濰柴動力股份有限公司

WEICHAI POWER CO., LTD.

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

(Stock Code: 2338)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

FINANCIAL HIGHLIGHTS

- Revenue was approximately RMB151,569 million, representing an increase of approximately 62.7%.
- Net Profit Attributable to the Shareholders of the Parent was approximately RMB6,808 million, representing an increase of approximately 178.9%.
- Basic Earnings Per Share was approximately RMB0.85, representing an increase of approximately 178.9%.

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

The board of directors (the "Board") of Weichai Power Co., Ltd. (the "Company") is pleased to announce the audited consolidated financial statements of the Company and its subsidiaries (the "Group") prepared in accordance with the Mainland Accounting Standards for the year ended 31 December 2017 (the "Year"), together with comparative figures for the corresponding period of 2016 as follows:

CONSOLIDATED INCOME STATEMENT
January to December 2017 (Expressed in Renminbi Yuan)

	Notes	**2017**	2016
Revenue	*7*	**151,569,392,236.63**	93,183,521,384.54
Less: Cost of sales	*7*	**118,467,630,098.34**	72,099,983,058.63
Taxes and surcharges	*8*	**738,068,687.50**	450,858,197.34
Distribution and selling expenses		**10,337,770,491.89**	7,644,628,984.86
General and administrative expenses		**9,601,587,744.66**	7,651,679,576.71
Finance expenses		**590,752,971.58**	198,822,884.84
Impairment loss of assets		**1,950,139,536.86**	984,410,371.57
Add: Gain or loss on change of fair value		**100,768,888.41**	(155,320,838.99)
Investment income		**153,922,745.85**	120,490,092.49
Incl: investment income from associates and jointly controlled enterprises		**84,871,118.66**	87,250,957.31
Gain/(losses) on disposal of assets		**84,730,636.32**	(7,723,626.22)
Other income		**162,038,898.12**	–
Operating profit		**10,384,903,874.50**	4,110,583,937.87
Add: Non-operating income		**298,582,901.77**	641,334,592.93
Less: Non-operating expenses		**161,219,278.15**	114,271,759.36
Total profit		**10,522,267,498.12**	4,637,646,771.44
Less: Income tax expenses	*9*	**1,343,900,720.30**	1,041,393,120.17
Net profit		**9,178,366,777.82**	3,596,253,651.27
Incl: Net profit of the party being absorbed before business combinations involving entities under common control		**–**	39,349,153.82
Breakdown by continuity of operations			
Net profit from continuing operations		**9,178,366,777.82**	3,596,253,651.27
Net profit from discontinued operations		**–**	–
Breakdown by attributable interests			
Net profit attributable to shareholders of the parent		**6,808,342,544.23**	2,441,188,631.73
Minority interests		**2,370,024,233.59**	1,155,065,019.54
Earnings per share			
Basic earnings per share	*10*	**0.85**	0.31
Diluted earnings per share		**0.85**	0.31

	Notes	**2017**	2016
Net other comprehensive income after tax			
Net other comprehensive income attributable to shareholders of the parent after tax	*11*	**(1,107,993,627.48)**	82,936,145.53
Those other comprehensive income not to be reclassified into profit or loss in subsequent periods			
Changes arising from re-measuring net liabilities or net assets of defined benefit plan		**77,224,147.46**	(148,713,028.38)
Share of investee's other comprehensive income not to be reclassified into profit or loss using the equity method		**3,280,767.28**	(928,656.44)
Those other comprehensive income to be reclassified into profit or loss			
Share of investee's other comprehensive income to be reclassified into profit or loss using the equity method		**1,967,785.30**	518,499.84
Change of fair value of available-for-sale financial assets		**9,271,806.53**	(5,100,000.00)
Effective portion of cashflow from hedging instrument		**(33,967,485.76)**	(65,203,170.22)
Exchange differences on foreign currency translation		**(1,165,770,648.29)**	302,362,500.73
Net other comprehensive income attributable to minority owners after tax		**(786,314,023.80)**	140,860,530.24
Total comprehensive income		**7,284,059,126.54**	3,820,050,327.04
Incl:			
Total comprehensive income attributable to the shareholders of the parent		**5,700,348,916.75**	2,524,124,777.26
Total comprehensive income attributable to minority owners		**1,583,710,209.79**	1,295,925,549.78

CONSOLIDATED BALANCE SHEET

31 December 2017 (Expressed in Renminbi Yuan)

ASSETS	*Notes*	**31 December 2017**	31 December 2016
Current assets			
Cash and cash equivalents		**34,221,837,770.90**	27,122,981,855.33
Financial assets at fair value through profit or loss		**384,067,087.32**	129,296,023.50
Notes receivable	*3*	**25,291,238,910.52**	16,742,874,274.52
Accounts receivable	*4*	**13,572,535,350.44**	11,336,192,971.74
Prepayments		**559,802,492.16**	595,832,151.19
Interests receivable		**25,264,533.85**	26,284,015.32
Dividends receivable		**5,228,280.90**	9,711,108.40
Other receivables		**857,629,220.37**	820,998,530.88
Inventories		**19,850,822,463.67**	16,090,656,826.07
Non-current assets due within one year		**1,778,971,213.80**	1,463,427,824.40
Other current assets		**3,792,776,498.74**	2,067,737,279.12
Total current assets		**100,340,173,822.67**	76,405,992,860.47
Non-current assets			
Available-for-sale financial assets		**594,847,216.31**	498,384,350.11
Long-term receivables		**5,197,814,237.00**	4,029,736,734.00
Long-term equity investments		**2,638,935,915.48**	1,544,970,791.85
Investment property		**569,210,526.81**	608,116,592.82
Fixed assets		**27,067,404,030.16**	25,795,956,109.02
Construction in progress		**1,218,157,893.32**	1,642,494,423.73
Materials used in construction		**589,457.74**	–
Disposal of fixed assets		**903,928.29**	1,018,823.58
Intangible assets		**23,839,954,192.45**	25,157,187,656.76
Development expenditure		**515,853,805.25**	445,774,466.92
Goodwill		**22,583,192,662.42**	22,797,069,238.90
Long-term prepaid expenses		**283,430,938.92**	332,659,717.20
Deferred tax assets		**4,533,525,646.91**	4,017,107,793.78
Other non-current assets		**254,172,355.79**	259,720,703.00
Total non-current assets		**89,297,992,806.85**	87,130,197,401.67
Total assets		**189,638,166,629.52**	163,536,190,262.14

LIABILITIES AND EQUITY	*Notes*	**31 December 2017**	31 December 2016
Current liabilities			
Short-term loans		**3,174,887,395.62**	4,771,648,754.00
Financial liabilities at fair value through profit or loss		**482,880,099.94**	168,670,171.20
Notes payable	*5*	**12,361,446,846.30**	8,758,864,180.54
Accounts payable	*6*	**30,654,794,938.52**	21,897,787,394.18
Advances from customers		**5,814,905,624.90**	4,627,211,871.86
Payroll payable		**4,810,305,393.38**	4,168,792,146.69
Taxes payable		**2,700,258,706.06**	2,065,784,483.92
Interests payable		**95,394,487.50**	102,059,094.81
Dividends payable		**207,460,650.87**	3,822,409.44
Other payables		**7,723,245,808.19**	4,998,956,643.14
Non-current liabilities due within one year		**5,596,251,134.50**	4,624,888,126.80
Other current liabilities		**4,851,696,489.11**	2,791,896,442.25
Total current liabilities		**78,473,527,574.89**	58,980,381,718.83
Non-current liabilities			
Long-term borrowings		**15,678,594,729.35**	30,216,115,691.85
Bonds payable		**10,459,780,084.07**	2,756,201,597.01
Long-term payables		**9,218,432,433.10**	7,781,235,810.40
Long-term payroll payable		**9,236,773,057.02**	8,574,795,194.30
Special payables		**23,000,000.00**	43,000,000.00
Provision		**344,923,046.70**	311,033,593.20
Deferred income		**3,121,664,308.58**	2,574,230,514.51
Deferred tax liabilities		**6,500,274,764.52**	7,953,606,603.33
Other non-current liabilities		**226,205,400.79**	71,646,849.89
Total non-current liabilities		**54,809,647,824.13**	60,281,865,854.49
Total liabilities		**133,283,175,399.02**	119,262,247,573.32

LIABILITIES AND EQUITY	*Notes*	**31 December 2017**	31 December 2016
Shareholders' equity			
Share capital		**7,997,238,556.00**	3,998,619,278.00
Capital reserve		**135,898,754.99**	30,139,859.91
Other comprehensive income		**(1,527,566,155.73)**	(419,572,528.25)
Special reserve		**118,355,897.38**	98,711,320.61
Surplus reserve		**616,811,881.87**	–
Retained earnings		**27,898,783,968.43**	27,905,900,916.04
Total equity attributable to the shareholders of the parent		**35,239,522,902.94**	31,613,798,846.31
Minority interests		**21,115,468,327.56**	12,660,143,842.51
Total shareholders' equity		**56,354,991,230.50**	44,273,942,688.82
Total liabilities and shareholders' equity		**189,638,166,629.52**	163,536,190,262.14

1. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

1. Preparation basis of the financial statements

The financial statements have been prepared in accordance with the Accounting Standards for Business Enterprises-Basic Standard and specific accounting standards, implementation guidance, interpretations and other relevant provisions issued and amended subsequently by the Ministry of Finance (the "MOF") (collectively referred to as "Accounting Standards for Business Enterprises").

The financial statements are presented on a going concern basis.

In preparing these financial statements, all the assets (other than certain financial instruments) are carried at historical cost. Disposal groups held for sale are presented at the lower of carrying amount and the net amount of fair value minus disposal expenses. If the assets are impaired, corresponding provisions for impairment shall be made according to relevant provisions.

2. Business combination

A business combination is a transaction or event that brings together two or more separate entities into one reporting entity. Business combinations are classified into business combinations involving entities under common control and business combinations not involving entities under common control.

Business combinations involving entities under common control

A business combination involving entities under common control is a business combination in which all of the combining entities are ultimately controlled by the same party or parties both before and after the combination, and that control is not transitory. For a business combination involving entities under common control, the party that, on the combination date, obtains control of another entity participating in the combination is the absorbing party, while that other entity participating in the combination is a party being absorbed. Combination date is the date on which the absorbing party effectively obtains control of the party being absorbed.

Assets and liabilities that are obtained by the absorbing party in a business combination involving entities under common control, including goodwill arising from the acquisition of the party being absorbed by the ultimate controller, shall be accounted for on the basis of the carrying amounts on the financial statements of the ultimate controller at the combination date. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination (or the aggregate face value of shares issued as consideration) shall be adjusted to share premium under capital reserve. If the capital reserve is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

Business combinations not involving entities under common control

A business combination not involving entities under common control is a business combination in which all of the combining entities are not ultimately controlled by the same party or parties both before and after the combination. For a business combination not involving entities under common control, the party that, on the acquisition date, obtains control of another entity participating in the combination is the acquirer, while that other entity participating in the combination is the acquiree. Acquisition date refers to the date on which the acquirer effectively obtains control of the acquiree.

The acquirer shall measure the acquiree's identifiable assets, liabilities and contingent liabilities acquired in the business combination not involving entities under common control at their fair values on the acquisition date.

The excess of the sum of the consideration paid (or equities securities issued) for business combination and equity interests in the acquiree held prior to the date of acquisition over the share of the attributable net identifiable assets of the acquiree, measured at fair value, was recognized as goodwill, which is subsequently measured at cost less cumulative impairment loss.

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

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

3. Consolidated financial statements

The consolidation scope of consolidated financial statements is determined on the basis of control, including the financial statements for the year ended 31 December 2017 of the Company and all of its subsidiaries. A subsidiary is an entity that is controlled by the Company, including separable parts of an enterprise or investee and structured entities controlled by the Company etc.

In preparation of consolidated financial statements, the subsidiaries use the same accounting period and accounting policies as those of the Company. When the accounting policies of a subsidiary are different from those of the Company, the Company shall make adjustments to the financial statements of the subsidiary based on its own accounting policies. All intra-group assets, liabilities, interests, income, expenses and cash flow are eliminated in full on consolidation in full.

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

For subsidiaries acquired through business combinations not involving entities under common control, the operating results and cash flows of the acquiree shall be included in the consolidated financial statements, from the day on which the Group gains control, till the Group ceases the control of it. While preparing the consolidated financial statements, the acquirer shall adjust the subsidiary's financial statements, on the basis of the fair values of the identifiable assets, liabilities and contingent liabilities recognized on the acquisition date.

For subsidiaries acquired through business combinations involving entities under common control, the operating results and cash flows of the acquiree shall be included in the consolidated financial statements from the beginning of the period in which the combination occurs. While preparing the comparative consolidated financial statements, adjustments are made to related items in the financial statements for the prior period as if the reporting entity established through combination has been existing since the ultimate controller begins to exercise control.

The Group's control over an investee is re-assessed if change in relevant facts and situations causes changes in one or more of the control substances.

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

2. SEGMENT REPORTING

Operating segments

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

The details of operating segments are as follows:

(a) manufacturing and sale of diesel engines and related parts ("Diesel engines");

(b) manufacturing and sale of automobiles and major automobile components other than diesel engines ("Automobiles and other major automobile components");

(c) manufacturing and sale of other automobile components ("Other components");

(d) provision of import and export services ("Import & export services");

(e) Forklift trucks production, warehousing technology and supply chain solution services ("Forklift trucks and supply chain solution").

Management monitors the results of operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted total profits. The adjusted total profits are measured consistently with the Group's total profits, except that interest income, finance expenses, investment income, dividend income, gains and losses from changes in fair value of financial instruments as well as head office expenses are excluded from such measurement.

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

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

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

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

	Diesel engines	Automobiles and other major automobile components	Other components	Import & export services	Forklift trucks and supply chain solution	Total
2016						
Segment revenue:						
Sale to external customers	18,463,189,366.08	31,545,481,102.61	1,998,542,946.05	113,326,626.77	41,062,981,343.03	93,183,521,384.54
Inter-segment sale	6,357,716,808.75	5,213.68	1,079,458,822.61	28,654,798.33	–	7,465,835,643.37
Total	24,820,906,174.83	31,545,486,316.29	3,078,001,768.66	141,981,425.10	41,062,981,343.03	100,649,357,027.91
Adjustment:						
Elimination of inter-segment sale						(7,465,835,643.37)
Revenue						93,183,521,384.54
Segment results	2,970,860,299.24	(256,078,160.04)	(240,980,897.32)	33,515,167.65	2,138,666,390.71	4,645,982,800.24
Adjustment:						
Elimination of inter-segment results						(294,021,604.81)
Interest income						791,203,913.76
Dividend income and unallocated income						636,265,296.41
Corporate and other unallocated expenses						(151,756,835.56)
Finance expenses						(990,026,798.60)
Profit before tax						4,637,646,771.44
31 December 2016						
Segment assets	28,992,337,168.51	24,859,881,992.44	15,104,527,870.11	6,147,978,624.91	70,746,800,556.17	145,851,526,212.14
Adjustment:						
Elimination of inter-segment receivables						(13,956,301,568.13)
Corporate and other unallocated assets						31,640,965,618.13
Total assets						163,536,190,262.14
Segment liabilities	16,111,956,906.26	21,787,738,673.45	7,355,196,028.33	487,298,077.06	31,295,857,375.20	77,038,047,060.30
Adjustment:						
Elimination of inter-segment liabilities						(9,012,678,315.46)
Corporate and other unallocated liabilities						51,236,878,828.48
Total liabilities						119,262,247,573.32
2016						
Other segment information:						
Share of profit and loss from:						
Gain/(loss) from associates	36,075,296.33	(29,469,794.17)	–	156,716.09	80,488,739.06	87,250,957.31
Reversal/(loss) of impairment of inventories	(76,657,219.59)	(307,698,934.31)	(7,397,198.36)	(1,558,240.21)	(107,175,842.96)	(500,487,435.43)
Reversal/(loss) of impairment of accounts receivable and other receivables	(8,141,938.58)	(143,024,892.08)	(2,472,133.01)	24,231.19	(49,776,505.40)	(203,391,237.88)
Reversal/(loss) of impairment of non-current assets	(2,085,443.66)	(24,000,000.00)	(249,310,454.60)	–	–	(275,395,898.26)
Depreciation and amortization	(857,735,340.16)	(981,757,232.24)	(198,116,876.11)	(25,658,551.92)	(3,963,569,410.52)	(6,026,837,410.95)
Gain/(loss) from disposal of fixed assets	12,518,657.38	(15,938.50)	(6,696,668.31)	114.09	552,672.97	6,358,837.63
Gain/(loss) from disposal of intangible assets	–	–	–	–	–	–
Investment in associates and jointly controlled enterprises	612,503,306.14	465,689,452.01	–	37,060,314.34	429,717,719.36	1,544,970,791.85
Capital expenditure	(303,891,925.12)	(671,812,706.04)	(351,531,162.22)	(2,204,559.41)	(5,438,358,080.40)	(6,767,798,433.19)

Group information

Information about products and services

Revenue from external transactions

	2017	2016
Complete vehicles and key components	**66,267,634,689.43**	37,485,531,426.96
Non-automobile engines	**11,371,820,866.08**	6,632,102,155.29
Other non-major automobile components	**9,913,699,950.11**	4,776,948,770.74
Forklift trucks and supply chain solution	**58,376,319,793.90**	41,062,981,343.03
Others	**5,639,916,937.11**	3,225,957,688.52
	151,569,392,236.63	93,183,521,384.54

Geographic information

Revenue from external transactions

	2017	2016
China	**86,199,110,885.11**	48,804,399,222.66
Other countries and regions	**65,370,281,351.52**	44,379,122,161.88
	151,569,392,236.63	93,183,521,384.54

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

Total non-current assets

	31 December 2017	31 December 2016
China	**17,096,411,403.27**	17,835,356,526.53
Other countries and regions	**61,858,166,824.96**	60,716,234,534.85
	78,954,578,228.23	78,551,591,061.38

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

Information about major customers

Revenue of RMB6,615,166,611.85 (2016: RMB3,002,580,813.97) was derived from sales by Diesel engines segment and Automobiles and other major automobile components segment to a single customer, including sales to a group of entities which are known to be under common control by that customer.

3. NOTES RECEIVABLE

	31 December 2017	31 December 2016
Bank acceptance bills	**25,259,282,610.52**	16,738,403,958.52
Commercial acceptance bills	**31,956,300.00**	4,470,316.00
	25,291,238,910.52	16,742,874,274.52

Notes receivable that were pledged are presented as follows:

	2017	2016
Bank acceptance bills	**8,862,401,073.29**	5,263,763,893.86

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

	31 December 2017		31 December 2016	
	Derecognition	**No derecognition**	Derecognition	No derecognition
Bank acceptance bills	**11,897,133,700.14**	**–**	3,868,438,322.72	–
Commercial acceptance bills	**–**	**7,321,000.00**	4,345,132.00	4,470,316.00
	11,897,133,700.14	**7,321,000.00**	3,872,783,454.72	4,470,316.00

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

	31 December 2017		31 December 2016	
	Derecognition	**No derecognition**	Derecognition	No derecognition
Bank acceptance bills	**19,718,076.84**	**–**	5,170,000.00	–

As at 31 December 2017, the Group has not transferred any notes into accounts receivable due to issuers' failure in performance (31 December 2016: Nil).

4. ACCOUNTS RECEIVABLE

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

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

	31 December 2017	31 December 2016
Within 3 months	**11,174,158,713.17**	8,252,128,633.29
3 to 6 months	**973,070,634.78**	1,448,583,141.59
6 months to 1 year	**980,112,626.07**	997,629,041.10
1 to 2 years	**597,200,935.15**	508,279,954.23
2 to 3 years	**190,287,768.61**	468,393,039.64
Over 3 years	**1,090,819,401.30**	805,237,129.91
	15,005,650,079.08	12,480,250,939.76
Less: provision for bad debt in respect of accounts receivable	**1,433,114,728.64**	1,144,057,968.02
	13,572,535,350.44	11,336,192,971.74

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

	2017	2016
Opening balance	**1,144,057,968.02**	937,306,781.71
Provision for the year	**370,477,690.97**	251,651,180.10
Reversed for the year	**(33,037,659.83)**	(45,116,426.01)
Eliminated during the year	**(45,663,345.00)**	–
Write-off for the year	**(1,984,107.32)**	(2,509,812.74)
Adjustment for exchange differences	**(735,818.20)**	2,726,244.96
Closing balance	**1,433,114,728.64**	1,144,057,968.02

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

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

As at 31 December 2017, individually significant items for which provision for bad debt is recognized separately are presented as follows:

	Gross carrying amount	**Provision for bad debt**	**Percentage**	**Reasons**
Shanxi Tong Tai Automobile Sales Services Co., Ltd	56,927,140.00	56,927,140.00	100%	Long credit age
Guangzhou Jinqi Trading Company Limited	49,159,575.31	49,159,575.31	100%	Bad repayment ability
Dalian Shaanxi Automobile Sales Co., Ltd	40,516,068.59	38,490,265.16	95%	Bad repayment ability
Hubei Space Shuanglong Special Purpose Vehicle Co., Ltd.	37,449,568.86	35,577,090.42	95%	Company under liquidation
Nanjing Lerong Trading Company Limited	32,989,886.43	32,456,366.43	98%	Assets have been preserved
Fujian Zhongxin Dingxing Automobile Sales Service Company Limited	32,623,150.80	26,098,520.64	80%	Litigation
Yulin Dongfang Group Company Limited	29,745,233.41	21,312,766.31	72%	Bad repayment ability
Shaanxi Eurostar Auto Co., Ltd.	28,369,816.49	26,663,258.86	94%	Long credit age
Shandong Liugong Concrete Equipment Company Limited	26,400,747.00	25,080,709.65	95%	Litigation
Datong Yifu Trading Co., Ltd.	24,671,392.36	19,737,113.89	80%	Bad repayment ability
Others	1,199,434,333.22	210,199,956.93		Long credit age etc.
	1,558,286,912.47	541,702,763.60		

As at 31 December 2016, individually significant items for which provision for bad debt is recognized separately are presented as follows:

	Gross carrying amount	Provision for bad debt	Percentage	Reasons
Shanxi Tong Tai Automobile Sales Services Co., Ltd	56,927,140.00	51,234,426.00	90%	Long credit age
Guangzhou Jinqi Trading Company Limited	49,159,575.31	49,122,478.71	100%	Bad repayment ability
Shaanxi Rong Chang Yuan Trading Co., Ltd	43,173,316.66	38,855,985.00	90%	No full coverage of preservation
Anhui Anyu Engineering Machinery Sales Co., Ltd	42,763,993.80	8,552,798.76	20%	Bad repayment ability
Dalian Shaanxi Automobile Sales Co., Ltd	40,516,068.59	32,412,854.87	80%	Bad repayment ability
Hubei Space Shuanglong Special Purpose Vehicle Co., Ltd.	35,611,768.86	28,489,415.09	80%	Company dissolved
Nanjing Lerong Trading Company Limited	32,989,886.43	31,340,392.11	95%	Assets have been preserved
Fujian Zhongxin Dingxing Automobile Sales Service Company Limited	32,641,150.80	13,056,460.32	40%	Litigation
Shaanxi Eurostar Auto Co., Ltd.	28,128,335.47	25,328,330.79	90%	Long credit age
Shandong Liugong Concrete Equipment Company Limited	26,400,747.00	10,560,298.80	40%	Litigation
Others	695,412,321.67	153,337,157.22		Long credit age etc.
	1,083,724,304.59	442,290,597.67		

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

	31 December 2017				31 December 2016			
	Gross carrying amount	**Proportion (%)**	**Provision for bad debt**	**Percentage (%)**	Gross carrying amount	Proportion (%)	Provision for bad debt	Percentage (%)
Within 1 year	**4,153,297,472.89**	**86.37**	**235,956,825.77**	**5.68**	3,454,618,906.80	80.52	172,730,945.34	5.00
1 to 2 years	**179,278,257.61**	**3.73**	**23,184,910.36**	**12.93**	285,450,040.46	6.65	40,891,768.47	14.33
2 to 3 years	**115,587,025.62**	**2.40**	**31,359,396.59**	**27.13**	308,401,874.67	7.19	91,205,310.70	29.57
3 to 4 years	**179,392,572.43**	**3.73**	**83,254,744.56**	**46.41**	88,149,405.72	2.05	44,074,702.85	50.00
4 to 5 years	**38,460,830.81**	**0.80**	**28,784,084.45**	**74.84**	14,446,863.87	0.34	11,557,491.10	80.00
Over 5 years	**142,884,643.24**	**2.97**	**142,884,643.24**	**100.00**	139,550,437.44	3.25	139,550,437.44	100.00
	4,808,900,802.60	**100.00**	**545,424,604.97**	**11.34**	4,290,617,528.96	100.00	500,010,655.90	11.65

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

	31 December 2017				31 December 2016			
	Gross carrying amount	**Proportion (%)**	**Provision for bad debt**	**Percentage (%)**	Gross carrying amount	Proportion (%)	Provision for bad debt	Percentage (%)
Neither overdue nor impaired	**6,211,411,030.00**	**77.53**	**–**	**–**	4,694,800,367.08	70.59	–	–
Due and impaired	**229,356,410.80**	**2.86**	**214,251,158.00**	**93.41**	764,445,113.78	11.49	105,269,067.60	13.77
Due and not impaired	**1,570,844,861.30**	**19.61**	**–**	**–**	1,191,827,673.54	17.92	–	–
	8,011,612,302.10	**100.00**	**214,251,158.00**	**2.67**	6,651,073,154.40	100.00	105,269,067.60	1.58

As at 31 December 2017, the top five balances in respect of accounts receivable had a total closing balance of RMB1,460,834,595.71, accounting for 9.67% of the total of closing balance of accounts receivable. The closing balance in respect of bad debt provided for the top five amounted to RMB62,847,994.57.

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

5. NOTES PAYABLE

	31 December 2017	31 December 2016
Bank acceptance bill	**12,192,327,019.82**	7,896,723,878.02
Commercial acceptance bills	**169,119,826.48**	862,140,302.52
Total	**12,361,446,846.30**	8,758,864,180.54

As at 31 December 2017, the Group had no notes payable which were due and outstanding (31 December 2016: Nil).

6. ACCOUNTS PAYABLE

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

	31 December 2017	31 December 2016
Accounts payable	**30,654,794,938.52**	21,897,787,394.18

As at 31 December 2017, the aging analysis of accounts payable based on the invoice date is presented as follows:

	31 December 2017	31 December 2016
Within 3 months	**25,318,485,036.54**	18,774,819,894.45
3 to 6 months	**4,290,483,494.50**	1,386,917,840.71
6 months to 1 year	**411,725,923.30**	951,451,948.60
Over 1 year	**634,100,484.18**	784,597,710.42
Total	**30,654,794,938.52**	21,897,787,394.18

As at 31 December 2017, there was no material accounts payable which aged over one year (31 December 2016: nil).

7. REVENUE AND COST OF SALES

Revenue includes turnover and other revenue that arise in the course of the Group's ordinary activities. The Group's turnover, which arises from the principal activities of the Group, represents the net invoiced value of goods sold, after allowances for returns, trade discounts and the value of services rendered; and gross rental income received and receivable from investment properties.

	2017		2016	
	revenue	**cost**	revenue	cost
Principal operations	**147,928,875,941.24**	**115,141,628,613.82**	91,147,837,519.65	70,166,935,796.12
Other revenue	**3,640,516,295.39**	**3,326,001,484.52**	2,035,683,864.89	1,933,047,262.51
	151,569,392,236.63	**118,467,630,098.34**	93,183,521,384.54	72,099,983,058.63

Revenue is listed as follows:

	2017	2016
Revenue from principal operations		
Sales of goods and others	**89,552,556,147.34**	50,084,856,176.62
Forklift trucks production, warehousing technology and supply chain solution services	**58,376,319,793.90**	41,062,981,343.03
	147,928,875,941.24	91,147,837,519.65
Other revenue		
Sales of materials	**2,651,520,228.76**	1,378,457,250.81
Sales of power	**107,269,705.33**	51,143,589.11
Lease income	**109,938,790.82**	90,634,219.24
Provision of non-industrial labour	**35,518,016.04**	36,311,349.82
Others	**736,269,554.44**	479,137,455.91
	3,640,516,295.39	2,035,683,864.89
	151,569,392,236.63	93,183,521,384.54

8. TAXES AND SURCHARGES

	2017	2016
City construction tax	**242,314,233.46**	149,224,459.50
Educational surtax	**174,571,328.09**	106,722,593.87
Property tax	**131,515,330.38**	78,648,803.35
Stamp duty	**68,764,995.67**	27,443,642.06
Land use tax	**67,682,278.60**	45,168,952.39
Vehicle and vessel tax	**166,470.02**	70,418.03
Business tax	**–**	21,266,720.78
Others	**53,054,051.28**	22,312,607.36
	738,068,687.50	450,858,197.34

9. INCOME TAX EXPENSES

	2017	2016
Current tax expenses	**3,383,858,150.73**	1,467,719,825.72
Deferred tax expenses	**(2,039,957,430.43)**	(426,326,705.55)
	1,343,900,720.30	1,041,393,120.17

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

		2017	2016
Total profit		**10,522,267,498.12**	4,637,646,771.44
Tax at statutory tax rate	*Note 1*	**2,630,566,874.53**	1,159,411,692.86
Effect of different tax rates applicable to parent company and some subsidiaries	*Note 2*	**(636,856,922.41)**	(269,340,327.32)
Effect of tax rate adjustment on opening deferred tax	*Note 3*	**(709,009,626.43)**	(8,406,876.21)
Adjustments to current tax of previous periods		**(135,364,765.99)**	2,890,836.39
Profit and loss attributable to associates and jointly controlled enterprises		**24,345,057.42**	(7,541,386.53)
Non-taxable income		**(216,861,142.24)**	(127,809,991.84)
Expenses not deductible for tax		**197,019,189.82**	111,377,381.60
Tax incentives on eligible expenditures		**(220,304,739.96)**	(118,835,074.26)
Utilization of deductible losses from prior years		**(40,694,150.62)**	(20,719,117.47)
Unrecognized deductible losses		**390,457,907.61**	300,884,554.36
Effect of unrecognized deductible temporary difference		**86,627,127.35**	27,797,496.54
Others		**(26,024,088.78)**	(8,316,067.95)
Tax expense at the Group's effective tax rate		**1,343,900,720.30**	1,041,393,120.17

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.

Note 3: Tax rate applicable to Dematic Group, a subsidiary of the Group, adjusted from 35% to 21% under the tax reform in the United States of America.

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

10. EARNINGS PER SHARE (EPS)

The basic EPS is calculated by dividing the net profit of the current period attribute 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:

	2017	2016
Earnings		
Net profit of the current period attributable to ordinary shareholders of the Company	**6,808,342,544.23**	2,441,188,631.73
Shares		
Weighted average number of the ordinary shares outstanding of the Company (Note 1)	**7,997,238,556.00**	7,997,238,556.00
EPS (RMB/share)	**0.85**	0.31

The Group holds no potential shares that are significantly dilutive.

Note 1: On 8 June 2017, the Company's 2016 profit distribution proposal was considered and approved at the Company's 2016 annual general meeting, the first class meeting of the holders of A shares in 2017 and the first class meeting of the holders of H shares in 2017. Based on the total share capital of 3,998,619,278 shares as at 31 December 2016, the Company distributed to all shareholders a cash dividend of RMB2.50 (including tax) and issued 10 bonus shares (including tax), for every 10 shares held, without any capitalisation of reserve. Cash dividend amounting to RMB999,654,819.50 and bonus shares totaling 3,998,619,278 shares were distributed.

11. OTHER COMPREHENSIVE INCOME

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

	1 January 2016	**Increase/ Decrease**	**31 December 2016**	**Increase/ Decrease**	**31 December 2017**
Changes arising from re-measuring net assets or net liabilities of defined benefit plan	(375,736,013.12)	(184,215,626.51)	(559,951,639.63)	104,152,091.25	(455,799,548.38)
Share of investee's other comprehensive income not to be reclassified into profit or loss using the equity method	(164,648,572.83)	(928,656.44)	(165,577,229.27)	3,280,767.28	(162,296,461.99)
Share of investee's other comprehensive income to be reclassified into profit or loss using the equity method	34,155,708.14	518,499.84	34,674,207.98	1,967,785.30	36,641,993.28
Change of fair value of available-for-sale financial assets	59,200,000.00	(6,000,000.00)	53,200,000.00	6,353,967.55	59,553,967.55
Effective portion of cashflow from hedging	6,668,906.75	(66,499,896.80)	(59,830,990.05)	(25,984,960.43)	(85,815,950.48)
Exchange differences on foreign currency translation	(146,434,780.43)	302,362,500.73	155,927,720.30	(1,165,770,648.29)	(1,009,842,927.99)
Relevant income tax effect	84,286,077.71	37,699,324.71	121,985,402.42	(31,992,630.14)	89,992,772.28
	(502,508,673.78)	82,936,145.53	(419,572,528.25)	(1,107,993,627.48)	(1,527,566,155.73)

Incurred in current period for other comprehensive income:

2017

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

2016

	Incurred pre-tax	Less: Amount recognised in other comprehensive income in previous period and recognised in profit or loss in current period	Less: income tax	Attributable to parent company	Attributable to minority interests
Other comprehensive income not to be reclassified into profit or loss					
Changes arising from re-measuring net assets or net liabilities of defined benefit plan	(514,026,803.88)	–	(122,714,783.28)	(148,713,028.38)	(242,598,992.22)
Share of investee's other comprehensive income not to be reclassified into profit or loss using the equity method	(1,753,632.01)	–	–	(928,656.44)	(824,975.57)
Other comprehensive income to be reclassified into profit or loss					
Share of investee's other comprehensive income to be reclassified into profit or loss using the equity method	979,111.20	–	–	518,499.84	460,611.36
Change of fair value of available-for-sale financial assets	(6,000,000.00)	–	(900,000.00)	(5,100,000.00)	–
Effective portion of cashflow from hedging	245,600,620.34	321,467,546.25	(3,229,605.60)	(65,203,170.22)	(7,434,150.09)
Exchange differences on foreign currency translation	693,620,537.49	–	–	302,362,500.73	391,258,036.76
	418,419,833.14	321,467,546.25	(126,844,388.88)	82,936,145.53	140,860,530.24

12. DIVIDENDS

	2017	2016
	RMB'000	*RMB'000*
Proposed final dividends – RMB0.25 (2016: RMB0.25) per ordinary share	**1,999,310**	999,655

On 28 March 2018, the Company's 2017 profit distribution proposal was approved by the Company's seventh meeting of the fourth session of the Board. The Company proposed a distribution to all shareholders of a cash dividend of RMB2.50 (including tax) for every 10 shares held, based on the total share capital of 7,997,238,556 shares, without any capitalisation of reserve. Completion of the proposal is subject to the consideration and approval by the 2017 Annual General Meeting.

13. COMPARATIVE FIGURES

KION GROUP AG, a subsidiary of the Company, obtained control over Dematic Group on 1 November 2016. As the assessment work was not yet completed at that stage, the fair value of the identifiable assets, liabilities or contingent liabilities acquired under the consolidation were only temporarily determined. Pursuant to s. 16 of the "Accounting Standards for Business Enterprises No. 20 – Business Combinations" (《企業會計準則第20號－企業合併》), recognition and measurement for the business combination based on the temporary values determined by the Group and adjustments to the temporary values so determined within 12 months upon acquisition shall be deemed to be recognition and measurement as at the date of acquisition. Adjustments have been made to the temporary values of the relevant items in these annual financial statements pursuant to the requirements under the accounting standard, and re-statements have been made for the relevant statements. Major impacts on the consolidated balance sheet of the Group for 2017 caused by the re-statements to the aforesaid items are as follows:

2017

	Before re-statement	**Re-statement**	**After re-statement**
	At beginning of year	"Accounting Standard for Business Enterprises No. 20 – Business Combination"	At beginning of year Carrying amount
Fixed assets	25,801,560,424.62	(5,604,315.60)	25,795,956,109.02
Intangible assets	25,362,976,371.96	(205,788,715.20)	25,157,187,656.76
Goodwill	23,037,674,856.10	(240,605,617.20)	22,797,069,238.90
Deferred tax assets	4,019,599,412.58	(2,491,618.80)	4,017,107,793.78
Deferred tax liabilities	8,120,369,699.73	(166,763,096.40)	7,953,606,603.33
Other comprehensive income	(295,101,754.34)	(124,470,773.91)	(419,572,528.25)
Minority interests	12,823,400,239.00	(163,256,396.49)	12,660,143,842.51

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board, I would like to present the audited annual results of the Company for the year ended 31 December 2017.

I. REVIEW OF OPERATIONS

In 2017, the Chinese government insisted upon the general keynote of making progress while maintaining stability, and pioneering amidst the "new norms" in economic development with new development concepts. Emphasizing structural reforms of the supply aspect and focusing on the enhancement of quality and efficiency, the government deepened reforms and innovation and strengthened policy implementation. The economy was running within a reasonable range with a trend of positive development amidst stability becoming increasingly apparent. In 2017, the national gross domestic product reached RMB82.7 trillion, representing a year-on-year growth of 6.9%.

During the reporting period, with substantial growth in sales volume, the heavy-duty truck market exhibited an obvious trend of recovery, delivering sales of 1,117,000 units in total, representing a year-on-year increase of 52.4%. Such increase was driven by a multitude of favourable factors including the implementation of the new anti-overloading policies, the fostering of PPP (Public Private Partnership) projects, and the acceleration of fixed asset investments. Under such influence, during the reporting period, the Company reported sales of 370,000 units of heavy-duty truck engines, representing a year-on-year increase of 86.9%, and a market share of 33.1%, representing an increase of 6.1 percentage points from the corresponding period of last year, maintaining its leading position in the industry. Shaanxi Heavy-duty Motor Company Limited (陝西重型汽車有限公司), a controlling subsidiary of the Company, reported an aggregate sales of 149,000 units of heavy-duty trucks for the year, representing a year-on-year increase of 81.3%, maintaining its position as the top fourth player in the heavy-duty truck market of the PRC with remarkable increase in market share and exemplifying the augmented advantage brought forth by the complete-vehicle business. Shaanxi Fast Gear Co., Ltd. (陝西法士特齒輪有限責任公司), a controlling subsidiary of the Company, has further consolidated its leading position in the industry with its aggregate sales of 835,000 units of gear boxes, representing a year-on-year increase of 66.8%.

In 2017, fixed-asset investments in the PRC (excluding agricultural households) reached RMB63.17 trillion, representing a year-on-year growth of 7.2%, and a drop of 0.9 percentage points in growth rate year-on-year. The total planned investments for newly-commenced construction projects reached RMB51.91 trillion, representing a year-on-year growth of 6.2%. Investments in property development reached RMB10.98 trillion, representing a year-on-year growth of 7%, and an increase of 0.1 percentage points in growth rate year-on-year. As such, during the reporting period, the construction machinery industry achieved a reviving growth, delivering sales of 584,000 units in the entire construction machinery industry (including electric fork-lift trucks), representing a year-on-year increase of 47.0%, among which the sales volume of wheel loaders with a load capacity of 5 tonnes was 61,500 units, representing a year-on-year increase of 45.0%. The Company sold a total of 56,600 units of engines for wheel loaders with a load capacity of 5 tonnes, representing a year-on-year increase of 76.1%, further consolidating its leading position in the market of wheel loaders with a load capacity of 5 tonnes.

During the reporting period, under the influence of the state's macroeconomic policies, the passenger vehicles market of the PRC maintained its downward trend as in previous years, with accumulated sales of 527,000 units, representing a drop of 3% year-on-year. Among such, the market of large-sized passenger vehicles reported accumulated sales of 94,000 units, representing an increase of 4.1% year-on-year. The medium-sized passenger vehicle market suffered a serious drop in sales, with accumulated sales of 85,000 units which represented a year-on-year decrease of 14.6%. The light passenger vehicle market, which commanded larger market share, reported accumulated sales of 348,000 units, representing a decrease of 1.5% year-on-year. During the reporting period, with its efforts in adjusting product structure and strengthening marketing promotion, the Company's cumulative sales of engines for use in large-sized and medium-sized passenger vehicles amounted to 22,000 units, representing a year-on-year increase of 1.4%.

During the reporting period, the Company adhered to the market-oriented approach and accelerated structural adjustments of products and businesses, thereby enhancing its market competitiveness and maintaining a relatively fast development momentum. In 2017, the Company reported a sales figure of 56,000 units of WP13 products, representing a growth of 2.6 times year-on-year, and becoming a dominating product for commercial vehicles of large exhaust volume. In the first year of its sale launch, the newly upgraded strategic product WP9H/WP10H recorded a sales figure of 29,000 units and won positive feedbacks from customers. Yangchai "Sharp Power" products recorded sales of 102,000 units for the year, representing a growth of 17.5%. The sales of engines for use in agricultural equipments increased by 83.1% year-on-year to 28,000 units. The sales of engines for use in industrial equipments increased by 78.6% year-on-year to 11,000 units. During the same period, Shaanxi Heavy-duty Motor Company Limited, a controlling subsidiary of the Company, had balanced its business development in the aspects of dump trucks, tractors and cargo-carriers. Heavy-duty trucks powered by natural gas continued to maintain a leading position and formed competitive advantage in a number of market segments. Building upon its solidified medium-duty and heavy-duty truck businesses, Shaanxi Fast Gear Co., Ltd. continued to expand its market shares in large to medium-sized passenger vehicles, achieving remarkable effects in its structural adjustments. For strategic products such as S-series gear boxes, AT/AMT and speed reducers, scalable sale has been in place, with new-energy transmission system being developed and introduced.

During the reporting period, the Company grasped strategic opportunities and fostered its solid efforts in various aspects, achieving rapid development with substantial growth in its major economic indicators, along with marked increase in its overall strengths and competitiveness. Firstly, the Company continued to make strategic structural adjustments in a steady pace. Grasping opportunities and making scientific arrangements, the Company continued to enhance and optimize its products and stepped up its efforts in market expansion. While multifold growth was achieved in new strategic products and strategic markets, traditional products and markets also saw remarkable growth in the course of steady progression of structural adjustments. Secondly, adhering to innovative development, the Company fully expedited the pace of scientific innovation in terms of reforms of technology systems and mechanisms, by creating a fervent technological eco-system of creativity and establishing overseas innovation centres for forwardlooking innovation projects, hence paving way for the “going high-end” strategic development. Thirdly, the Company deepened its business consolidation and achieved sound development in its overall overseas business development, with an increased pace of overseas development and global coverage of its strategic businesses. The acquisition of shares of the U.S.-based PSI Inc. has built a sound platform for the Company’s entry into the U.S. market. The China-Belarus Industrial Park in Belarus, invested by a joint venture formed by Weichai and the Minsk Automotive Plant (MAZ) laid foundation for the development of another key base for the localized manufacturing of Weichai’s overseas engines and the fostering of international cooperation in production capacity. Fourthly, the Company made scientific arrangements for its operation. Through sales activities such as “Work hard 100 days to achieve production and sales volume of 180,000 units” and “Attain sales volume of 300,000 units in the first half of the year”, the Company mobilized all staff members to expand market, secure sales orders and capture high production and achieved an overall success.

Towards the end of 2017, the Company issued its strategy for the period of 2020 to 2030, under which the traditional businesses of the Company will have to outperform the global top standards by 2020 and the new energy business of the Company will have to become a global industry leader by 2030. We will benchmark our own performance in terms of customer satisfaction, shareholders’ return, staff happiness and corporate social value against global top-notch enterprises and forge ourselves into a well-respected company.

During the reporting period, the Company’s revenue increased by 62.7% compared with that in 2016 to approximately RMB151,569 million. The net profit attributable to shareholders of the listed company was approximately RMB6,808 million, representing a substantial increase of 178.9% compared with that in 2016. The basic earnings per share was RMB0.85, representing an increase of 178.9% compared with that in 2016.

II. DIVIDENDS

Putting shareholders’ interests and returns as its top priority, the Company has maintained a relatively stable dividend policy. On 28 March 2018, the Company’s 2017 profit distribution proposal was approved by the Company’s seventh meeting of the fourth session of the Board: the Company proposed the distribution to all shareholders of a cash dividend of RMB2.50 (including tax) for every 10 shares held, based on the total share capital of 7,997,238,556 shares, without any capitalisation of reserve. Completion of the proposal is subject to the consideration and approval by the 2017 Annual General Meeting. Please refer to the further announcement to be issued by the Company for details on the closure of registers of members in determining the shareholders who are eligible for the final dividend.

III. ACQUISITION AND CONSOLIDATION

In March 2017, the Company approved the entering into of a share purchase agreement by Weichai America Corp., a wholly-owned subsidiary of the Company, with the U.S.–based Power Solutions International, Inc. (hereinafter, "PSI Inc."), for the purchase of 2,728,752 ordinary shares and 2,385,624 preferred shares (convertible into 4,771,248 ordinary shares in the future) of PSI Inc., with a total investment of USD60 million. In November 2017, upon full conversion of the aforesaid preferred shares into ordinary shares, the Company, through Weichai America Corp., held shares representing 40.7% of the total issued share capital of PSI Inc. and became its largest shareholder. Pursuant to the agreement, 18 months after the completion of the above transaction, Weichai America Corp. may exercise a call option to further increase its holding in PSI Inc. to 51%. With PSI Inc.'s technology and experience, existing customer base, sales channels, and service networks in North America, the Company can quickly enter the North American market. Through positively participating in the competition of the North American power system market, the Company can enhance its level of market penetration and brand influence.

IV. OUTLOOK AND PROSPECTS

In 2018, the global economy is expected to grow at a rate of 3.6%, an increase from 3.2% in 2017. International trade, which has been hindered since the financial crisis, will witness a period of rapid growth and become a major force in driving and speeding up the worldwide economic growth. The "America First" stance taken by the United States government will stimulate a continual recovery of the U.S. economy in the short run, yet at the same time bring tremendous impact to the global capital flow and division of labour for industries. In Europe, with the receding European debt crisis, an overall trend of recovery is expected to continue. For emerging markets and developing economies, the adjustments over the past years will be followed by augmented growth dynamics and economic growth is expected to be more rapid in future. The East Asian and South Asian regions will remain the world's most vivid economies with the highest pace of growth. In Mainland China, the report on the 19th People's Congress issued by the Communist Party of China has identified the ambitious goals for the two phases of China's economic development, pointing to the change from a growth phase of high speed to one of high quality and highlighting the importance of developing the real economy, to which key resources should be drawn, policy measures should be tilted and more work focus should be turned, exemplifying China government's emphasis on the real economy. It is anticipated that the economic growth in China will remain steady, with a growth rate of approximately 6.5% on a full-year basis.

The Company is cautiously optimistic about the development trend of its related industries. In 2018, affected by the high base-figure and economic policy in 2017, it is expected that while the heavy-duty truck market will see some decrease in the pace of growth, it will continue running within a high range, which is mainly attributable to the following reasons. Firstly, with the continual growth in infrastructure investment, the newly-commenced infrastructure construction projects pursuant to the "One Belt and One Road" initiative and the increase in the volume of construction projects in free-trade zones, there will be a gradual revival in the market demand for construction vehicles. Secondly, the restrictions on the use of China III Emission Standards vehicles, the cleanup of the hazardous chemicals market, the tightened management over the measurement and overloading of trucks and the weighing of trucks in the licensing process will bring forth an accelerated replacement cycle, and hence resulting in a faster upgrade within the market and a more obvious trend for efficient logistics transportation to go high-end. Thirdly, with the emergence of e-commerce logistical planning, the development of logistics industry will become more efficient and standardized. The sales volume of high-speed, standardized vehicles models will gradually increase together with the rising demand for high-emission volume, high-powered vehicles.

In 2018, buoyed by factors such as investments in infrastructure and the demand for equipment upgrades and the rebound of overseas market demand, the construction machinery industry will recover continuously. It is expected that the cumulative annual sales will exceed 636,000 units, representing a year-on-year growth of more than 9%. In terms of international market conditions, the 'One Belt and One Road' initiative drives interconnection among infrastructure and growth of infrastructure construction and China's foreign engineering contracts will speed up with the substantial demand. The Trump administration has implemented proactive fiscal policies and stepped up infrastructure construction, creating substantial strategic development opportunities in overseas markets. Domestically, with the implementation of proactive fiscal policy in the PRC, investment in construction of infrastructure will remain in a high range, and PPP projects will be more promptly implemented. With higher shortcomings in infrastructure and civil aspects in the PRC, the industry is in urgent need of reform and upgrade, which will drive sales growth in the industry. It has been seven to eight years since the last peak of the construction machinery industry. Having entered into the cycle of upgrade and replacement, there will be larger room to meet such upgrade demands in the next two to three years.

Currently, with increasingly stringent regulations on emission levels, the upgrade of technologies has also been speeding up. With effect from 1 January 2018, the China V Emission Standards will apply to the manufacturing, importing, sale and registration of all diesel-driven light vehicles in China. As such, some segments of the market will experience a new round of shuffling and the elimination of backward production capacities will be accelerated. Leveraging upon the synergy presented by its globally coordinated research and development, advanced technology in smart manufacturing, product and service diversity, and its strong base of loyal customers, the Company has actively responded by starting its preparation work in advance. Having essentially completed the upgrade and replacement of its engine products, the Company is poised to maintain its leading position in the market of high-power engines and heavy-duty gear boxes. The Board has full confidence in the development prospect of the Company.

In 2018, adhering to the main theme of "robust and stable growth of high quality", the Company will work towards better profitability via technological enhancement of its products and adopt the change from a sales-driven approach to a product-driven approach. In particular, the Company will work strenuously on the following:

Firstly, the Company will continue to solidify its focus on customer orientation, make good use of the advantage of its product mix, further expedite structural adjustments and seek breakthroughs in strategic markets, consolidate its leading position in traditional business markets, and work diligently towards the pre-determined annual sales target. Secondly, the Company will step up its investment in research and development (R&D) and speed up its R&D progress, meeting standards of the top players in the world, moving towards high-end in general building products with the best core competitiveness, and achieving breakthroughs and pioneering development in core technologies through a series of key R&D projects. Thirdly, the Company will continue to uplift the operating capability of its overseas entities, augment resources sharing, deepen exchanges and cooperation, expedite business integration, enhance the ability of collaboration, and speed up the localized implementation of technology developed in China. Fourthly, the Company will accelerate the industrial implementation of its new-energy business and foster the construction of industrial parks for new-energy power industry. Fifthly, the Company will carry out comprehensive innovation of its talent recruitment mechanism, explore the possibility of implementing share incentive schemes, talent recruitment incentive systems, etc., to create the optimal competitive platform for the aggregation of talents and incentivize energy for innovation of the entire team to enhance the core competitiveness of the Company. Sixthly, the Company will strengthen management and control of operational risks, with a focus on expediting the process of transformation to high-quality development by uplifting profitability, lowering gearing ratio and guarding against risks. Seventhly, the Company will benchmark itself against top players, consolidate resources, and make thorough use of technology including big data, smart manufacturing, mobile internet, cloud computing and internet of things, to expedite transformation towards a smarter, more networked and more digitized direction and achieve full-value-chain management of the Company.

V. APPRECIATION

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

MANAGEMENT DISCUSSION AND ANALYSIS

The Directors are pleased to present a management discussion and analysis of the annual results of operations of the Group for the year ended 31 December 2017 as follows:

I. Industry Analysis

The Company is one of the vehicle and equipment manufacturing conglomerates in the PRC with the best comprehensive strengths. It is a leading company in the markets of powertrain, complete vehicles and machines, hydraulic controlling parts and automotive electronics and parts and components. It is equipped with the most comprehensive supply chain of engines, gear boxes and axles and offers related after-sales market services. Meanwhile, the Group is actively developing intelligent logistics to provide comprehensive solutions to its customers.

1. Heavy-duty Vehicle Industry

In 2017, the economy continued to improve in the midst of stability as the Chinese government insisted upon the general keynote of making progress while maintaining stability, emphasized structural reforms of the supply aspect and continued with the enhancement of quality and efficiency. Last year, the gross domestic product of the PRC reached RMB82.7 trillion, representing a year-on-year growth of 6.9%. Under the influence of a number of favorable factors, such as the implementation of anti-overloading policies, the progress of Public Private Partnership ("PPP") projects and the acceleration in investments in fixed assets, the sales volume in the domestic heavy-duty truck market witnessed a substantial growth. The aggregate sales figure of the heavy-duty truck market in the year was approximately 1,117,000 units, representing a year-on-year increase of approximately 52.4%.

2. Construction Machinery

During the reporting period, fixed-asset investments in the PRC (excluding agricultural households) reached RMB63.17 trillion, representing a year-on-year growth of 7.2%. The total planned investments for newly-commenced construction projects reached RMB51.91 trillion, representing a year-on-year growth of 6.2%. Investments in property development reached RMB10.98 trillion, representing a year-on-year growth of 7%. As such, positive growth resumed in the construction machinery industry. In 2017, the construction machinery industry (including electric forklift trucks) reported sales of approximately 584,000 units, representing a year-on-year growth of 47.0%, among which, the sales volume of wheel loaders with a load capacity of 5 tonnes for use in large construction machinery was approximately 61,500 units, representing an increase of approximately 45.0%.

3. Passenger Vehicle Market

In 2017, the passenger vehicle market exhibited an ongoing downturn as a result of the continuous influence of China's national express rail taking up the share of the transportation market and the implementation of macroeconomic policies in the country during the reporting period. The sales volume of passenger vehicle market for the year was 527,000 units, representing a year-on-year decrease of 3%.

4. Forklift Truck and Supply Chain Solutions Industry

During the reporting period, international trade increased on the back on the revival of the global economy, increase in investing activities, robust development of electronic commerce and wide application of industrial 4.0 technology. The forklift truck and supply chain solutions industry recorded a strong growth, with augmented capital expenditure being made by industry players for various uses including expansion of warehousing capacity, forklift truck equipments and the installation of automated systems. Global sales orders for forklift trucks increased from approximately 1.185 million units last year to approximately 1.397 million units this year, representing a year-on-year growth of approximately 17.9%. In particular, Central and South America, Asia-Pacific and Eastern Europe achieved strong growth, increasing by approximately 29.8%, 28.5% and 21.6% respectively from the corresponding period of last year.

II. The Group's Business

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

1. Sale of Diesel Engines

For Use in Heavy-duty Trucks

The Group is the largest supplier of diesel engines among major manufacturers of heavy-duty trucks with a load capacity of 15 tonnes (and above) in the PRC. In 2017, the sales volume in the heavy-duty truck market saw a significant growth, with the Company having sold a total of approximately 370,000 units of heavy-duty truck engines (2016: approximately 198,000 units), representing a substantial year-on-year growth of approximately 86.9%. The Company maintained its leading position in the heavy-duty truck auxiliary market with its market share of 33.1% (2016: approximately 27%), representing a year-on-year increase of approximately 6.1 percentage points.

For Use in Construction Machinery

The Group is also the largest supplier of diesel engines among major manufacturers of construction machinery (mainly wheel loaders) with a load capacity of 5 tonnes in the PRC. Out of the diesel engines sold during the year, approximately 56,600 units (2016: approximately 32,000 units) were engines for wheel loaders with a load capacity of 5 tonnes, representing a significant increase of approximately 76.1% compared to that in the corresponding period last year. The Group's market share increased further, maintaining its leading position in this sector.

For Use in Passenger Vehicles

During the period, despite unsatisfactory performance of the large-sized and medium-sized passenger vehicle market, with the Company's efforts in adjusting product structure and strengthening marketing promotion, the Company's aggregate sales of engines for use in large-sized and medium-sized passenger vehicles amounted to approximately 22,000 units, representing a marginal year-on-year increase of approximately 1.4%.

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

Benefiting from the strong growth of the forklift truck industry and the leading position of KION Group AG ("KION") in electric forklift truck and the European market, the Group reported an increase of orders for forklift trucks from approximately 178,300 units last year to approximately 201,400 units this year, representing a year-on-year growth of approximately 13.0%. During the reporting period, KION actively intensified the "2020 Strategy" and sought to develop it into the "KION 2027" Strategy, and expedited the integration of the Dematic business line for better synergy. The full-year results of Dematic was consolidated to the Group for the first time in 2017. Before elimination of intra-group sales, the forklift trucks production, warehousing technology services and supply chain solution services business contributed sales revenue of approximately RMB58,493 million to the Group during the reporting period, representing a significant increase of approximately 42.4% from approximately RMB41,063 million last year.

3. Sale of Heavy-duty Trucks

During the year, the Group sold approximately 149,000 units of heavy-duty trucks, representing an increase of approximately 81.3% from approximately 82,000 units in the corresponding period in 2016. Shaanxi Heavy-duty Motor Company Limited (陝西重型汽車有限公司), a controlling subsidiary of the Company, maintained its top fourth position in terms of sales in the domestic heavy-duty truck industry and strived to achieve top three. Before elimination of intra-group sales, the truck business contributed approximately RMB47,351 million to the Group's revenue this year.

4. Sale of Heavy-duty Gear Boxes

During the year, the Group sold approximately 835,000 units of heavy-duty gear boxes, representing an increase of approximately 66.8% compared to the approximately 501,000 units of heavy-duty gear boxes sold in the corresponding period in 2016, maintaining a stable leading position in the industry. Before elimination of intra-group sales, the gear boxes business contributed approximately RMB13,245 million to the Group's revenue this year.

5. Sale of Parts and Components of Engine and Heavy-duty Trucks and Hydraulics Controlling Parts

Apart from the production and sale of diesel engines for trucks and construction machinery, heavy-duty trucks and heavy-duty gear boxes, the Group is also engaged in the production and sales of engine parts and components and other truck parts and components such as spark plugs, axles, chassis, air-conditioner compressors, hydraulic controlling parts, etc. During the Year, the Group's sales of parts, components of engines and trucks and hydraulic controlling parts increased by approximately RMB602 million from approximately RMB3,564 million in the corresponding period of last year to approximately RMB4,166 million, representing a year-on-year increase of approximately 16.9%.

Last year, the Company budgeted that sales revenue in 2017 would be approximately RMB107 billion, representing a growth of approximately 15%. The actual sales revenue was approximately RMB151.6 billion, representing a significant year-on-year increase of approximately 62.7%. The actual sales revenue largely exceeded the budgeted sales revenue by approximately RMB44.6 billion or 41.7%, mainly because the Company maintained a steadfast commitment in serving the market and expedited the structural upgrade of products and businesses, thereby boosting its market competitiveness on an ongoing basis and capturing market opportunities. Meanwhile, the general positivity in the Group's overseas businesses and the global reach of its international development strategy contributed positively to the Group's businesses.

As China migrates from a stage of high-speed growth to a stage of high-quality development, it is anticipated that its economic growth will remain stable in 2018, with an annual growth rate of approximately 6.5%. Driven by international trade, the global economy is expected to grow at a higher pace of 3.6%. The "High-quality Proactive and Robust Growth" initiative has been proposed by the Company and the Group will work strenuously to achieve the corporate goal under the "2020 to 2030 Strategy". As at 31 December 2017, orders on hand amounted to approximately RMB29.2 billion. The Company budgets a sales revenue growth of approximately 10.0% for 2018 to approximately RMB166.7 billion.

III. Financial Review

1. The Group's Results of Operations

a. Revenue

The Group's revenue increased substantially by approximately RMB58,385 million or approximately 62.7% from approximately RMB93,184 million in 2016 to approximately RMB151,569 million in 2017. This was primarily attributable to the substantial growth of the heavy-duty truck market in China, the continual expansion of the Group's market share resulting from ongoing product innovation, and the consolidation of the full-year results of Dematic. In particular, the revenue from principal operations increased by approximately 62.3%, from approximately RMB91,148 million in the previous year to approximately RMB147,929 million for the Year. Other revenue increased by approximately 78.8%, from approximately RMB2,036 million in the previous year to approximately RMB3,640 million for the Year.

b. Profit from Principal Operations

During the Year, the Group generated profit from principal operations in the amount of approximately RMB32,787 million, an increase of approximately 56.3% from approximately RMB20,981 million recorded in the corresponding period in 2016, primarily attributable to the increase in revenue from principal operations. For the forklift trucks production, warehousing technology and supply chain solution services segment, the increase in raw material prices and the weak Euro led to the decrease in the profit margin of the principal operations. However, the Group's focus on product research and development, expedited adjustment of product and business structure, as well as increasing competitiveness have contributed to the Group's stable profit margin of its principal operations at approximately 22.2%.

c. *Distribution and Selling Expenses*

Distribution and selling expenses increased by approximately 35.2% to approximately RMB10,338 million in the Year from approximately RMB7,645 million in the corresponding period of 2016. The increase of distribution and selling expenses was primarily attributable to the increase in after-sales expenses and products return fee resulting from the substantial increase in sales revenue. However, with strict control over expenses and the effect of the economies of scale, the distribution and selling expenses as a percentage of revenue decreased from approximately 8.2% in the corresponding period of 2016 to approximately 6.8% in the Year.

d. *General and Administrative Expenses*

General and administrative expenses increased by approximately RMB1,950 million or approximately 25.5% from approximately RMB7,652 million in the corresponding period of 2016 to approximately RMB9,602 million in the Year, which was mainly due to the consolidation of the full-year results of Dematic and the Group's increase in technological development expenses. The general and administrative expenses as a percentage of revenue decreased by 1.9 percentage points from approximately 8.2% in the corresponding period of last year to approximately 6.3% in the Year.

e. *Earnings Before Interest and Tax (EBIT) and Adjusted Total Profit For Purchase Price Allocation*

During the Year, the Group's EBIT increased by approximately RMB5,830 million or 113.6% to approximately RMB10,960 million from approximately RMB5,130 million in the corresponding period in 2016. The increase was primarily attributable to the increase in sales amount which resulted in a noticeable impact of the economies of scale, while the improved EBIT margin from approximately 5.5% in the corresponding period of the previous year to approximately 7.2% this Year was due to the Company's effective control over expenses.

For a business combination involving enterprises not under common control, the cost of business combination should be allocated between the identifiable assets and liabilities acquired on the date of acquisition, and assets and liabilities should be accounted for at fair value and are subsequently measured ("purchase price allocation"). The purchase price allocation of the Group primarily arose from the acquisition of KION and Dematic. In this year, the two purchase price allocations stated above resulted in a decrease in profit before tax of RMB2,306 million (2016: RMB608 million). After adjustment for the purchase price allocation, total profit amounted to approximately RMB12,838 million, representing an increase of approximately 135.2% from approximately RMB5,459 million in the corresponding period of last year.

f. Finance Expenses

Finance expenses increased by approximately 197.1% to approximately RMB591 million in the Year from approximately RMB199 million in the corresponding period of 2016. This was mainly attributable to the increase in foreign exchange losses for the reporting period and KION having completed its refinancing arrangement and repaid the medium-term notes in the amount of EUR450 million in advance last year, resulting in a recognition of a one-off amortised income.

g. Income Tax Expenses

The Group's income tax expenses increased by approximately 29.0% from approximately RMB1,041 million in the corresponding period in 2016 to approximately RMB1,344 million in the Year. The Group's average effective tax rate was approximately 12.8% in the Year, compared to approximately 22.5% in the corresponding period in 2016, marking a decrease of 9.7 percentage points. The decrease in effective tax rate was mainly due to the increase in the proportion of profit from the Group's business in China and the lower average effective tax rate in China than overseas, and the effect of the one-off deferred income tax income of approximately EUR92.2 million arising from the adjustment of the United States corporate income tax rate from 35% to 21%.

h. Net Profit and Net Profit Margin

The Group's net profit increased by approximately 155.2% from approximately RMB3,596 million in the corresponding period of 2016 to approximately RMB9,178 million in the Year. During the Year, the net profit margin was approximately 6.1%, representing an increase of approximately 2.2 percentage points from approximately 3.9% recorded in the corresponding period in 2016. This was primarily attributable to the substantial increase in the Group's revenue in general, the increase in the proportion of profit derived from China under the continual growth of the heavy-duty truck industry and the downward adjustment of the United States corporate income tax.

i. Liquidity and Cash Flow

During the Year, the Group generated operating cash flows of approximately RMB16,258 million. A portion of such proceeds was applied to acquiring approximately 4,023,275 additional KION shares (at a total consideration of approximately EUR260 million), acquiring shares of the U.S.– based Power Solutions International, Inc. (at a total consideration of approximately US$60 million), and the increase in the Group's equity interest in Shandong Heavy Industry Group Finance Co., Ltd. from 20% to 37.5% (at a consideration of RMB648 million), repaying borrowings, paying interest and acquiring property, plant and equipment for the expansion of the Group's business. As of 31 December 2017, the Group's gearing ratio (Net interest-bearing debts/(Shareholders' equity + net interest-bearing debts)) was 35.5% (31 December 2016: 47.0%).

2. *Financial Position*

a. Assets and Liabilities

As at 31 December 2017, the Group had total assets of approximately RMB189,638 million, of which approximately RMB100,340 million were current assets. As at 31 December 2017, the Group had cash and cash equivalents of approximately RMB34,222 million (as at 31 December 2016: approximately RMB27,123 million). On the same date, the Group's total liabilities was approximately RMB133,283 million, of which approximately RMB78,474 million were current liabilities. The current ratio was approximately 1.28x (as at 31 December 2016: approximately 1.30x).

b. Capital Structure

As at 31 December 2017, the Group had total equity of approximately RMB56,355 million, of which approximately RMB35,240 million was attributable to equity holders of the Company and the balance was minority interests. Interest attributable to minority interest holders includes the issue of perpetual capital securities in the principal amount of US$775 million in September 2017. The borrowings of the Group as at 31 December 2017 amounted to approximately RMB31,071 million, which included bonds of approximately RMB10,460 million and bank borrowings of approximately RMB20,611 million. Borrowings repayable on demand or within a period not exceeding one year were approximately RMB4,932 million, borrowings repayable within a period of more than one year but not exceeding two years were approximately RMB2,973 million; borrowings repayable within a period of more than two years but not exceeding five years were approximately RMB12,534 million; and borrowings repayable within a period of more than 5 years were approximately RMB171 million. The bank borrowings included approximately RMB3,920 million of fixed interest rate bank borrowings and approximately RMB16,691 million of floating interest rate bank borrowings. Other than Euro-denominated borrowings equivalent to approximately RMB18,087 million and USD-denominated borrowings equivalent to approximately RMB312 million, the borrowings are primarily Renminbi-denominated borrowings. The revenue of the Group is mainly in Renminbi and Euro. Contracts have been entered into with financial institutions to swap the USD400 million USD-denominated bonds issued in September 2015 and the USD775 million USD-denominated perpetual capital securities issued in September 2017 to Euro, and thus the Group does not consider the currency risk facing its future general cash outflow significant. As a policy, the Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debts and equity balance. The Group's overall strategy remains unchanged from prior years.

c. *Pledge of Assets*

As at 31 December 2017, bank deposits, notes receivable and accounts receivable of approximately RMB16,830 million (as at 31 December 2016: approximately RMB10,788 million) were pledged to banks to secure the Group's notes payable and notes receivable issued by banks. The pledged bank deposits carry prevailing bank interest rates. The pledge will be released upon the settlement of the relevant bank borrowings. The fair value of the bank deposits as at the settlement date is approximately the same as the carrying amount. Certain other assets were also pledged by the Group to secure the Group's borrowings.

d. *Contingencies*

On 31 December 2017, the Group provided certain distributors and agents bank guarantee amounting to approximately RMB3,522 million (as at 31 December 2016: approximately RMB2,457 million) to secure their obtaining and use of banking facilities.

As at 31 December 2017, the Group provided guarantee for joint liabilities in respect of failure of the leasee under finance lease to settle instalment payments plus interest. Risk exposure in respect of possible guarantee for joint liabilities amounted to approximately RMB1,507 million (as at 31 December 2016: approximately RMB923 million).

As at 31 December 2017, the Group's guarantee for borrowings and other guarantee amounted to approximately RMB376 million (as at 31 December 2016: approximately RMB662 million).

e. *Commitments*

As at 31 December 2017, the Group had capital commitments of approximately RMB1,803 million (as at 31 December 2016: approximately RMB1,892 million), principally for the capital expenditure for the acquisition of property, plant and equipment. The capital expenditure will be financed by internal resources.

As at 31 December 2017, the Group had investment commitments amounting to approximately RMB5 million.

3. *Other Financial Information*

a. *Employees*

As at 31 December 2017, the Group had approximately 74,500 employees (including approximately 31,600 employees of KION). During the Year, the Group paid remuneration of approximately RMB21,890 million. The emolument policy of the employees of the Group is set up by the Remuneration Committee on the basis of their merits, qualifications and competence.

During the Year, skills enhancement trainings were arranged for employees according to their job positions, based on the respective prerequisites, our corporate strategies and the needs of business development, covering more than 97% of the Group's employees by means of online and offline platforms to cater to self-learning and classroom training taught by internal lecturers or lecturers engaged externally, or taught by external agencies. The Group spent approximately RMB18 million in aggregate on providing such trainings during the year.

b. *Major Investment*

On 22 May 2017 (Central European Time), KION Group AG ("KION") issued in aggregate 9,300,000 new KION shares through the accelerated market bookbuilding offering process. The Company has, through its indirect wholly-owned subsidiary Weichai Power (Luxembourg) Holding S.a r.l. ("Weichai Lux"), subscribed for 4,023,275 new KION shares based on the subscription price of EUR64.83 per KION share at a total consideration of approximately EUR260 million. The Group's shareholding in KION remains at 43.26%.

On 30 August 2017, the Group entered into an agreement on capital increase in relation to Shandong Heavy Industry Group Finance Co., Ltd., to the effect that the Group will contribute RMB648 million to increase its equity interest in Shandong Heavy Industry Group Finance Co., Ltd. from 20% to 37.5%.

c. *Major Acquisition and Disposal*

During the period, the Company approved the acquisition by Weichai America Corp., its wholly-owned subsidiary, of 2,728,752 ordinary shares and 2,385,624 preferred shares of PSI Inc., at a total consideration of US$60 million. Upon full conversion of the aforesaid preferred shares into ordinary shares, the Company now holds shares representing 40.7% of the equity of PSI Inc., and become its single largest shareholder. Pursuant to the agreement, 18 months after the completion of the above transaction, Weichai America Corp. may exercise a call option to increase its holding in PSI Inc. to 51%.

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

d. *Subsequent Events*

On 28 March 2018, the Company's 2017 profit distribution proposal was approved by the Company's seventh meeting of the fourth session of the Board. The Company proposed a distribution to all shareholders of a cash dividend of RMB2.50 (including tax) for every 10 shares held, based on the total share capital of 7,997,238,556 shares as of 31 December 2017, without any capitalisation of reserve. Completion of the proposal is subject to the consideration and approval by the 2017 Annual General Meeting.

OTHER INFORMATION

Directors' and Supervisors' Interests in Shares and Underlying Shares

As at 31 December 2017, the interests and short position (if any) of the directors, the chief executives and the supervisors in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code"), were as follows:

Name of director	Capacity	Number of "A" shares held	Number of "H" shares held	Percentage of the issued share capital of the Company
Tan Xuguang	Beneficial owner	58,842,596 *(Note 1)*	–	0.74%
Zhang Quan	Beneficial owner	13,684,324 *(Note 1)*	–	0.17%
Xu Xinyu	Beneficial owner	13,684,324 *(Note 1)*	–	0.17%
Sun Shaojun	Beneficial owner	13,684,324 *(Note 1)*	–	0.17%
Yuan Hongming	Beneficial owner	440 *(Note 1)*	–	0.000006%
	Interest held by spouse	444 *(Note 1)*	–	0.000006%
Yan Jianbo	Beneficial owner	22,404 *(Note 1)*	–	0.0003%

Name of supervisor	Capacity	Number of "A" shares held	Number of "H" shares held	Percentage of the issued share capital of the Company
Lu Wenwu	Beneficial owner	600,000	–	0.008%
Wu Hongwei	Beneficial owner	4,789,516	–	0.06%

Notes:

1. These shares were derived from the previous domestic shares of the Company. The domestic shares were ordinary shares issued by the Company, with a Renminbi denominated par value of RMB1.00 each, which were subscribed for and paid up in Renminbi or credited as fully paid up. These shares became A Shares of the Company upon the A Share listing of the Company on the Shenzhen Stock Exchange.

2. All the shareholding interests listed in the above table are "long" position.

Interests in the shares of associated corporations of the Company

Name of director	Name of associated corporation	Nature of interest	Class and number of securities interested or deemed to be interested	Approximate percentage interest in the entire issued share capital of associated corporations
Gordon Riske *(Note)*	KION Group AG ("KION")	Beneficial owner	114,060 ordinary shares	0.10%
		Interest held by spouse	93,940 ordinary shares	0.08%

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

Save as disclosed above, as at 31 December 2017, 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 2017)

	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	867,643,515	21.70%	–	867,643,515	–	3,579,269	871,222,784	1,738,866,299	21.74%
1. State-owned shares	–	–	–	–	–	–	–	–	–
2. State-owned legal person shares	821,265,504	20.54%	–	821,265,504	–	–	821,265,504	1,642,531,008	20.54%
3. Shares held by other domestic entities	46,378,011	1.16%	–	46,378,011	–	3,579,269	49,957,280	96,335,291	1.20%
including: Shares held by domestic non-state-owned legal persons	–	–	–	–	–	–	–	–	–
Shares held by domestic natural persons	46,378,011	1.16%	–	46,378,011	–	3,579,269	49,957,280	96,335,291	1.20%
4. Shares held by foreign entities	–	–	–	–	–	–	–	–	–
including: Shares held by overseas legal persons	–	–	–	–	–	–	–	–	–
Shares held by overseas natural persons	–	–	–	–	–	–	–	–	–
II. Non-restricted circulating shares	3,130,975,763	78.30%	–	3,130,975,763	–	(3,579,269)	3,127,396,494	6,258,372,257	78.26%
1. RMB ordinary shares	2,159,455,763	54.00%	–	2,159,455,763	–	(3,579,269)	2,155,876,494	4,315,332,257	53.96%
2. Domestic listed foreign shares	–	–	–	–	–	–	–	–	–
3. Overseas listed foreign shares	971,520,000	24.30%	–	971,520,000	–	–	971,520,000	1,943,040,000	24.30%
4. Others	–	–	–	–	–	–	–	–	–
III. Total number of shares	3,998,619,278	100%	–	3,998,619,278	–	–	3,998,619,278	7,997,238,556	100%

(II) Shareholdings of the Substantial Shareholders (as at 31 December 2017)

Total number of Shareholders The number of shareholders is 201,097 among which 200,825 are shareholders of "A" shares and 272 are shareholders of "H" shares.

Shareholdings of the top ten shareholders

Name of shareholder	Type of Shareholder	Approximate percentage of shares held *(%)*	Total number of shares held	Number of restricted shares held	Number of shares pledged or frozen
HKSCC Nominees Limited	Foreign shareholder	24.23%	1,937,587,216	–	N/A
Weichai Group Holdings Limited	State-owned legal person	16.83%	1,345,905,600	1,345,905,600	–
Weifang Investment Group Company Limited	State-owned legal person	3.71%	296,625,408	296,625,408	–
China Securities Finance Corporation Limited	Domestic non-state-owned legal person	2.83%	226,648,845	–	–
IVM Technical Consultants Wien Gesellschaft m.b.H.	Overseas legal person	1.80%	143,810,000	–	–
Central Huijin Assets Management Company Limited	State-owned legal person	1.36%	108,492,800	–	–
Hong Kong Securities Clearing Company Limited *(Note)*	Overseas legal person	0.94%	75,024,649	–	–
Shandong Enterprise Trust Operation Company Limited	Domestic non-state-owned legal person	0.79%	63,434,960	–	–
Tan Xuguang	Domestic natural person	0.74%	58,842,596	44,131,946	–
ICBCCS Fund – ICBC – Asset Management for Designated Customers	Funds and wealth management products etc.	0.43%	34,770,730	–	–

Note: Hong Kong Securities Clearing Company Limited holds 75,024,649 A Shares on behalf of shareholders under the Shenzhen - Hong Kong Stock Connect mechanism.

Shareholdings of the top ten non-restricted shareholders

Name of shareholder	Number of the non-restricted shares held	Types of shares
HKSCC Nominees Limited	1,937,587,216	Overseas listed foreign shares
China Securities Finance Corporation Limited	226,648,845	RMB ordinary shares
IVM Technical Consultants Wien Gesellschaft m.b.H.	143,810,000	RMB ordinary shares
Central Huijin Assets Management Company Limited	108,492,800	RMB ordinary shares
Hong Kong Securities Clearing Company Limited	75,024,649	RMB ordinary shares
Shandong Enterprise Trust Operation Company Limited	63,434,960	RMB ordinary shares
ICBCCS Fund – ICBC – Asset Management for Designated Customers	34,770,730	RMB ordinary shares
ICBCCS Fund – Agricultural Bank of China – ICBCCS Zhongzheng Financial Assets Management Scheme	33,316,400	RMB ordinary shares
Nanfang Fund – Agricultural Bank of China – Nanfang Zhongzheng Financial Assets Management Scheme	33,316,400	RMB ordinary shares
Zhong'ou Fund – Agricultural Bank of China – Zhong'ou Zhongzheng Financial Assets Management Scheme	33,316,400	RMB ordinary shares
Boshi Fund – Agricultural Bank of China – Boshi Zhongzheng Financial Assets Management Scheme	33,316,400	RMB ordinary shares
Dacheng Fund – Agricultural Bank of China – Dacheng Zhongzheng Financial Assets Management Scheme	33,316,400	RMB ordinary shares
Jiashi Fund – Agricultural Bank of China – Jiashi Zhongzheng Financial Assets Management Scheme	33,316,400	RMB ordinary shares
GF Fund – Agricultural Bank of China – GF Zhongzheng Financial Assets Management Scheme	33,316,400	RMB ordinary shares

Name of shareholder	Number of the non-restricted shares held	Types of shares
Huaxia Fund – Agricultural Bank of China – Huaxia Zhongzheng Financial Assets Management Scheme	33,316,400	RMB ordinary shares
Yinhua Fund – Agricultural Bank of China – Yinhua Zhongzheng Financial Assets Management Scheme	33,316,400	RMB ordinary shares
E Fund – Agricultural Bank of China – E Fund Zhongzheng Financial Assets Management Scheme	33,316,400	RMB ordinary shares
National Social Security Fund – 412 Portfolio	24,129,212	RMB ordinary shares
National Social Security Fund – 102 Portfolio	23,999,918	RMB ordinary shares

Note:

1. Among the aforesaid shareholders, Mr. Tan Xuguang is the chairman of Weichai Group Holding 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. Among the shareholders, Shandong Enterprise Trust Operation Company Limited held 60,434,960 shares through general account and 3,000,000 shares through account of collateral securities for margin trading, totaling 63,434,960 shares.

Substantial Shareholders

The register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO (including interests filed with the Hong Kong Stock Exchange) shows that as at 31 December 2017, 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	1,345,905,600	22.23%	–	–	16.83%
Shandong Heavy Industry Group Co., Ltd. *(Note 1)*	Held by controlled corporation	Long	1,345,905,600	22.23%	–	–	16.83%
Brandes Investment Partners, LP *(Note 3)*	Investment manager	Long	–	–	78,578,612	16.18%	3.93%
Lazard Asset Management LLC *(Note 2)*	Investment manager	Long	–	–	245,891,812	25.31%	6.15%
Lazard Emerging Markets Equity Portfolio *(Note 4)*	Investment manager	Long	–	–	23,707,500	5.86%	1.42%
Barclays PLC *(Note 3)*	Person having a security interest in shares	Long	–	–	525,552	0.11%	0.03%
	Interest of corporation controlled by the substantial shareholder	Long	–	–	25,453,050	5.24%	1.27%
					25,978,602	5.35%	1.30%
	Interest of corporation controlled by the substantial shareholder	Short	–	–	24,102,475	4.96%	1.21%
Morgan Stanley *(Note 2)*	Interest of corporation controlled by the substantial shareholder	Long	–	–	49,335,508	5.08%	1.23%
	Interest of corporation controlled by the substantial shareholder	Short	–	–	42,078,545	4.33%	1.05%

Name	Capacity	Long/ Short position	Number of A shares	Percentage of share capital comprising only A shares	Number of H shares	Percentage of share capital comprising only H shares	Percentage of total issued share capital
BlackRock, Inc.	Interest of corporation controlled by the substantial shareholder	Long	–	–	191,375,703	9.85%	2.39%

Notes:

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

2. The number of H shares reported above by the relevant substantial shareholder does not take into consideration the Company's bonus share issuance on 21 July 2017 as there is no disclosure of interest obligation under the SFO where there is no change in percentage of shareholdings for a substantial shareholder.

3. The number of H shares reported above by the relevant substantial shareholder does not take into consideration the Company's bonus share issuance on 20 August 2015 and 21 July 2017 as there is no disclosure of interest obligation under the SFO where there is no change in percentage of shareholdings for a substantial shareholder.

4. The number of H shares reported above by the relevant substantial shareholder does not take into consideration the Company's bonus share issuance on 17 August 2012, 20 August 2015 and 21 July 2017 as there is no disclosure of interest obligation under the SFO where there is no change in percentage of shareholdings for a substantial shareholder.

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 2017.

DETAILS OF THE DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES

1. At the Board meeting convened on 29 March 2017, the Board considered and approved:

   (i) the resignation of Mr. Li Dakai as an executive director and a member of the strategic development and investment committee of the Company, with effect from 29 March 2017; and

   (ii) the resignation of Mr. Zhang Zhenhua as an independent non-executive director and a member of each of the audit committee, nomination committee and strategic development and investment committee of the Company, with effect from 29 March 2017.

2. On 28 April 2017, Mr. Zhou Chongyi resigned as a vice president of the Company.

3. At the annual general meeting of the Company held on 8 June 2017, it was considered and approved that Mr. Yuan Hongming and Mr. Yan Jianbo shall be appointed as executive directors of the Company and Mr. Li Hongwu shall be appointed as an independent non-executive director of the Company.

4. At the Board meeting convened on 12 June 2017, the Board considered and approved:

    (i) the appointment of Mr. Yuan Hongming and Mr. Yan Jianbo as members of the strategic development and investment committee of the Company; and

    (ii) the appointment of Mr. Li Hongwu as a member of each of the audit committee and the nomination committee of the Company.

5. At the extraordinary general meeting of the Company held on 30 August 2017, it was considered and approved that Mr. Wu Hongwei shall be appointed as a supervisor of the Company.

6. At the conclusion of the extraordinary general meeting of the Company held on 30 August 2017, Ms. Jiang Jianfang resigned as a supervisor of the Company.

7. On 31 August 2017, Mr. Li Dakai resigned as an executive president of the Company.

8. At the Board meeting convened on 5 September 2017, the Board considered and approved the appointment of Mr. Yuan Hongming and Mr. Yan Jianbo as executive presidents of the Company.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the remuneration committee of the Company (the "Remuneration Committee") on the basis of their merit, qualifications and competence.

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

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

PURCHASE, SALE OR REDEMPTION OF SECURITIES OF THE COMPANY

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

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

INCOME TAX FOR H SHAREHOLDERS

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

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

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

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

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

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

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

MAJOR CUSTOMERS AND SUPPLIERS

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

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

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

SUBSEQUENT EVENTS

On 28 March 2018, the Company's 2017 profit distribution proposal was approved by the Company's seventh meeting of the fourth session of the Board. The Company proposed a distribution to all shareholders of a cash dividend of RMB2.50 (including tax) for every 10 shares held, based on the total share capital of 7,997,238,556 shares as of 31 December 2017, without any capitalisation of reserve. Completion of the proposal is subject to the consideration and approval by the 2017 Annual General Meeting.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") comprises all independent non-executive directors of the Company. The chairman of the Audit Committee is Mr. Wang Gongyong, an independent non-executive director. Mr. Wang has appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules, for the purpose of this appointment. Throughout the year, the Audit Committee discharged its responsibilities, reviewed and discussed the financial results and internal control matters of the Company. In accordance with the requirements of Appendix 16 to the Listing Rules, the Audit Committee has reviewed the audited consolidated financial statements for the Year.

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

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

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

COMPLIANCE WITH THE MODEL CODE

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

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITORS

The Company appointed Ernst & Young Hua Ming LLP (安永華明會計師事務所(特殊普通合伙)) as the Company's only auditors with effect from 18 May 2011 for its accounts prepared under PRC accounting principles and financial regulations. Ernst & Young Hua Ming LLP (安永華明會計師事務所(特殊普通合伙)) will retire and a resolution for their reappointment as auditors of the Company for the year of 2018 will be proposed at the forthcoming annual general meeting.

APPROVAL OF THE FINANCIAL STATEMENTS

The audited consolidated financial statements for the year were approved by the Board on 28 March 2018.

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

The 2017 annual report of the Company will be despatched to the shareholders as well as made available on the Hong Kong Stock Exchange's website at www.hkexnews.hk and the Company's website at www.weichaipower.com in due course.

Tan Xuguang
Chairman and Chief Executive Officer

Hong Kong, 28 March 2018

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