthrough in the high-end high-horsepower market. Seizing the opportunity of explosive growth in the new energy market, our annual sales volume recorded a year-on-year increase of 291.3%.

### 3. Agricultural Equipment Business

Focusing on businesses of intelligent agricultural machinery and intelligent agriculture, the Company continuously increased investment in technological research and development, opened up and integrated resources and innovated the business development model to promote the transformation from a traditional agricultural machinery equipment manufacturer to a service provider of intelligent agricultural science and technology system. The total annual sales volume of agricultural equipment products achieved significant increase, among which, the sales volume of large tractors with 200 horsepower or more, wheat machines and corn machines remained the first in the industry, maintaining a stable leading position. **Focusing on high-end agricultural machinery products, we established the top brand of agricultural machinery in China.** Leveraging Weichai's core industry resources such as full series of high-end non-road engines, continuously variable transmission (CVT) powertrains and hydraulic pressure powertrains, we promoted and finished the development of strategic products such as CVT and power-shift tractors, large-input vertical and straw walker wheat machines, 8-10kg rice harvesters, forage harvesters, corns harvesters for both stalk and corncob and high-end agricultural machinery. We also completed bulk delivery of China's first commercial 240hp CVT intelligent tractors and offered intelligent solutions for full agricultural mechanisation. **Targeting the frontier of intelligent agriculture, we led the transformation and upgrade of the industry.** With continuous development in key technologies, we made technological breakthroughs in wire-controlled chassis and intelligence of heavy-duty tractors and completed the development of L2-level intelligent driving products. We upgraded the smart farm management platform 2.0 and fully mastered the core technologies including multi-parameter monitoring and intelligent control and multi-parameter fusion control strategy, which solved the technical difficulties in yield monitoring, loss monitoring and intelligent control of large-input wheat harvesters. We have been actively exploring the agricultural social service model and have set up and started the pilot operation of an agricultural service branch company, which has completed an operating area of 100,000 mu throughout the year.

#### 4. Intelligent Logistics Business

KION Group AG (“KION”), an overseas controlling subsidiary of the Company, is a globally leading supplier in the area of intralogistics. KION assists factories, warehouses and distribution centres to optimise their materials flow and information flow through the design, establishment and improvement of logistics solutions in over a hundred countries and regions around the world. In 2022, KION realised a sales revenue of EUR11.136 billion, representing a year-on-year growth of 8.2%, in which the business of supply chain solutions (represented by Dematic Group) realised a sales revenue of EUR3.807 billion. KION Forklift Truck has dug deep into the market demands, continuously improved the autonomous operation level of intelligent transportation equipment, and created intelligent unmanned forklift truck solutions for automated warehousing and logistics. Driven by digital transformation, KION Forklift Truck combined supply chain expertise and cloud computing with artificial intelligence and machine learning technology to accelerate cloud platform innovation and deployed and developed a new generation of warehouse management solutions, so as to help customers to fully understand the system operation efficiency.

#### 5. New Business Format, New Energy and New Technology

Against the backdrop of the national strategy of carbon peak and carbon neutrality, the Company has thoroughly implemented the new development concept to actively offer Weichai’s solutions and opened up a new path for diversified energy transformation. **Focusing on electric-powered powertrain system business, our core technologies reached the industry-leading level.** We completed the development of electric drive axle powertrain and central drive powertrains, increasing the product performance by 3-5%. Focusing on the development of core component products, we completed development of products including flat wire motor and all-in-one controller, with an industry-leading power density and integration level. **Accelerating breakthroughs in technologies and implementation of industrialisation, we took the lead on the new hydrogen energy track.** We completed the development of the full series of industry-leading 15-260kW fuel cell products and achieved a leading position with the industry. We promoted the launch of the hydrogen fuel-cell heavy-duty truck demonstration operation project in Qingdao Port, which was the first amongst the ports in China, and the first highway hydrogen refueling station in China which commenced operation in Zibo. The 49-ton fuel cell heavy-duty trucks equipped with products of Weichai Power commenced demonstration operation along the Jinan-Qingdao Expressway and had an operating mileage of over 240,000 kilometers. We, jointly with China National Heavy Duty Truck Group, launched the first high-end heavy-duty truck equipped with the 13L hydrogen internal combustion engine developed by Weichai in China, pushing heavy-duty commercial vehicles into a new era of diversified energy sources.

## **II. DIVIDENDS AND CAPITALISATION OF RESERVE**

On 30 March 2023, the Company's 2022 profit distribution proposal was considered and approved by the Company's fifth meeting of the sixth session of the Board. Based on 8,639,291,296 shares eligible for profit distribution (calculated by deducting 87,265,525 shares in the securities account designated for share repurchase from the total share capital of the Company of 8,726,556,821 shares) as at 31 December 2022, the Company intends to distribute to all shareholders a cash dividend of RMB1.58 (including tax) for every 10 shares held, without any capitalisation of reserve. Upon the implementation of the 2022 dividends distribution plan, if there is a change in the total amount of shares eligible for profit distribution, the Company will adjust the total amount of profit distribution in accordance with the principle that "the distribution proportion shall remain unchanged" on the basis of the total number of shares eligible for profit distribution as at the record date for the implementation of the distribution plan for A shares. This proposal is subject to the consideration and approval at the 2022 annual general meeting. The expected payment date for the cash dividend as well as the relevant record date on the entitlements to the payment of the cash dividend will be determined by the Board and announced no later than two months after the date of obtaining the said shareholders' approval.

## **III. OUTLOOK AND PROSPECTS**

Looking ahead to 2023, global economic growth is expected to further slow down, with eased inflation. China, India and Southeast Asia are expected to maintain faster growth and are the main driving forces for the global economic growth. In 2023, the Central Economic Working Conference has set growth stabilisation as the top priority. With the coordination between various policies, the organic combination of the strategy to expand domestic demand and the deepening of the supply-side structural reform, China's economy will enter a period of conversion of domestic and foreign demand growth momentum. It is expected that policies on stabilising demand-side growth are expected to be further increased, and the overall economy is expected to rebound. Report on the Work of the Government indicated that the target of China's GDP growth would be around 5%. The trend of the consumption-led GDP growth driven will be more pronounced, and expanding effective investment will further play an important role in stabilising the economy. The Chinese market remains an important battleground for global enterprises.

In 2023, under the influence of favorable factors such as macroeconomic growth and rebound of the freight market, the commercial vehicle industry is expected to gradually climb out of the bottom and see a momentum of recovery, while the sales volume of heavy trucks is expected to increase significantly. Factors such as escalated infrastructure investment, the gradual implementation of the "stabilising the real estate market" policy, and recovered demand in the export market are favorable for the development of the construction machinery industry. As the implementation of the national carbon peak and carbon neutrality strategic policy continues to be deepened along with the strengthening of upgrade efforts for the industry's ultra-low emission transformation and upgrading, the penetration rate of the new energy market will increase significantly. The new energy industry will continue to maintain a rapid growth, which will bring new opportunities for the development of the Company's new energy business segment.

In 2023, the general principles of the Company are: in-depth reform, technology leadership, collaboration and sharing, streamlined administration and delegation of authority, handsome reward and severe punishment as well as profit maximisation.

**We will continue to consolidate our leading position in the industry and promote products towards high-end market.** We will ensure the enhancement of our advantages in core markets, increase the sales volume in strategic markets, and hence, the overall increase in the market share of the segment markets and the realisation of supporting layout in new markets. We will also accelerate the adjustments of business and product structures. For the power system, we will consolidate the global leading advantages of traditional energy sources and rapidly improve the competitiveness of new energy sources in order to become the most powerful core technical support for complete vehicles and machineries. For commercial vehicles, we will accelerate the establishment of full-range leading advantages and equip our heavy truck products with global-leading competitiveness. For agricultural equipment, we aim to become the absolute leader in China's high-end agricultural machinery as well as a leader in the new intelligent agricultural ecology, which will become an important pole in the global agricultural machinery industry. For construction machinery, we will give full play to the advantages of high-end hydraulic powertrain and have a voice in the high-end market. For intelligent logistics, we will continue to lead the development of the global industry and accelerate our move up the first tier in China. **Efforts will be made to accelerate technological leadership and unswervingly enhance product competitiveness.** In terms of traditional power, we will accelerate the product transformation of high thermal efficiency research and development outcomes, as well as maintain a continuous leading edge in technology. Through the creation of new products such as China VII and low-carbon internal combustion engines, we will constantly explore feasible technical routes, and prepare reserves in advance. Focusing on market-oriented research and development of pure electric powertrain products, we will enhance the core competitiveness of fuel-cells, motors, motor controllers and electric powertrain products. Leveraging the advantages of complete machinery of the Group, we will improve the hydraulic system product chain and complete the development and bulk application of hydraulic products for a full range of excavators with different subdivision tonnages. **We will deepen the market-oriented reform and activate the endogenous power of the enterprise.** We will further deepen the internal distribution reform, establish a unified remuneration system and form a precise assessment and incentive system, so that value creators are rewarded with appropriate returns. In addition, organisational flattening reform and process data integration will be deepened to greatly shorten the management chain, streamline and integrate departments and positions while improve operational quality. Through continuously enriching and improving the WOS management model and increasing its promotion and application, the operation level of the industrial chain will be further enhanced. We will further refine the management and control mechanism of our subsidiaries, strengthen supporting resources and service efforts and promote major breakthroughs in new business formats and new businesses.

#### IV. APPRECIATION

Last but not least, I would like to express my sincere appreciation to all our shareholders, the general public and our customers for their care and support, as well as to all of our staff for their hard work and dedication!

## MANAGEMENT DISCUSSION AND ANALYSIS

The Directors are pleased to present a management discussion and analysis of the results of operations of the Group for the year ended 31 December 2022 as follows:

### I. Industry Analysis

The Company is one of the vehicle and equipment manufacturing conglomerates in the PRC with the best comprehensive strengths. Our development vision is to become a world leading, well-respected and sustainably developing multinational group of intelligent industrial equipment with its own core technologies, with vehicle and machinery as the leading business, and with powertrain as the core business. Over the years, the Company has been dedicated to product management and capital operation and striving to develop competitive products in terms of three key aspects: quality, technology and cost-effectiveness, thereby developing a new pattern of synergetic development among business segments including powertrains (including engines, gear boxes, axles and hydraulics), complete vehicles, agricultural equipment and intelligent logistics.

#### 1. *Commercial Vehicles, Construction Machinery and Agricultural Equipment Industries*

Although China's economy was confronted with quite a number of internal and external strikes in 2022, China sustained stability while seeking progress with its effective coordination and achieved positive outcomes in both economic and social development in general. With a stabilised macro-economy, the economic output continued to increase and the quality of development continued to improve. In 2022, the gross domestic product of the PRC reached RMB121.02 trillion, representing a year-on-year increase of 3% at constant prices.

Affected by factors such as slowdown in the economic growth and impeded logistics, during the Year, the heavy-duty truck industry of China delivered a sales volume of approximately 671,900 units, representing a year-on-year decrease of approximately 51.8%; the light-duty truck industry delivered a sales volume of 1,618,000 units, representing a year-on-year decrease of approximately 23.4%; the construction machinery industry delivered a sales volume of 814,000 units (including 341,000 units of diesel forklift trucks), representing a year-on-year decrease of approximately 20%; the agricultural equipment industry delivered a sales volume of 510,000 units, representing a year-on-year increase of approximately 11.6%.



## **2. *Industrial Trucks and Supply Chain Solutions***

In 2022, global economic activities generally slowed down and became more severe than expected, and inflation was at its highest level in decades. Cost-of-living crisis in various countries, tightening financial environment in most regions and geo-political conflicts have brought serious impacts to the global economic outlook.

As compared with the corresponding period last year, despite the lower demand, the global market for industrial trucks including services grew in value terms due to the increase in general price. For the supply chain solutions industry, according to the research by Interact Analysis, a research institution, despite the generally uncertain macroeconomic climate, there was a further year-on-year growth in the global market for supply chain solutions in 2022. Although there was a sharp fall in demand in the e-commerce segment, this was offset by a higher volume of investment in other customer segments.

## **II. The Group's Business**

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

### **1. *Powertrains, Complete Vehicles and Machines and Key Components***

The Group has been adhering to the innovation-oriented approach in making breakthroughs in core technologies with the advantages of the globally coordinated R&D platform. The Company successively launched the world's first commercial diesel engines with thermal efficiency exceeding 51% and 52%, which has set new world records consecutively and continued to take lead in the global internal combustion engine industry. With comprehensive enhancement in technological innovation capability, we led the transformation and upgrade of the industry. During the Year, the Company's product and market structures continued to optimise and its brand value was further increased, maintaining a healthy and stable development. In 2022, Company sold a total of approximately 573,000 units of engines, 590,000 units of gear boxes and 530,000 units of axles. Among which, the export volume of engines and gear boxes reached 55,000 units and 25,000 units, representing a year-on-year increase of 55.9% and 54.2%, respectively. The revenue of large-diameter engines achieved RMB2.95 billion, representing a year-on-year growth of 109%. The domestic revenue of high-end hydraulic products amounted to RMB650 million, representing a year-on-year growth of 14.9%.

Struck by multiple unfavourable factors such as industry downturn and shrinking demands, Shaanxi Heavy-duty Motor Company Limited, a controlling subsidiary of the Group, focused on customers' demand, fully upgraded the product platform, comprehensively implemented marketing reform and deepened service innovation, recording a total sales volume of heavy-duty trucks of 80,000 units throughout the year. It maintained its industry leading position in construction dump trucks, and the sales volume of cargo truck increased by five times.

The engine segment contributed approximately RMB33,206 million to the sales revenue of the Group during the Year, while the automobiles and automobile components segment contributed approximately RMB45,386 million to the sales revenue of the Group during the Year.

## 2. *Intelligent Logistics*

During the Year, the volume of the Group's industrial trucks orders decreased from approximately 299,400 units in the previous year to approximately 268,200 units, representing a year-on-year decrease of approximately 10.4%. As affected by the price adjustments in the second half of 2022, the annual amount of orders of the industrial trucks & services segment increased by approximately 3.2% to approximately EUR8,426 million as compared with EUR8,166 million in the corresponding period last year. Customers of the supply chain solutions segment, especially in the e-commerce sector, slowed down their new investment, which in turn led to a year-on-year decrease of approximately 22.3% in the annual amount of orders from approximately EUR4,329 million in the corresponding period last year to approximately EUR3,362 million this year. Intelligent logistics services contributed approximately RMB78,910 million to the Group's sales revenue during the Year, representing a slight increase as compared with approximately RMB78,480 million of last year.

## 3. *Agricultural Equipment*

During the Year, in face of the intensive market competition environment, Weichai Lovol, a controlling subsidiary of the Group, focused on two strategic businesses, namely, intelligent agricultural machinery and intelligent agriculture, and opened up and integrated resources. Based on the intelligent equipment for the full agricultural mechanisation, we promoted our transformation from a traditional agricultural machinery equipment manufacturer to a service provider of intelligent agricultural science and technology system. The total annual sales volume of agricultural equipment products achieved significant increase, among which, the sales volume of large tractors with 200 horsepower or more, wheat machines and corn machines remained the first in the industry, maintaining a stable leading position. The agricultural equipment segment contributed approximately RMB17,655 million to the sales revenue of the Group during the Year, representing an increase of approximately 3% as compared with that of the corresponding period last year.

Last year, the Company expected that its sales revenue in 2022 would increase by approximately 5% to approximately RMB213.7 billion. The actual sales revenue amounted to approximately RMB175.2 billion, representing a year-on-year decrease of approximately 20.5%. The lower-than-expected actual sales revenue was mainly affected by the cyclical downturn in the heavy-duty truck industry.

In 2023, it is expected that the global economic growth will further slow down and there will be significant ease in inflation. The Company will adhere to the principles of "in-depth reform, technology leadership, collaboration and sharing, streamlined administration and delegation of authority, handsome reward and severe punishment as well as profit maximisation" to steadfastly complete various target missions. By cooperating with complete vehicle and machine companies within the Group, we will continue to enhance our product competitiveness and brand influence. Considering the economic development trend and the industry situation, the Company expects that its sales revenue in 2023 would be approximately RMB192.7 billion, representing an overall growth of approximately 10% as compared with 2022.

### III. Financial Review

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

##### a. *Revenue*

In 2022, the Group's revenue amounted to approximately RMB175,158 million, representing a decrease of approximately RMB45,057 million or approximately 20.5% from approximately RMB220,215 million in the corresponding period in 2021, mainly attributable to the decrease in product sales volume as affected by the overall industry environment. Revenue from principal operations amounted to approximately RMB172,170 million, representing a decrease of approximately RMB42,534 million or approximately 19.8% from approximately RMB214,704 million in the corresponding period last year.

##### b. *Gross Operating Margin*

The gross operating margin during the Year was 17.8%, representing a decrease of approximately 1.2% as compared with that of the corresponding period last year. Among which, the domestic segment was mainly affected by factors including the overall decline in sales revenue, the increase in fixed production costs and the low gross profit margin of China VI products, while the overseas segment was mainly affected by the increase in raw material prices and the increase in supply chain costs.

##### c. *Distribution and Selling Expenses*

Distribution and selling expenses decreased by approximately 7.2% to approximately RMB10,661 million in the Year from approximately RMB11,490 million in the corresponding period of 2021, among which the after-sales and maintenance fees decreased by approximately RMB1,146 million as compared with that of the corresponding period of last year. This was primarily attributable to the decline in sales volume, the significant decrease in ownership rate and the decrease in provision for maintenance. However, the distribution and selling expenses as a percentage of revenue increased from approximately 5.2% in the corresponding period of last year to approximately 6.1% during the Year as affected by the decrease in revenue.

d. *General and Administrative Expenses*

General and administrative expenses decreased by approximately RMB577 million or approximately 6.6% from approximately RMB8,669 million in the corresponding period of 2021 to approximately RMB8,092 million in the Year. Among which, the payroll decreased by approximately RMB694 million as compared with that of the corresponding period of last year and the external support fee decreased by approximately RMB208 million as compared with that of the corresponding period of last year. The general and administrative expenses as a percentage of revenue increased from approximately 3.9% in the corresponding period of last year to approximately 4.6% during the Year.

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

During the Year, the Group's EBIT was approximately RMB7,487 million, representing a decrease of approximately RMB8,108 million or 52.0% from approximately RMB15,594 million in the corresponding period of 2021, which was resulted from the product sales volume as affected by the cyclical downturn in the industry. EBIT margin decreased from approximately 7.1% in the corresponding period of last year to approximately 4.3% during the Year.

f. *Finance Expenses*

Finance expenses increased from a net finance income of approximately RMB461 million in the corresponding period of 2021 to a net finance income of approximately RMB909 million during the Year. Among which, interest income increased by approximately RMB550 million year-on-year and the foreign exchange loss decreased by approximately RMB175 million as compared with that of the corresponding period of last year. On the other hand, as affected by the new long-term bank borrowing during the Year, interest expenses increased by approximately RMB267 million as compared with that of the corresponding period of last year.

g. *Income Tax Expenses*

The Group's income tax expenses decreased by approximately 82.3% from approximately RMB2,276 million in the corresponding period in 2021 to approximately RMB403 million during the Year, which was mainly attributable to the decrease in total profit. The Group's average effective tax rate decreased from approximately 15.7% in the corresponding period last year to approximately 6.6% during the Year.

*h. Net Profit and Net Profit Margin*

The Group's net profit decreased by approximately 53.4% from approximately RMB12,184 million in the corresponding period of 2021 to approximately RMB5,683 million during the Year. The Group's net profit margin for the Year was approximately 3.2%, which decreased by 2.3 percentage points from approximately 5.5% in the corresponding period last year. This was affected by the underperformance of the domestic segment, as well as the decrease in gross profit margin due to the increase in cost of overseas segments and the higher investment in research and development of domestic segments.

*i. Liquidity and Cash Flow*

During the Year, the Group generated net expense of operating cash flows of approximately RMB2,349 million and net cash flows from financing activities of approximately RMB4,852 million. A portion of that was applied to the acquisitions of 22.69% equity interest of Weichai Lovol (total consideration amounting to approximately RMB1,584 million), certain target assets of Components Branch of Heavy Machinery (total consideration amounting to approximately RMB72 million) and the aftertreatment business of Sinotruk Ji'nan Rubber & Plastic Components Co., Ltd. (total consideration amounting to approximately RMB591 million), repayment of borrowings, payment of interest, as well as the acquisition of property, plant and equipment for the expansion of the Group's business.

As of 31 December 2022, the Group's cash and cash equivalents (net of interest-bearing debts) amounted to net cash of RMB25,961 million. Based on the above calculations, the Group is in a net cash position. As at 31 December 2022, the Group's gearing ratio (net interest-bearing debts/(shareholders' equity + net interest-bearing debts)) was approximately 26.1% (as at 31 December 2021: 18.0%).

**2. Financial Position**

*a. Assets and Liabilities*

As at 31 December 2022, the Group had total assets of approximately RMB293,666 million, of which approximately RMB168,484 million were current assets. As at 31 December 2022, the Group had cash and cash equivalents of approximately RMB70,842 million (as at 31 December 2021: RMB79,679 million). On the same date, the Group's total liabilities amounted to approximately RMB189,555 million, of which approximately RMB119,743 million were current liabilities. The current ratio was approximately 1.41x (as at 31 December 2021: 1.35x).

b. *Capital Structure*

As at 31 December 2022, the Group had total equity of approximately RMB104,111 million, of which approximately RMB73,184 million was attributable to equity holders of the Company and the remaining balance was minority interests.

The borrowings of the Group as at 31 December 2022 amounted to approximately RMB36,796 million, which included bonds of approximately RMB6,057 million and bank borrowings of approximately RMB30,739 million.

Borrowings repayable on demand or within a period not exceeding one year were approximately RMB7,956 million; borrowings repayable within a period of more than one year but not exceeding two years were approximately RMB6,469 million; borrowings repayable within a period of more than two years but not exceeding five years were approximately RMB16,018 million; and borrowings repayable within a period of more than 5 years were approximately RMB296 million.

The bank borrowings included fixed interest rate bank borrowings of approximately RMB8,813 million and floating interest rate bank borrowings of approximately RMB21,926 million. Other than Euro-denominated borrowings equivalent to approximately RMB20,978 million, USD-denominated borrowings equivalent to approximately RMB1,698 million and GBP-denominated borrowings equivalent to approximately RMB233 million, borrowings are primarily Renminbi-denominated borrowings.

The revenue of the Group is mainly in Renminbi and Euro and the Group does not consider its currency risk significant. The key objectives of the Group's capital management are to maintain the Group's going concern and a sound capital ratio so as to support business development and maximise shareholders' value. The Group's overall strategy remains unchanged from prior years.

c. *Pledge of Assets*

As at 31 December 2022, bank deposits, notes receivable and receivable financing of approximately RMB16,220 million (as at 31 December 2021: approximately RMB20,240 million) were pledged to banks to secure the Group's notes payable, letter of guarantee, acceptance bills and letter of credit, etc. issued by banks. The pledged bank deposits carry prevailing bank interest rates. The pledge will be released upon the settlement of the relevant bank borrowings. The fair value of the bank deposits as at the balance sheet date was approximately the same as the carrying amount. Fixed assets, long-term receivables, accounts receivable and other non-current assets of approximately RMB8,326 million (as at 31 December 2021: approximately RMB6,520 million) were also pledged by the Group to secure bank borrowings, guarantee its liabilities under the staff retirement benefit and use in asset securitisation financing.

*d. Contingencies*

As at 31 December 2022, the Group provided certain distributors and agents with bank guarantee amounting to approximately RMB873 million (as at 31 December 2021: approximately RMB1,409 million) to secure their obtaining and use of banking facilities.

As at 31 December 2022, the Group provided guarantee for repurchase liabilities in respect of failure of the lessees under finance leases to settle instalment payments plus interest. Risk exposure in respect of possible guarantee for repurchase liabilities amounted to approximately RMB1,831 million (as at 31 December 2021: approximately RMB5,174 million).

*e. Commitments*

As at 31 December 2022, the Group had capital commitments of approximately RMB6,952 million (as at 31 December 2021: approximately RMB6,537 million), principally for the capital expenditure for the acquisition of property, plant and equipment. The capital expenditure will be financed by internal resources.

As at 31 December 2022, the Group had no other investment commitments (as at 31 December 2021: nil).

**3. Other Financial Information**

*a. Employees*

As at 31 December 2022, the Group had approximately 87,600 employees (including approximately 41,100 employees of KION). During the Year, the Group paid remuneration of approximately RMB29,535 million. The Group has established and perfected a remuneration incentive policy to promote the high quality and rapid development of the enterprise by evaluating the value of various types of personnel and referencing the market remuneration levels, setting competitive remuneration standards, reasonably setting personnel remuneration levels, determining the salary scale based on position and performance, and adjusting salary based on performance appraisals. During the Year, the Company's trainings are positioned to "empower individuals and the whole group, leading all members towards our strategic targets". Adopting the strategy-oriented and issue-focused approach, the training covered various aspects such as mid- to senior-level management, R&D, process, quality, sales and marketing, management and production, to nurture high-caliber and versatile talents in support of the Company's transformation and upgrade. During the Year, training expenses of approximately RMB27 million in total were incurred and a total of 3,965,637 hours of training was provided to 40,917 participants.

b. *Material Investment, Major Acquisition and Disposal*

In April 2022, the Company entered into the Share Transfer Agreement with Weichai Group Holdings Limited (“Weichai Holdings”) and Weichai Lovol, pursuant to which the Company purchased 274,401,120 Shares of Weichai Lovol (representing approximately 22.69% of the total issued shares of Weichai Lovol) from Weichai Holdings at the consideration of RMB1,584,461,400. Upon completion of the transaction, the Company held approximately 62.00% shares in aggregate of the total issued shares of Weichai Lovol. The amount paid for the abovementioned acquisition was funded out of the Group’s financial resources.

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

c. *Use of proceeds*

Reference is made to the announcements of the Company dated 24 December 2020, 25 January 2021, 26 January 2021, 29 January 2021, 12 April 2021, 23 April 2021 and 26 May 2021, and the circular (the “Circular”) of the Company dated 11 January 2021, in respect of, inter alia, the non-public issuance of A shares of the Company (“A Shares”).

The reasons for the non-public issuance of A Shares include to raise funds for the specific investments projects detailed in the table below and to replenish working capital, which will strengthen the capital capability of the Group and lay a sound foundation for the Group’s further expansion of its operations, and, in turn, enable it to realise breakthrough in its development and enhance its competitive strength.

The non-public issuance of A Shares of the Company was completed on 31 May 2021 and the relevant new A Shares were listed on the Shenzhen Stock Exchange on 1 June 2021. A total of 792,682,926 A Shares of RMB1.00 each (with an aggregate nominal value of RMB792,682,926) were issued to 25 subscribers which are in compliance with the relevant requirements of the “Measures for Administration of Issuance of Securities by Listed Companies” (《上市公司證券發行管理辦法》) and the “Implementation Rules for the Non-public Issuance of Shares by Listed Companies” (《上市公司非公開發行股票實施細則》) and are third parties independent of the Company and its connected persons at the issue price of RMB16.40 (and net price of approximately RMB16.38) per A Share.



The issue price of RMB16.40 per A Share represents a premium of approximately 9.26% to the benchmarked price of HK\$18.02 (equivalent to approximately RMB15.01), such benchmarked price being the closing price of H Shares on the date of the Company's acceptance of the subscriptions involving the non-public issuance of A Shares under the relevant general mandate. The total proceeds of the non-public issuance of A Shares amounted to RMB12,999,999,986.40. The status of the use of such proceeds as of 31 December 2022 is set out below:

Project name	Name of the investment project		<i>RMB million</i>			
		Sub-project name	Total investment amount of the relevant project	The amount of proceeds to be applied	The amount of proceeds applied as of 31 December 2022	
Fuel Cell Industry Chain Development Project		Hydrogen-fueled cell and key components industrialisation project	712.28	500.00	71.49	
		Solid oxide fuel cell and key components industrialisation project	1,512.50	500.00	15.99	
		Key components of fuel cell powertrain research and development and construction capabilities project	1,479.27	1,000.00	187.30	
Full Series of H Platform High-end Road-going Engines of China VI or above Emission Standards Project		New million units digitalised power industry base stage I project	5,625.85	3,000.00	18.01	
		H platform engines intelligent manufacturing upgrade project	1,100.00	1,000.00	142.41	
Large Diameter High-end Engine Industrialisation Project		Large diameter high-end engine laboratory project	1,395.00	1,075.00	147.07	
		High efficiency and high speed self-owned brand engine industrialisation project	998.42	685.00	111.39	
		Large diameter high-end engine development project	1,847.84	1,240.00	239.54	
Full Series hydraulic pressure powertrain and large-scale continuously variable transmission (CVT) powertrain industrialisation project			3,134.08	3,000.00	261.17	
Replenishment of working capital			1,000.00	1,000.00	800.72	
			<b>Total</b>	<b>18,805.24</b>	<b>13,000.00</b>	<b>1,995.09</b>

It is expected that the remaining proceeds, being approximately RMB11.398 billion in aggregate (including accumulated interest received from bank deposits and wealth management income net of bank handling fees), would continue to be used for the relevant investment projects as set out above. The Board considers that the proceeds from the issuance of A shares had been and will be applied in accordance with the specific uses and timeline of proposed use of proceeds as disclosed in the Circular (with adjusted timeline approved by the Board on 30 March 2022 and 30 March 2023).

## OTHER INFORMATION

### Directors' and Supervisors' Interests in Shares and Underlying Shares

As at 31 December 2022, the interests and short position (if any) of the directors, the chief executives and the supervisors in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code"), were as follows:

Name of director	Capacity	Number of "A" shares held	Number of "H" shares held	Percentage of the issued share capital of the Company
Tan Xuguang	Beneficial owner	58,842,596 (Note 1)	–	0.67%
Zhang Quan	Beneficial owner	13,684,324 (Note 1)	–	0.16%
Xu Xinyu	Beneficial owner	13,684,324 (Note 1)	–	0.16%
Sun Shaojun	Beneficial owner	13,684,324 (Note 1)	–	0.16%
Yuan Hongming	Beneficial owner	1,000,440	–	0.011%
	Interest held by spouse	444	–	0.000005%
		<u>1,000,884</u>		<u>0.011%</u>
Yan Jianbo	Beneficial owner	1,097,904	–	0.013%
Wen Daocai	Beneficial owner	21,940	–	0.0003%

#### Notes:

- These shares were derived from the previous domestic shares of the Company. The domestic shares were ordinary shares issued by the Company, with a Renminbi denominated par value of RMB1.00 each, which were subscribed for and paid up in Renminbi or credited as fully paid up. These shares became A shares of the Company upon the A share listing of the Company on the Shenzhen Stock Exchange.
- All the shareholding interests listed in the above table are "long" position.
- The percentages disclosed in the above table were calculated based on the total number of issued shares of the Company as at 31 December 2022, i.e. 8,726,556,821 shares (comprised of 6,783,516,821 A shares and 1,943,040,000 H shares).

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

Name of director	Name of associated corporation	Nature of interest	Class and number of securities interested or deemed to be interested	Approximate percentage interest in the entire issued share capital of associated corporation
Gordon Riske ( <i>Note</i> )	KION Group AG ("KION")	Beneficial owner	7,650 ordinary shares	0.0058%
		Interest held by spouse	3,000 ordinary shares	0.0023%
			<u>10,650</u> ordinary shares	<u>0.0081%</u>
Jiang Kui	Shantui Construction Machinery Co., Ltd. (山推工程機械股份有限公司)	Beneficial owner	42,697 ordinary shares	0.0028%

*Note:* Gordon Riske, a non-executive Director, was the beneficial owner of 7,650 ordinary shares in KION and he was also deemed to be interested in 3,000 ordinary shares in KION which were beneficially held by his wife, Ms. Benita Riske.

Save as disclosed above, as at 31 December 2022, none of the Directors, the chief executives nor the supervisors had an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was recorded in the register required to be kept pursuant to Section 352 of the SFO, or as otherwise notified to the Company pursuant to the Model Code.

## Details of Changes in Share Capital and Substantial Shareholders' Shareholdings

### (I) Changes in share capital

#### 1. Changes in share capital (as at 31 December 2022)

	Before the movement		Increase/decrease in the movement (+,-)					After the movement	
	No. of shares	Percentage	New shares issued	Bonus Issue	Transfer of surplus to capital	Others	Sub-total	No. of shares	Percentage
I. Restricted circulating shares	1,733,314,305	19.86%	-	-	-	1,872,378	1,872,378	1,735,186,683	19.88%
1. State-owned legal person shares	1,642,531,008	18.82%	-	-	-	-	-	1,642,531,008	18.82%
2. Shares held by other domestic entities	90,783,297	1.04%	-	-	-	1,872,378	1,872,378	92,655,675	1.06%
Incl.: Shares held by domestic natural persons	90,783,297	1.04%	-	-	-	1,872,378	1,872,378	92,655,675	1.06%
II. Non-restricted circulating shares	6,993,242,516	80.14%	-	-	-	-1,872,378	-1,872,378	6,991,370,138	80.12%
1. RMB ordinary shares	5,050,202,516	57.87%	-	-	-	-1,872,378	-1,872,378	5,048,330,138	57.85%
2. Overseas listed foreign shares	1,943,040,000	22.27%	-	-	-	-	-	1,943,040,000	22.27%
III. Total number of shares	8,726,556,821	100.00%	-	-	-	-	-	8,726,556,821	100.00%

## (II) Shareholdings of the Substantial Shareholders (as at 31 December 2022)

**Total number of Shareholders** The number of shareholders is 414,922 among which 414,687 are shareholders of “A” shares and 235 are shareholders of “H” shares.

### *Shareholdings of the top ten shareholders*

Name of shareholder	Type of shareholder	Percentage of shares held	Total number of shares held as at the end of the reporting period	Number of restricted shares held	Pledged, marked or frozen
HKSCC Nominees Limited	Foreign shareholder	22.22%	1,938,713,966	–	–
Weichai Group Holdings Limited	State-owned legal person	16.30%	1,422,550,620	1,345,905,600	–
Hong Kong Securities Clearing Company Limited	Overseas legal person	4.80%	418,662,311	–	–
Weifang Investment Group Company Limited	State-owned legal person	3.40%	296,625,408	296,625,408	–
China Securities Finance Corporation Limited	Domestic non-state-owned legal person	1.87%	163,608,906	–	–
IVM Technical Consultants Wien Gesellschaft m.b.H.	Overseas legal person	1.31%	113,938,700	–	–
Shandong Enterprise Trust Operation Company Limited	Domestic non-state-owned legal person	0.72%	63,011,293	–	–
Tan Xuguang	Domestic natural person	0.67%	58,842,596	44,131,947	–
National Manufacturing Transformation and Upgrade Fund Co., Ltd.* (國家製造業轉型升級基金股份有限公司)	State-owned legal person	0.49%	42,682,926	–	–
Nanjing Rongjing Huikang Equity Investment Partnership Enterprise (Limited Partnership)* (南京融京匯康股權投資合夥企業(有限合夥))	Domestic non-state-owned legal person	0.41%	35,365,853	–	–
Overlook Investments Limited – client funds	Overseas legal person	0.41%	35,365,853	–	–

*Shareholdings of the top ten non-restricted shareholders*

<b>Name of shareholder</b>	<b>Number of the non-restricted shares held as at the end of the reporting period</b>	<b>Types of shares</b>
HKSCC Nominees Limited	1,938,713,966	Overseas listed foreign shares
Hong Kong Securities Clearing Company Limited	418,662,311	RMB ordinary shares
China Securities Finance Corporation Limited	163,608,906	RMB ordinary shares
IVM Technical Consultants Wien Gesellschaft m.b.H.	113,938,700	RMB ordinary shares
Weichai Group Holdings Limited	76,645,020	RMB ordinary shares
Shandong Enterprise Trust Operation Company Limited	63,011,293	RMB ordinary shares
National Manufacturing Transformation and Upgrade Fund Co., Ltd.* (國家製造業轉型升級基金股份有限公司)	42,682,926	RMB ordinary shares
Nanjing Rongjing Huikang Equity Investment Partnership Enterprise (Limited Partnership)* (南京融京匯康股權投資合夥企業 (有限合夥))	35,365,853	RMB ordinary shares
Overlook Investments Limited – client funds	35,365,853	RMB ordinary shares
China AMC Fund – Agricultural Bank – China AMC China Securities and Financial Assets Management Program	33,002,800	RMB ordinary shares

*Notes:*

1. Among the aforesaid shareholders, Mr. Tan Xuguang is the chairman of Weichai Group Holdings Limited. It is not certain whether there is any connected relationship among other top ten shareholders and the other top ten non-restricted shareholders, or whether there is any acting in concert relationship among them.
2. As at the end of the reporting period, the Company's securities account designated for repurchased shares holds 87,265,525 shares of the Company, representing 1% of the total share capital of the Company.

## Substantial Shareholders

The register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO (including interests filed with the Hong Kong Stock Exchange) shows that as at 31 December 2022, the following persons (other than directors, chief executives and supervisors) had the following interests and short positions (if any) in the shares and underlying shares of the Company:

Name	Capacity	Long/ Short position	Number of A shares	Percentage of share capital comprising only A shares	Number of H shares	Percentage of share capital comprising only H shares	Percentage of total issued share capital
Weichai Group Holdings Limited	Beneficial owner	Long	1,422,550,620	20.97%	–	–	16.30%
Shandong Heavy Industry Group Co., Ltd. (Note 1)	Interest of corporation controlled by you	Long	1,422,550,620	20.97%	–	–	16.30%
Brandes Investment Partners, LP (Note 3)	Investment manager	Long	–	–	78,578,612	16.18%	3.60%
Lazard Emerging Markets Equity Portfolio (Note 4)	Investment manager	Long	–	–	23,707,500	5.86%	1.30%
Barclays PLC (Note 3)	Person having a security interest in shares	Long	–	–	525,552	0.11%	0.02%
	Interest of corporation controlled by you	Long	–	–	25,453,050	5.24%	1.17%
					<u>25,978,602</u>	<u>5.35%</u>	<u>1.19%</u>
	Interest of corporation controlled by you	Short	–	–	24,102,475	4.96%	1.10%
Morgan Stanley (Note 2)	Interest of corporation controlled by you	Long	–	–	49,335,508	5.08%	1.13%
	Interest of corporation controlled by you	Short	–	–	42,078,545	4.33%	0.96%
Lazard Asset Management LLC	Investment manager	Long	–	–	328,810,940	16.92%	3.77%
Citigroup Inc.	Interest of corporation controlled by you	Long	–	–	10,733,605	0.55%	0.12%
	Approved lending agent	Long	–	–	<u>136,140,642</u>	<u>7.00%</u>	<u>1.56%</u>
					<u>146,874,247</u>	<u>7.55%</u>	<u>1.68%</u>
	Interest of corporation controlled by you	Short	–	–	9,466,144	0.48%	0.11%

Name	Capacity	Long/ Short position	Number of A shares	Percentage of share capital comprising only A shares	Number of H shares	Percentage of share capital comprising only H shares	Percentage of total issued share capital
Platinum Investment Management Limited	Investment manager	Long	-	-	39,054,962	2.01%	0.45%
	Trustee	Long	-	-	84,104,662	4.33%	0.96%
					<u>123,159,624</u>	<u>6.34%</u>	<u>1.41%</u>
M&G Plc	Interest of corporation controlled by you	Long	-	-	117,235,000	6.03%	1.34%
Schroders PLC	Investment manager	Long	-	-	116,204,854	5.98%	1.33%

*Notes:*

1. Shandong Heavy Industry Group Co., Ltd., a subsidiary of State-owned Assets Supervision and Administration Commission of Shandong Province, held the entire share capital of Weichai Group Holdings Limited (formerly known as Weifang Diesel Engine Works).
2. The number of H shares reported above held by the relevant substantial shareholder does not take into consideration the Company's bonus share issuance on 21 July 2017 as there is no disclosure of interest obligation under the SFO where there is no change in percentage of shareholdings for a substantial shareholder.
3. The number of H shares reported above held by the relevant substantial shareholder does not take into consideration the Company's bonus share issuance on 20 August 2015 and 21 July 2017 as there is no disclosure of interest obligation under the SFO where there is no change in percentage of shareholdings for a substantial shareholder.
4. The number of H shares reported above held by the relevant substantial shareholder does not take into consideration the Company's bonus share issuance on 17 August 2012, 20 August 2015 and 21 July 2017 as there is no disclosure of interest obligation under the SFO where there is no change in percentage of shareholdings for a substantial shareholder.

Save as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 31 December 2022.



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

1. At the Board meeting convened on 21 January 2022, the Board considered and approved the resignation of Mr. Zhang Quan as an executive president of the Company and the resignation of Mr. Zhang Jiyuan and Ms. Cao Zhiyue as vice presidents of the Company and approved the appointment of Mr. Feng Gang as an executive president of the Company.
2. At the Board meeting convened on 30 March 2022, the Board considered and approved the resignation of Mr. Kwong Kwan Tong as an authorised representative and company secretary of the Company and approved the appointment of Ms. Hu Yunyun as an authorised representative and company secretary of the Company.
3. At the Board meeting convened on 29 April 2022, the Board considered and approved the appointment of Mr. Zeng Pin and Mr. Wang Lingjin as vice presidents of the Company.
4. At the annual general meeting convened on 28 June 2022, Mr. Wang Xuewen has been appointed as a supervisor of the Company and the resignation of Mr. Wu Hongwei as a supervisor became effective on the same date.
5. At the extraordinary general meeting convened on 9 September 2022, Mr. Wang Yanlei has been appointed as a supervisor of the Company and has been elected as the chairman of the Supervisory Committee at the meeting of the Supervisory Committee convened on the same date, and the resignation of Mr. Lu Wenwu as a supervisor became effective on the same date.
6. At the Board meeting convened on 5 December 2022, the Board considered and approved the resignation of Mr. Feng Gang, Mr. Chen Wenmiao and Mr. Wang Zhijian as executive presidents of the Company, the resignation of Mr. Liu Xingyin and Mr. Zeng Pin as vice presidents of the Company and the resignation of Mr. Liu Tonggang as the secretary to the board of the Company, and approved the appointment of Mr. Wang Decheng and Mr. Guo Shenggang as executive presidents of the Company, the appointment of Mr. Wang Jian, Mr. Jin Zhao, Mr. Xiao Qisheng and Mr. Li Pengcheng as vice presidents of the Company and the appointment of Mr. Gao Tianchao as the secretary to the board of the Company.

## **EMOLUMENT POLICY**

The Group is strictly in compliance with laws and regulations such as the Labour Law and the Labour Contract Law, and formulates a remuneration system and incentive policies that suit the actual situation of the enterprise by combining the development strategy of the enterprise, the characteristics of the industry and the ability to pay for labour costs.

The Group adopts a differentiated and standardised annual salary system and a non-annual salary system according to different job positions such as management, research and development and production, where the non-annual salary system is subdivided into salary systems such as performance-based salary system, piece-rate (hourly) salary system and shift production daily salary system.

By evaluating the position value of all kinds of personnel and referencing the market remuneration level, we have set the salary standard with competitive advantages by reasonably setting the salary level hierarchy of personnel, determining the salary level by position and the salary distribution plan by performance, and adjusting the salary according to the performance appraisal, increasing the incentives for talents in key positions such as research and development, marketing and technical staffs. At the same time, we have implemented incentive mechanisms for innovation projects, patent specialisation, management innovation and other subsidies for overseas positions and staff housing, and established a sound salary incentive policy to promote high-quality and rapid development of enterprises.

The emoluments of the directors of the Company are decided by the Remuneration Committee, having regard to the Group's operating results, individual performance and comparable market statistics.

## **DIVIDEND POLICY**

Acknowledging the importance of shareholders' interest and return, the Company has always adopted a policy of stable dividend distribution. Prior to proposing dividend distribution, the Board considers a multitude of factors including the Company's financial performance, distributable reserve, capital expenditure, expected financial performance, expected working capital requirement and such other factors as the Board may consider relevant.

## **ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES**

At no time during the Year was the Company or any of its subsidiaries a party to any arrangements that enabled the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## **PURCHASE, SALE OR REDEMPTION OF SECURITIES OF THE COMPANY**

Reference is made to the announcements of the Company dated 19 May 2022 and 26 August 2022. During the period between 24 May 2022 and 11 October 2022, the Company repurchased 87,265,525 A Shares in aggregate from the Shenzhen Stock Exchange at the total consideration of RMB1,036,022,358.39 (including transaction fee). Such repurchased A Shares have not been cancelled as at the date of this announcement.

Save as disclosed above, during the Year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## **PRE-EMPTIVE RIGHTS**

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the PRC, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

## INCOME TAX FOR H SHAREHOLDERS

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

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

Pursuant to the Notice on the Tax Policies Concerning the Pilot Program of the Shenzhen-Hong Kong Stock Connect (《關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》) and the Tax Policies Concerning the Pilot Program of the Shanghai-Hong Kong Stock Connect (《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》), for mainland corporate investors that invest in a company via the Southbound Trading Link, corporate income tax will be levied according to the law. In particular, for any dividend to be distributed to resident enterprises in the mainland China which hold H shares for more than 12 consecutive months, corporate income tax may be exempt according to the law. Such mainland enterprises shall declare and pay taxes by themselves in respect of such dividends, which will not be withheld by such H share company.

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

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

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

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

## **MAJOR CUSTOMERS AND SUPPLIERS**

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

During the Year, the aggregate purchase attributable to the Group's five largest suppliers were less than 30% of the Group's total purchases.

At no time during the Year did a director, a supervisor, an associate of a director or a shareholder of the Company, which to the knowledge of the directors, own more than 5% of the Company's share capital, have an interest in any of the Group's five largest suppliers or customers.

## SUBSEQUENT EVENTS

- (i) On 30 March 2023, the Company's 2022 profit distribution proposal was considered and approved by the Company's fifth meeting of the sixth session of the Board. Based on 8,639,291,296 shares eligible for profit distribution (calculated by deducting 87,265,525 shares in the securities account designated for share repurchase from the total share capital of the Company of 8,726,556,821 shares) as at 31 December 2022, the Company intends to distribute to all shareholders a cash dividend of RMB1.58 (including tax) for every 10 shares held, without any capitalisation of reserve. This proposal is subject to the consideration and approval at the 2022 annual general meeting.
- (ii) On 30 March 2023, the proposed adjustment to the timeline for the application of proceeds from the non-public issuance of A Shares (the details of such issuance were set out below) was considered and approved by the Company's fifth meeting of the sixth session of the Board. The adjusted timetable for the application of the relevant proceeds is set out below:

*RMB million*

Name of project	Name of investment project Name of subproject	Amount of proceeds proposed to be applied	Adjusted application of proceeds					2026	2027
			2021	2022	2023	2024	2025		
Fuel cell industry chain development project	Hydrogen-fueled cell and key components industrialisation project	500.00	65.13	6.36	100.94	99.51	100.43	85.42	42.21
	Solid oxide fuel cell and key components industrialisation project	500.00	8.16	7.83	64.13	103.04	150.00	120.46	46.38
	Key components of fuel cell powertrain research and development and construction capabilities project	1,000.00	146.44	40.86	264.82	206.01	172.20	122.35	47.32
Full series of H platform high- end road-going engines of China VI or above emission standards project	New million units digitalised power industry base stage I project	3,000.00	12.14	5.87	689.06	724.01	684.21	674.92	209.79
	H platform engines intelligent manufacturing upgrade project	1,000.00	118.04	24.37	321.12	244.04	262.60	29.83	-
Large diameter high-end engine industrialisation project	Large diameter high-end engine laboratory project	1,075.00	140.79	6.28	300.09	209.35	194.84	150.76	72.89
	High efficiency and high speed self- owned brand engine industrialisation project	685.00	77.65	33.74	380.54	193.07	-	-	-
	Large diameter high-end engine development project	1,240.00	194.84	44.70	311.22	180.44	256.10	191.91	60.79
Full series hydraulic pressure powertrain and large-scale continuously variable transmission (CVT) powertrain industrialisation project		3,000.00	166.02	95.15	692.48	897.51	898.40	250.44	-
	<b>Total</b>	<b>12,000.00</b>	<b>929.21</b>	<b>265.16</b>	<b>3,124.40</b>	<b>2,856.98</b>	<b>2,718.78</b>	<b>1,626.09</b>	<b>479.38</b>

### Notes:

- The figures for 2021 and 2022 are the actual amounts applied by the Company to the relevant investment projects; and
- the figures for 2023 to 2027 are adjusted investment application amounts to be applied to the relevant investment projects.

The adjustment is mainly due to the operational needs of the Group and the actual status of the relevant investment projects and is in compliance with the relevant requirements for the management of proceeds raised of the Chinese Securities Regulation Commission and the Shenzhen Stock Exchange. It will not adversely affect the implementation of the relevant investment projects, change the proposed use of proceeds or harm the interest of the shareholders of the Company. Such adjustment will not adversely impact the normal production and operation of the Company and is in line with the long-term development strategy of the Company.

For further details of the abovementioned adjustment to the timeline for the application of proceeds, please refer to the announcement of the Company entitled “《濰柴動力股份有限公司關於2022年年度募集資金存放與使用情況的專項報告》(the Special Report of Weichai Power Co., Ltd. on the Deposit and Use of the Proceeds Raised in the Year 2022)” dated 30 March 2023 published on the website of the Shenzhen Stock Exchange.

- (iii) On 23 March 2023, the Company and Beijing TrunkTech Co., Ltd. (“TrunkTech”) signed a memorandum on equity swap transaction, pursuant to which the Company will make capital contribution to TrunkTech with its equity held in Tsintel Automotive Technology (Suzhou) Co., Ltd. (“Tsintel Technology”). The parties jointly appointed Beijing Zhuoxindahua Appraisal Co., Ltd. to conduct valuation on the equity value of Tsintel Technology and TrunkTech. As of the date of this announcement, the transaction has not been completed. The final transaction plan shall be subject to the decisions of the internal governing body of the parties after the issuance of the final valuation report by the valuation firm jointly appointed by the parties.

## **AUDIT COMMITTEE**

The audit committee of the Company (the “Audit Committee”) comprises all independent non-executive directors of the Company. The chairman of the Audit Committee is Ms. Jiang Yan, an independent non-executive director. Ms. Jiang has appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), for the purpose of this appointment. Throughout the Year, the Audit Committee discharged its responsibilities, reviewed and discussed the financial results and internal control matters of the Company. In accordance with the requirements of Appendix 16 to the Listing Rules, the Audit Committee has reviewed the audited consolidated financial statements for the Year.

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE IN APPENDIX 14 TO THE LISTING RULES**

During the Year, other than the roles of the Chairman and the Chief Executive Officer being performed by Mr. Tan Xuguang (“Mr. Tan”) and directors not being able to attend all annual general meeting and extraordinary general meetings due to other important work-related affairs, the Company has complied with all the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

Mr. Tan is in charge of the overall management of the Company. The Company considers that the combination of the roles of the Chairman and the Chief Executive Officer can promote the efficient formulation and implementation of the Company’s strategies which will enable the Group to grasp business opportunities efficiently and promptly. The Company considers that through the supervision of its Board and its independent non-executive directors, there is adequate balance of power and authority in place.

The Company has also adopted the revised terms of reference of the Remuneration Committee on 30 March 2023 in light of the relevant updates to the Listing Rules.

## **COMPLIANCE WITH THE MODEL CODE**

During the Year, the Company adopted a code of conduct regarding securities transactions by directors on terms no less than the required standard set out in the Model Code. Having made specific enquiry of all directors, the directors have confirmed that they have complied with the required standard set out in the Model Code during the Year.

## **SUFFICIENCY OF PUBLIC FLOAT**

Based on the information that is publicly available to the Company and within the knowledge of the directors of the Company, the Company has maintained the prescribed public float under the Listing Rules as at the date of this announcement.

## **AUDITORS**

The Company appointed Deloitte Touche Tohmatsu Certified Public Accountants LLP (德勤華永會計師事務所(特殊普通合伙)) as the Company's auditors on 20 June 2019 in place of Ernst & Young Hua Ming LLP. Deloitte Touche Tohmatsu Certified Public Accountants LLP will retire as auditors of the Company at the conclusion of the forthcoming annual general meeting.

## **APPROVAL OF THE FINANCIAL STATEMENTS**

The audited consolidated financial statements for the Year were approved by the Board on 30 March 2023.

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

The 2022 annual report of the Company will be despatched to the shareholders as well as made available on the Hong Kong Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company's website at [www.weichaipower.com](http://www.weichaipower.com) in due course.

**Tan Xuguang**

*Chairman and Chief Executive Officer*

Hong Kong, 30 March 2023

*As at the date of this announcement, the executive Directors of the Company are Mr. Tan Xuguang, Mr. Zhang Quan, Mr. Xu Xinyu, Mr. Sun Shaojun, Mr. Yuan Hongming and Mr. Yan Jianbo; the non-executive Directors of the Company are Mr. Zhang Liangfu, Mr. Jiang Kui, Mr. Gordon Riske and Mr. Michael Martin Macht; and the independent non-executive Directors of the Company are Mr. Li Hongwu, Mr. Wen Daocai, Ms. Jiang Yan, Mr. Yu Zhuoping and Ms. Zhao Huifang.*