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1. Financial Highlights
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Maintained Stable Growth in Business Scale

**Sales Revenue**

Unit: RMB 100 million

**Cash and Equivalents**

**Net Profit Attributable to Shareholders of the Parent**

**Net Assets Attributable to the Parent**
Steady Overall Operating Performance

**Return on Equity**

**Total Asset Turnover Ratio**

**Inventory Turnover Ratio**

**Receivables Turnover Ratio**
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176,600 units of high-power engines were sold (including 118,000 units of HDT engines, down 56.5% y-o-y and accounting for 21.4% market share; 27,000 units of engines for wheel loaders with a load capacity of 5 tons, accounting for over 60% market share; and 20,300 units of medium and large-sized passenger vehicle engines, accounting for 12.5% market share);
- 407,000 units of Fast gearboxes were sold, accounting for nearly 60% market share; HDT engines sold accounted for 70% market share;
- Shaanxi Heavy-duty Motor("SXHDM") and Hande Axle optimized their product mix and sold 56,000 units of HDT and 228,400 units of axles, respectively.
Superior Products – Led Industrial Development with Reliable and Durable Products

SXQC

- 39,100 units of MAN technology HDT sold
- Contribution to Total Sales Volume reached 70%
- Continued to lead technology upgrade of complete HDT

Weichai Engine

- 49,600 units of 12-13L Engines sold
- Contribution to Total Sales Volume increased to 28.1%
- Continued to lead product upgrade towards high-capacity and high-power products

Fast Gearbox

- 173,600 units of 12-16 Speed Engines sold
- Contribution to Total Sales Volume increased to 42.7%
- Continued to lead the industry to develop multi-speed gearboxes

Superior Products – Led Industrial Development with Reliable and Durable Products
Delong X3000, China’s first batch of high-power 13L HDT with 500-550HP, commenced mass production;

M3000 series, the latest high-power tractors, were certified by European ECE-R29 collision test;

Heavy-duty tractors for over size object transportation were launched, addressing short supply of heavy-duty tractors in the market.

Leveraging its Smart Power Platform, a full series of light-duty engines which meet National V standards and have the potential to meet Euro VI standards was launched;

WP9H/ WP10H diesel engines were successfully developed;

Final round of design appraisal for main and auxiliary parts of 12M33 marine engines were completed, with their market testing started;

Capacity development of WP17 diesel engines was completed, which helps the Company to expand in high-power diesel engine market.

Self-developed FJ6000 reducer, hydraulic retarder, QD40G PTO, C16JSDQXL220TS-series gearboxes and 7DS180, 5DS, 5J30T- B series gearboxes and other new products passed provincial-level accreditation;

The 12-speed AMT gearboxes equipped with Zoomlion’s 180-ton all-terrain crane fills the gap in construction machinery market, where there was no domestic AMT products.
Upgraded Emission Reduction – Innovation-Driven with First-Mover Advantage

- Passive DPF regeneration technology: completed R&D and extensively used in “Beijing V” diesel engines; substantially reduce operating costs by focusing on passive regeneration technology complemented with active regeneration technology;
- Effective SCR technology: met Europe VI emission standards and built offline development capacity, hence striking a balance between affordability, mobility and meeting emission requirements;
- EGR technology: developed the first unit of WP7 diesel engine which meets Europe VI emission standards; commanded the advanced technology of combustion and after-treatment in the world.

Off-road Stage III Emission Standards

- WP10/WP12/WP13 diesel engines, which meet off-road Stage III emission standards, were successfully developed and passed national type testing and certification;
- WP12 diesel engines with application of High Pressure Common Rail Technology, which meet Stage IIIA emission standards, received the European IIIA E-Mark certification;
- New series of agricultural equipment, which meets off-road Stage III emission standards, were launched;
- The newly-developed WP3.2 light-duty engines, which meet off-road Stage III emission standards, were put into mass production.

China’s “National V” Emission Standards

- A whole series of “Beijing V” engines and the "special Beijing V" engines designed for eight types of vehicles in Beijing were launched;
- WP7 series equipped with Beijing V diesel engines and DPF technology passed national type testing and commenced assembly of prototypes;
- WP9H/WP10H diesel engines and Rui Power’s whole series of vehicle-use products were certified to meet “National V” emission standards;
- WP4.1 series equipped with Europe V diesel engines received certification from VCA in the U.K. and Russia’s Custom Union TR Certificate and were assembled into KAMAZ module;
- SXHDM’s various products were included in the list of environmentally-friendly products by the Beijing Municipal Environmental Protection Bureau.

Europe VI Emission Standards
R&D – Proprietary Technologies to Drive Major Technological Breakthroughs

- The brake power in the compartments of WP10/WP12/WP13 diesel engines increased by 30% and hence enhanced driving safety;
- “Key technologies and mass production of high performance medium high-speed diesel engines” received the first prize of Chinese Machinery Industry Science and Technology Award;
- Research on common rail heavy-duty diesel engines: 863 project passed the testing, laying a solid foundation for our launch of Euro VI standards products.

- Mass market launch of National IV / Nonroad III A standards diesel engines equipped with proprietary electronic-control technology;
- Based on the “Research on Euro V Standards Electronic Control System”, we successfully developed our own A-sample control system, which preliminarily gives us the capability to develop Euro VI control system;
- Based on the “Development of Euro VI Standards Electronic Control System for Gas-Powered Engines”, we successfully developed our own system and commenced trial production.

- R&D capability for electronic control system: received accreditation through CMMI DEV Level 3 certification;
- Platform-style hydraulic ECU: completed development of hardware and software of B/C-samples; functions of complete trucks verified, second MADIS development;

- A major national center for testing the reliability of internal combustion engines (“ICE”) was established, which will help ensure reliability of the Company’s ICE, core components and facilitate the conduct of reliability prediction and evaluation;
Green Products – Promote Environment Protection and Energy Saving and Drive the Technological Transformation and Upgrade

Building on Our Strengths

- We had 47 technicians for the development of new energy powertrain and were granted 26 patents, of which 13 were related to new inventions. Besides, all of 3 essays we published were included in the materials for IEEE International Conference;
- The testing center for new powertrain was completed and became operational;
- We took the lead to set up the Working Group on Hybrid Engines under the National Committee for Technical Standardization of Internal Combustion Engines.

Sales and Marketing

- 495 units of new energy powertrain were sold, up 6-fold y-o-y;
- Self-developed plug-in hybrid powertrain, which incorporates Weichai’s engines and HCU electronic control system, was launched in mass market;

Product Development

- Launched our first electric-powered street-sweeping vehicles;
- Weichai (Chongqing) Automotive received new-energy vehicle qualification;
- SXHDM possesses a full series of new-energy products, including pure-electric, hybrid and alternative fuel vehicles. Pure-electric and hybrid vehicles were successfully developed and will have a small-scale launch. In 2015, our gas-powered HDT accounted for about 40% market share.
Customer Relations – Strategic Partnership to Create A Win-Win Situation For Codevelopment

March 2015
Signed strategic cooperation agreement with Beiben Trucks

March 2015
Signed cooperation MOU with Russian Kamaz

April 2015
Signed strategic cooperation agreement with Caterpillar (Qingzhou)

June 2015
Signed strategic cooperation agreement with Lifan Shijun Group

June 2015
Signed strategic cooperation agreement with CNPC Transportation

December 2015
Fast Gear signed strategic cooperation agreement with King Long Motor

December 2015
Signed strategic cooperation agreement with Fujian Jingong

October 2015
SXHDM signed strategic cooperation agreement with Zhongji Ruijiang Auto

July 2015
Fast Gear signed strategic cooperation framework agreement with CNPC Transportation

June 2015
SXHDM signed strategic cooperation agreement with Zoomlion and Hunan Xinglong
- The plant in Weifang started operation in late May 2015, which enables us to better manage our costs and ensures our products are delivered on time;
- Business restructuring was carried out to overhaul the process relating to the order delivery, production of standardized products and the evaluation of new projects;
- Linde Hydraulics received ISO9001:2015 certification.

- XCMG’s first forklift equipped with Linde’s hydraulic system was launched and commenced trial-marketing;
- ZPMC’s first hydraulic station equipped with Linde’s hydraulic pump was completed;
- 149 projects were undertaken and the number of authorized distributors increased from 7 to 11;
- The first batch of locally customized products were delivered with the on-time delivery rate reaching 95%.

- The R&D center was set up in China for enhancing our R&D capability in Asia-Pacific market;
- Cooperation with CLAAS Jinyee, Sino-agr Beyond Agricultural Equipment and Meidi Machinery was carried out for joint development of intelligent hydraulic powertrain, which was installed in a small batch of products;
- Global procurement efforts were made, and procurement within China was accelerated.

- On the back of our strengths in the China market, we vigorously expanded into the Indian market and participated in the 8th International Construction Equipment and Construction Technology Trade Fair (“EXCON 2015”) and other trade fairs in India;
- International rail transport network was actively developed, which has helped to lower international transportation costs and shorten the product delivery time by one month compared to ocean shipping.
**KION’s Expansion – An Engine to Drive Future Growth**

**Business**
- **166,000 units** up **7%** y-o-y with **15.1%** market share
  - New orders
- **€5.215 billion** up **9.3%** y-o-y
  - New order value
- **€2.78 billion** up **9.7%** y-o-y
  - New forklift sales

**Financial Position**
- **€5.098 billion** up **9.0%** y-o-y
  - Turnover
- **€221 million**, up **24.0%** y-o-y
  - Net profit
- **11.9%**, up **0.5 ppt** y-o-y
  - Rate of return on equity
- **71.3%**, down **1.8 ppt** y-o-y
  - Gearing ratio

**Coordination**
- **38.25%** the largest shareholder of KION with its balance sheet consolidated in Weichai’s accounts
  - Weichai’s shareholding
- **WP2.7 engines** extensively installed in Baoli’s **KB30 forklift (W series)** and marketed to different areas
  - Business coordination
- Multi-brand marketing strategy complemented with market segmentation and product platform strategies, leading to greater market share in fast-growing markets such as China and U.S
  - KION’s 2020 strategy

**After-sales services**
- **€2.32 billion** up **8.1%** y-o-y and accounting for **45.5%** of total sales
With primary focus on increasing customers’ satisfaction and our services competitiveness, Weichai has made efforts to improve the timeliness and effectiveness of our services and adjust our strategies and management mode, thereby encouraging customers to continue our maintenance services after warranty period, exerting our strengths in oil products and regeneration technology, creating value for our channels and customers and forging an after-sales services platform for full life-cycle of engines with unique features of the Company.

**Oil Products**
- After the launch of machinery-use oil, the oil product for passenger vehicles was introduced, providing more power to customers with more stable oil pressure;
- Fast organized 7 product launch events for Shell-Fast Oil; introduced online oil produce replacement services; it enhanced product mix and sales network, hence achieving 3-fold y-o-y growth in sales in 2015.

**Remanufacturing**
- 30 engine models were included in the NDRC’s list of used products that could be exchanged for remanufactured products;
- It stepped up efforts to promote the development and marketing of remanufactured products, and achieved 1196% y-o-y sales growth.

**Service Platform**
- Through Weichai Mall, work dispatch App and WeChat, it provides instant product information, advice and online purchase services to customers;
- It carried out grading system to manage its services channels, and shortlisted 28 as flagship stores, 234 as elite stores, 429 as major stores, 2673 as qualified stores. Of these, 691 stores were in core distribution channels, and the company’s limited resources would be put into core distribution channels.

**Whole-Life-Cycle Membership-Based Dedicated Service System**
- With primary focus on increasing customers’ satisfaction and our services competitiveness, Weichai has made efforts to improve the timeliness and effectiveness of our services and adjust our strategies and management mode, thereby encouraging customers to continue our maintenance services after warranty period, exerting our strengths in oil products and regeneration technology, creating value for our channels and customers and forging an after-sales services platform for full life-cycle of engines with unique features of the Company.
The Company implements Smart Manufacturing strategy through its core technology to produce most cost-efficient and quality products. It took advantage of the government’s “Internet Plus” initiative to promote Smart Manufacturing throughout the life-cycle of its products, speedily addressing individual needs of different customers by low-cost, high-efficient and high-quality products.

- **Smart Cloud Design**: Supported by PDM and complemented by WEDP (Weichai's design system), COPLAN, TDM and WPM (Weichai’s production management system), the Company coordinated their product development in different areas;

- **Smart Plants**: Based on the RFID technology's self-scan, Andon, material pull and auto-selection functions as well as ERP+ISP platform and MES platform, the Company developed smart machinery + digitalized materials management + intelligent management system;

- **Smart Services**: After-sales services system, global call centers, auto-call services and work dispatch App, etc.

- **SXQC's Tian Xing Jian System**: provides 168 mobile value-added and interactive services under 10 categories, including smart goods dispatch, customized navigation, communication system for drivers, fleet management and driving records, which enable the integration of people-vehicles-roads-goods;

- **Zhuzhou Torch Spark Plug commenced online businesses**: established a website as an international e-commerce platform to operate online spark plug operations; set up Torch Tmall, offering instant, one-stop repair services;

- **Enranger Meetwo (photo (Mitu))**: the first Internet-based smart System for Vehicles in China was developed, using own development.

- **Development of production software and knowledge base for smart manufacturing of high-speed diesel engines**: it was included by the Ministry of Science and Technology in the 2015 National Key Technology R&D Program and received financing of RMB6.62 million;

- **Pilot project for smart manufacturing of diesel engines**: it was selected as the 2015 National Trial Project for Smart Manufacturing;

- **Digitalized plant for vehicle engines**: it passed the testing as the 2014 National Project for Smart Manufacturing of Equipment;

- **Weichai Power and Linde Axle** were named the demonstration bases for smart manufacturing and the experimental enterprises for national smart supply chain integration, respectively.
Overseas Market – Take Advantage of National Policies to Set Off

- **Ethiopia Project**: the installation of 10L/12L engine manufacture equipment has been completed, ready to start production;
- **Myanmar Project**: assembly line has been put into production, start construction of casting tooling and production lines

- **Indian Project**: CKD completed the assembly of more than 500 units. Sales revenue was US$14.65 million, up 28% y-o-y; passed by India’s Central Pollution Control Board Lab Review;
- **Fast Gear**: Thai factory started production. The first batch of products have been delivered to customers;
- **SXHDM**: Establish joint venture in Algerian to build a complete vehicle factory.

- **Engines**: in Vietnam, sales reached more than 14,000 units, covering the all-round support to passenger cars and trucks; partial support to CIS commercial vehicles and construction machinery powertrain;
- **SXHDM**: vehicle export was more than 6,200 units; biase-pier engineering vehicles were exported to South Korea; Delong M3000 entered Ethiopian and Malaysian markets;
- **Fast Gear**: exported more than 5,800 units;
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Impacts of Industry Policies

National V Emissions Standards
- Since 1 Apr 2016, advanced implementation of national V emissions standards is applied in 11 eastern provinces for light diesel buses, some heavy diesel vehicles. National V emissions standards will be fully implemented on 1 July 2017;
- Users are encouraged to use electricity-powered, low energy consumption and low emission commercial vehicles;
- Demand will, to some extent, be negatively affected by higher prices.

One Belt, One Road
- Related infrastructure projects will be carried out
- Overcapacity problems in China’s HDT and construction machinery sectors will be mitigated if overseas infrastructure projects are carried out.

National Urbanization Plan (2014-2020)
- Improve inter-city transportation network
- Improve the connection of major highways and transportation hubs between small and medium cities and small towns, thereby accelerating the upgrade of national and provincial highways
- HDT and construction machinery sectors will benefit from improved logistics infrastructure and investment growth.

Made in China 2025
- Promote intelligent manufacturing process, deepen the Internet application in the manufacturing field;
- Vigorously advance the key breakthrough development areas of robotics, energy-saving and new energy vehicles, agricultural equipment, etc.;
- Speed up the structural adjustment of manufacturing industry; lift from traditional to high-end industries.
- Support overseas mergers and acquisitions and equity investments; enhance the overseas business.
Affected by a slowdown in economic growth, a decline in infrastructure investment and the implementation of National IV emission standards, HDT demand saw a sharp decline and the whole industry went downwards;

In 2015, sales of HDT reached approximately 550,700 units, down 25.98% y-o-y.
In 2015, the first tier players in the HDT sector expanded their marketing teams, with the 5 largest players continuing to dominate the market and holding a total market share of 83.2%.

Source: China Association of Automobile Manufacturers
Loader Industry – Performance Remained Weak

Slowdown in domestic fixed investment growth led to continuous weak sales of loaders;
In 2015, sales of loaders industry reached 73,600 units, down 51.15% y-o-y.

Source: Machinery Industry Association
Benefitting from the acceleration of urbanization, outbreak of new energy buses and development of urban public transportation, sales of large passenger vehicles maintained steady growth;

In 2015, sales of large passenger vehicles reached 84,500 units, up 0.33% y-o-y.

Source: China Association of Automobile Manufacturers
Light truck industry saw decline in demand due to the upgrading of national emission standards; In 2015, sales of light trucks reached 1,558,500 units, down 6.26% y-o-y.
Under a multitude of uncertainties and trends including increase in interest rate by Federal Reserve of United States, excessively high debt level around the world, competitive exchange rage policies, decline in bulk commodity prices and the highly politicized economic policies at home and abroad, the World Bank estimated that the global economic growth will be around 3.4%.

The world economy will enter a low-growth, low expansion stage with weak recovery in developed economies and slowdown in economic growth in emerging markets.

China will continue to grow under the “New Norm” at high-to-medium speed. It is expected that China will grow at about 6.7% in 2016.

Further promotion of the nation’s reform and opening with new strategies for regional development including "One Belt, One Road", the coordinated development if Beijing, Tianjin and Hebei and the development of Yangtze River Economic Zone, will give rise to the formation of new forces to drive development.

Expedited efforts to remove system-born obstacles in household registration, land and education, and the fortified and steady progress of urbanization will results in new consumption and investment demand.

Global Economy Downturn Lasts Longer

China’s Economy Maintains “New Normal”
Industry Outlook for 2016

HDT Prospects
In 2016, it is expected that sales volume in China’s heavy-duty truck market may remain flat or grow marginally and may come under a trend where products tend to become more high-end, highly standardized and high-powered.

HDT Trends
- Change In Sources Of Demand: reduced demand for vehicles in the construction industry, and the varied demand for vehicles in the logistics industry as a results of industrial adjustments;
- Change In Governing Regulation: more stringent emission regulations and elevated efforts in enforcing regulations will give rise to market fluctuation in the HDT industry and in turn drastically impact sales volume of HDT market;
- Change in ways which market players compete: changes will bring forth some new adjustments to the HDT industry.

Domestic HDT Market

Construction Machinery Market Prospects
Although market will still be under the difficult mission of decapacitizing and eliminating excessive inventories, there are still a number of factors which favour industrial development and a resound and modest growth in full-year sales volume is anticipated.

Construction Machinery Market Trends
- Chinese Government’s Investment: ample room exists for the construction of infrastructure, including express railways, water conservancy facilities and urbanization construction while the pulling force of national strategies including “One Belt, One Road” will bring tremendous opportunities to utilize the excessive capacity in China;
- Non-road Emission Regulations: tightened schedule in implementing more stringent regulations have posed new challenges to product upgrade and technological innovations.
Business Outlook for 2016

The Company will remain committed to the development goal of “developing a full series and range of comprehensive products and seeking to become the first in the world” while accelerate the coordinated development among business segments under the principle of “Unified Strategy, Independent Operation, Resources Sharing” in order to fully utilize the synergetic advantage of resources in the domestic and overseas companies to continually enhance the quality and image of the Company’s development and boost overall capability to resist risks.

**Engines**

- Strengthen the development of “Three Core Competitiveness” in terms of cost, technology and quality, and benchmark itself against leading international standards and continue to uplift its competitive edge in terms of distinctive reliability and durability of its products while keep on enhancing profit model of its products in active response to the trend of vertical integration of the industry.

**HDT**

- Steadily proceed R&D for new generation HDT products and fortify market promotion for specialized product series in depth and breadth, aiming at generating higher sales volume in different segments of the domestic market and achieving breakthroughs in 6 big overseas market by “One Nation, One Policy” approach, thereby ensuring to achieve the full-year sales volume goal.

**After-Sales Services**

- Through informatization, the Company will fully utilize its strengths in “5P” services, strengthen construction of distribution and sales network, promote its product mix, thereby establishing itself as a full life-cycle service provider and continuing to expand the scale of its business in the after-sales services.

**Core Components**

- Further improved the mechanism for narrowing and stopping losses of subsidiaries to gradually eliminate loss-making entities and make good use of synergy among component segment, engine segment and the complete vehicles segment.

**Gearbox**

- Strategic direction "5221" strategy will guild to promote structural adjustments, transformation and upgrade to develop the scope of application of products primarily based upon gear transmission technology and speed up the development of systematic and module-based new product platforms with more efforts on the R&D of AT&AMT smart technology and transmission products for use in non-HDT products.

**Internation-alization**

- Strengthen coordinated development of domestic and foreign business, and increase the level of development of overseas subsidiaries. Set up its efforts in exploring new overseas markets and establish a sound system of global sales and service network so as to actively participate in global competition.