

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



潍柴動力股份有限公司

WEICHAI POWER CO., LTD.

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

(Stock Code: 2338)

**FINAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020**

FINANCIAL HIGHLIGHTS

- Revenue was approximately RMB197,491 million, representing an increase of approximately 13.3%.
- Net profit attributable to the shareholders of the parent was approximately RMB9,207 million, representing an increase of approximately 1.1%.
- Basic earnings per share was approximately RMB1.16.

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

The board of directors (the “Board”) of Weichai Power Co., Ltd. (the “Company”) is pleased to announce the audited consolidated financial statements of the Company and its subsidiaries (the “Group”) prepared in accordance with the China Accounting Standards for Business Enterprises for the year ended 31 December 2020 (the “Year”), together with comparative figures for the corresponding period of 2019 as follows:

CONSOLIDATED INCOME STATEMENT

January to December 2020 (Expressed in Renminbi Yuan)

Item	Notes	31 December 2020	31 December 2019
Revenue	7	197,491,092,926.42	174,360,892,512.86
Less: Cost of sales	7	159,352,649,107.93	136,353,235,434.32
Taxes and surcharges	8	830,671,205.10	663,961,091.30
Distribution and selling expenses		10,862,457,506.71	11,254,073,577.96
General and administrative expenses		7,709,931,813.46	6,900,199,388.90
Research & development expenses		6,013,083,402.83	5,227,973,550.12
Finance expenses		279,015,865.47	220,333,776.74
Incl: Interest expenses		1,139,022,760.28	1,233,361,936.01
Interest income		1,277,863,594.80	1,067,326,294.25
Add: Other income		327,215,155.30	318,138,370.04
Investment income		1,294,912,961.65	694,686,304.10
Incl: investment income from associates and joint ventures		253,063,274.50	244,231,790.47
Profit or loss on change of fair value		(409,598,297.43)	71,259,465.16
Impairment loss of credit		(563,605,119.01)	(266,894,905.54)
Impairment loss of assets		(663,235,953.02)	(469,192,133.29)
Gain on disposal of assets		31,753,643.63	66,779,887.80
Operating profit		12,460,726,416.04	14,155,892,681.79
Add: Non-operating income		362,882,514.57	289,768,143.18
Less: Non-operating expenses		141,930,059.29	94,010,683.92
Total profit		12,681,678,871.32	14,351,650,141.05
Less: Income tax expenses	9	1,406,839,084.36	2,444,643,048.56
Net profit		11,274,839,786.96	11,907,007,092.49
(I) Breakdown by continuity of operations			
1. Net profit from continuing operations		11,274,839,786.96	11,907,007,092.49
(II) Breakdown by attributable interests			
1. Net profit attributable to shareholders of the parent		9,207,129,173.77	9,104,955,354.35
2. Minority interests		2,067,710,613.19	2,802,051,738.14

Item	<i>Notes</i>	31 December 2020	31 December 2019
Net other comprehensive income after tax		(1,995,162,932.35)	88,221,996.27
Net other comprehensive income attributable to shareholders of the parent after tax	<i>11</i>	<u>(972,796,131.21)</u>	<u>305,975,740.86</u>
(I) Those other comprehensive income not to be reclassified into profit or loss			
1. Changes arising from re-measuring of defined benefit plan		(435,444,292.90)	(594,361,674.17)
2. Other comprehensive income not to be reclassified into profit or loss using the equity method		11,854,432.02	(132,262.02)
3. Change in fair value of investment in other equity instruments		<u>116,444,579.15</u>	<u>619,944,039.01</u>
(II) Those other comprehensive income to be reclassified into profit or loss			
1. Other comprehensive income to be reclassified into profit or loss using the equity method		2,243,452.59	(996,322.81)
2. Cashflow hedging reserve		43,953,036.86	51,461,808.71
3. Exchange differences on foreign currency translation		<u>(711,847,338.93)</u>	<u>230,060,152.14</u>
Net other comprehensive income attributable to minority interests after tax		<u>(1,022,366,801.14)</u>	<u>(217,753,744.59)</u>
Total comprehensive income		9,279,676,854.61	11,995,229,088.76
Total comprehensive income attributable to the shareholders of the parent		8,234,333,042.56	9,410,931,095.21
Total comprehensive income attributable to minority interests		<u>1,045,343,812.05</u>	<u>2,584,297,993.55</u>
Earnings per share	<i>10</i>		
(I) Basic earnings per share		1.16	1.15
(II) Diluted earnings per share		<u>1.16</u>	<u>1.15</u>

CONSOLIDATED BALANCE SHEET

31 December 2020 (Expressed in Renminbi Yuan)

Item	Notes	31 December 2020	31 December 2019
Current assets			
Cash and cash equivalents		62,216,111,509.25	48,817,622,206.26
Financial assets held for trading		5,852,397,849.29	4,451,059,463.07
Notes receivable	3	19,296,491,612.98	15,920,141,988.31
Accounts receivable	4	15,421,878,611.33	14,285,262,297.09
Receivable financing		9,483,678,101.82	10,537,909,983.71
Prepayments		1,095,016,121.17	996,710,182.20
Other receivables		1,409,858,869.61	681,601,186.05
Inventories		31,226,156,809.77	24,717,700,810.03
Contract assets		1,385,150,902.30	1,174,036,594.50
Assets held for sale		24,237,289.50	24,237,289.50
Non-current assets due within one year		3,179,721,675.00	2,658,043,734.50
Other current assets		1,924,109,398.31	1,920,759,332.58
Total current assets		152,514,808,750.33	126,185,085,067.80
Non-current assets			
Long-term receivables		9,622,504,650.00	8,447,617,640.00
Long-term equity investments		4,944,359,514.39	4,711,144,533.01
Investment in other equity instruments		2,411,112,072.96	2,103,129,675.18
Other non-current financial assets		243,013,050.00	636,502,629.08
Investment property		682,163,758.85	537,298,133.13
Fixed assets		31,722,827,681.55	26,318,667,724.94
Construction in progress		5,046,193,396.84	5,408,666,017.06
Right-of-use assets		7,714,233,013.45	9,109,528,185.30
Intangible assets		23,825,708,656.91	23,435,580,132.59
Development expenditure		287,116,831.24	139,500,519.38
Goodwill		24,665,842,392.79	23,822,520,317.99
Long-term prepaid expenses		252,157,738.41	254,367,462.55
Deferred tax assets		6,251,213,473.80	5,034,346,014.96
Other non-current assets		566,913,969.77	687,720,493.20
Total non-current assets		118,235,360,200.96	110,646,589,478.37
Total assets		270,750,168,951.29	236,831,674,546.17

Item	<i>Notes</i>	31 December 2020	31 December 2019
Current liabilities			
Short-term loans		5,731,086,536.96	2,014,692,401.39
Financial liabilities held for trading		57,504,235.74	131,920,754.38
Notes payable	5	22,970,493,736.20	22,446,404,536.58
Accounts payable	6	45,449,924,996.39	36,748,503,682.85
Contract liabilities		15,547,391,077.33	10,654,453,360.19
Payroll payable		5,490,721,420.68	5,588,996,060.47
Taxes payable		2,180,739,782.32	2,064,584,764.70
Other payables		8,408,305,895.50	6,511,002,642.85
Non-current liabilities due within one year		11,274,647,277.08	12,998,360,887.57
Other current liabilities		6,601,767,024.57	6,717,853,612.80
Total current liabilities		<u>123,712,581,982.77</u>	<u>105,876,772,703.78</u>
Non-current liabilities			
Long-term borrowings		12,026,638,367.24	11,373,657,990.58
Bonds payable		8,702,767,425.04	10,295,279,995.18
Lease liabilities		7,235,898,107.78	8,943,580,095.61
Long-term payables		7,004,697,931.12	4,658,205,937.06
Long-term payroll payable		14,200,680,302.61	11,667,005,084.73
Accruals and provisions		509,080,971.37	315,667,957.84
Deferred income		4,996,880,280.64	4,608,566,796.01
Deferred tax liabilities		5,049,832,969.04	5,406,314,269.55
Other non-current liabilities		6,877,782,237.66	3,911,898,285.35
Total non-current liabilities		<u>66,604,258,592.50</u>	<u>61,180,176,411.91</u>
Total liabilities		<u>190,316,840,575.27</u>	<u>167,056,949,115.69</u>

Item	<i>Notes</i>	31 December 2020	31 December 2019
Shareholders' equity			
Share capital		7,933,873,895.00	7,933,873,895.00
Capital reserve		180,552,538.58	118,896,726.65
Other comprehensive income	<i>11</i>	(2,250,826,767.79)	(1,278,030,636.58)
Special reserve		223,430,167.81	193,099,471.45
Surplus reserve		1,630,243,076.46	973,728,220.76
Retained earnings		43,485,047,330.89	37,282,373,385.43
		<hr/>	<hr/>
Total equity attributable to the shareholders of the parent		51,202,320,240.95	45,223,941,062.71
Minority interests		29,231,008,135.07	24,550,784,367.77
		<hr/>	<hr/>
Total shareholders' equity		80,433,328,376.02	69,774,725,430.48
		<hr/>	<hr/>
Total liabilities and shareholders' equity		270,750,168,951.29	236,831,674,546.17
		<hr/>	<hr/>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2020

1. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

a. Preparation basis of the financial statements

Preparation basis

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

Continuing operations

The Group carried out assessment on the going concern for the 12 months' period commencing from 31 December 2020, and did not recognize any matters and situation leading to material doubt on the continuity of operation. Therefore, these financial statements have been prepared based on the going-concern assumption.

Basis of book-keeping and principle of measurement

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

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

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

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

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

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

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

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

Business combinations involving enterprises under common control

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

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

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

Business combinations involving enterprises not under common control and goodwill

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

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

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

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

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

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

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

c. Basis for preparation of consolidated financial statements

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

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

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

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

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

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

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

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

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

2. SEGMENT REPORTING

Operating segments

The Group 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 engines and related parts (“Engines”);
- (b) manufacturing and sale of automobiles and automobile components other than Engines (“Automobiles and automobile components”);
- (c) Forklift trucks production, warehousing technology and supply chain solution services (“Intelligent logistics”).

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

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

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

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

RMB

Item	Engines	Automobiles and automobile components	Intelligent logistics	Total
Incurring during the year				
Segment revenue:				
Sale to external customers	47,694,005,773.11	84,817,615,370.41	64,979,471,782.90	197,491,092,926.42
Inter-segment sale	15,026,376,749.53	1,088,949,165.23	130,248,941.91	16,245,574,856.67
Total	<u>62,720,382,522.64</u>	<u>85,906,564,535.64</u>	<u>65,109,720,724.81</u>	<u>213,736,667,783.09</u>
Adjustment:				
Elimination of inter-segment sale	-	-	-	(16,245,574,856.67)
Revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>197,491,092,926.42</u>
Segment results	8,523,853,742.93	1,668,380,469.80	1,789,378,624.57	11,981,612,837.30
Adjustment:				
Elimination of inter-segment results	-	-	-	(127,185,220.01)
Interest income	-	-	-	1,277,863,594.80
Dividend income and unallocated income	-	-	-	1,248,197,178.79
Corporate and other unallocated expenses	-	-	-	(141,930,059.29)
Finance expenses	-	-	-	(1,556,879,460.27)
Profit before tax	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,681,678,871.32</u>
31 December 2020				
Segment assets	61,495,181,501.71	59,491,364,495.28	95,874,389,844.38	216,860,935,841.37
Adjustment:				
Elimination of inter-segment assets	-	-	-	(22,913,076,057.19)
Corporate and other unallocated assets	-	-	-	76,802,309,167.11
Total assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>270,750,168,951.29</u>
Segment liabilities	46,849,031,118.89	49,994,949,079.93	58,625,165,715.00	155,469,145,913.82
Adjustment:				
Elimination of inter-segment liabilities	-	-	-	(11,343,252,095.55)
Corporate and other unallocated liabilities	-	-	-	46,190,946,757.00
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>190,316,840,575.27</u>
Incurring during the year				
Other segment information:				
Share of profit and loss from:				
Gain from associates and joint ventures	22,946,041.60	162,669,968.59	67,447,264.31	253,063,274.50
Loss of impairment of inventories	(3,639,323.91)	(180,473,632.36)	(226,744,968.83)	(410,857,925.10)
Loss of credit impairment of receivables and lease receivable	(21,088,169.96)	(331,212,737.95)	(211,304,211.10)	(563,605,119.01)
Loss of impairment of non-current assets	(402,042.29)	(80,000,000.00)	(171,948,369.97)	(252,350,412.26)
Depreciation and amortization	(1,253,104,119.86)	(1,394,830,994.93)	(6,210,004,022.96)	(8,857,939,137.75)
(Loss)/gain from disposal of fixed assets	(3,883,904.52)	(3,895,755.05)	39,533,303.20	31,753,643.63
Investment in associates and joint ventures	2,937,798,927.52	1,235,037,086.87	771,523,500.00	4,944,359,514.39
Capital expenditure	3,141,915,963.07	2,693,669,009.48	9,667,330,606.14	15,502,915,578.69

Item	Engines	Automobiles and automobile components	Intelligent logistics	Total
Incurred in the previous year				
Segment revenue:				
Sale to external customers	37,323,557,565.33	70,032,812,924.36	67,004,522,023.17	174,360,892,512.86
Inter-segment sale	12,652,512,995.61	1,442,194,470.72	172,546,591.88	14,267,254,058.21
Total	49,976,070,560.94	71,475,007,395.08	67,177,068,615.05	188,628,146,571.07
Adjustment:				
Elimination of inter-segment sale	-	-	-	(14,267,254,058.21)
Revenue	-	-	-	174,360,892,512.86
Segment results	7,573,079,248.05	2,175,607,427.83	3,992,293,153.14	13,740,979,829.02
Adjustment:				
Elimination of inter-segment results	-	-	-	(130,699,139.75)
Interest income	-	-	-	1,067,326,294.25
Dividend income and unallocated income	-	-	-	1,055,713,912.44
Corporate and other unallocated expenses	-	-	-	(94,010,683.92)
Finance expenses	-	-	-	(1,287,660,070.99)
Profit before tax	-	-	-	14,351,650,141.05
31 December 2019				
Segment assets	44,882,937,469.75	56,775,622,050.61	91,424,104,386.93	193,082,663,907.29
Adjustment:				
Elimination of inter-segment assets	-	-	-	(16,700,068,299.89)
Corporate and other unallocated assets	-	-	-	60,449,078,938.77
Total assets	-	-	-	236,831,674,546.17
Segment liabilities	38,985,866,513.29	37,633,986,684.29	55,142,312,447.21	131,762,165,644.79
Adjustment:				
Elimination of inter-segment liabilities	-	-	-	(9,161,739,879.50)
Corporate and other unallocated liabilities	-	-	-	44,456,523,350.40
Total liabilities	-	-	-	167,056,949,115.69
Incurred in the previous year				
Other segment information:				
Share of profit and loss from:				
Gain from associates and joint ventures	56,491,642.17	93,680,487.24	94,059,661.06	244,231,790.47
Loss of impairment of inventories	(43,772,068.91)	(60,570,129.62)	(137,905,950.20)	(242,248,148.73)
Reversal/(loss) of credit impairment of receivables	35,956,853.68	(229,658,165.92)	(73,193,593.30)	(266,894,905.54)
Loss of impairment of non-current assets	(5,011,096.21)	(168,957,448.35)	(52,975,440.00)	(226,943,984.56)
Depreciation and amortization	(920,528,691.49)	(1,273,374,652.72)	(5,877,054,669.87)	(8,070,958,014.08)
(Loss)/gain from disposal of fixed assets	(3,158,914.48)	42,261,320.10	27,677,482.18	66,779,887.80
Investment in associates and joint ventures	3,205,233,822.31	788,263,117.41	717,647,593.29	4,711,144,533.01
Capital expenditure	2,522,737,021.20	2,804,647,836.43	11,106,904,354.27	16,434,289,211.90

Group information

Information about products and services

Revenue from external transactions

RMB

Item	Incurred during the year	Incurred in previous year
Powertrain, complete vehicles and machines and key components	114,670,207,166.68	90,623,147,422.15
Other components	10,554,994,582.70	10,741,557,726.92
Intelligent logistics	64,979,471,782.90	67,004,522,023.17
Others	7,286,419,394.14	5,991,665,340.62
Total	<u>197,491,092,926.42</u>	<u>174,360,892,512.86</u>

Geographic information

Revenue from external transactions

RMB

Item	Incurred during the year	Incurred in previous year
China	128,253,800,141.76	103,158,125,786.34
Other countries and regions	69,237,292,784.66	71,202,766,726.52
Total	<u>197,491,092,926.42</u>	<u>174,360,892,512.86</u>

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

Total non-current assets

RMB

Item	31 December 2020	31 December 2019
China	25,293,786,327.23	21,580,951,912.91
Other countries and regions	74,413,730,626.97	72,844,041,606.24
Total	<u>99,707,516,954.20</u>	<u>94,424,993,519.15</u>

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

3. NOTES RECEIVABLE

Classification of notes receivable

RMB

Item	31 December 2020	31 December 2019
Bank acceptance bills	19,187,372,264.36	15,920,141,988.31
Commercial acceptance bills	109,119,348.62	–
Total	19,296,491,612.98	15,920,141,988.31

Notes receivable pledged by the Group as at year end

RMB

Item	31 December 2020	31 December 2019
Bank acceptance bills	10,674,221,892.99	12,147,538,825.61
Commercial acceptance bills	29,286,642.01	–
Total	10,703,508,535.00	12,147,538,825.61

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

RMB

	31 December 2020		31 December 2019	
	Derecognized	Not derecognized	Derecognized	Not derecognized
Bank acceptance bills	4,270,190,667.91	–	3,658,307,945.85	–

As at 31 December 2020, the Group had not transferred any notes into accounts receivable due to issuers' failure in performance (31 December 2019: Nil).

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

4. ACCOUNTS RECEIVABLE

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

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

RMB

Age	31 December 2020	31 December 2019
Within 3 months	12,410,163,927.35	10,974,722,374.58
3 to 6 months	1,669,136,963.78	1,550,787,816.88
6 months to 1 year	760,529,880.29	1,834,948,278.99
1 to 2 years	1,444,600,946.65	504,740,712.30
2 to 3 years	205,578,596.71	115,039,514.56
Over 3 years	1,075,242,691.44	965,456,525.01
Gross carrying amount	17,565,253,006.22	15,945,695,222.32
Less: Provision for credit loss	2,143,374,394.89	1,660,432,925.23
Carrying amount	15,421,878,611.33	14,285,262,297.09

Disclosure by category of provision for credit losses:

RMB

Item	31 December 2020				31 December 2019			
	Gross carrying amount	Proportion (%)	Provision for credit losses	Percentage (%)	Gross carrying amount	Proportion (%)	Provision for credit losses	Percentage (%)
Items assessed for expected credit losses individually	3,050,636,605.02	17.37	1,497,880,782.50	49.10	2,728,834,722.55	17.11	1,215,508,645.54	44.54
Items assessed for expected credit losses by group with distinctive credit risk characteristics	14,514,616,401.20	82.63	645,493,612.39	4.45	13,216,860,499.77	82.89	444,924,279.69	3.37
Total	17,565,253,006.22	100.00	2,143,374,394.89	12.20	15,945,695,222.32	100.00	1,660,432,925.23	10.41

As at 31 December 2020, accounts receivable assessed for expected credit losses individually are presented as follows:

RMB

Customer	Gross carrying amount	Provision for credit loss	Percentage (%)	Reasons
Customer 1	805,764,799.47	478,983,700.00	59.44	Bad repayment ability
Customer 2	109,207,518.83	109,207,518.83	100.00	Long credit age
Customer 3	75,871,191.17	75,871,191.17	100.00	Bad repayment ability
Customer 4	61,493,300.24	61,493,300.24	100.00	Long credit age
Customer 5	56,927,140.00	56,927,140.00	100.00	Long credit age
Customer 6	49,159,575.31	49,159,575.31	100.00	Bad repayment ability
Customer 7	41,871,886.14	41,871,886.14	100.00	Long credit age
Customer 8	40,516,068.59	40,516,068.59	100.00	Bad repayment ability
Customer 9	37,449,568.86	37,449,568.86	100.00	Liquidation
Customer 10	32,989,886.43	32,989,886.43	100.00	Assets have been preserved
Others	1,739,385,669.98	513,410,946.93	–	Long credit age, etc.
Total	3,050,636,605.02	1,497,880,782.50		

As at 31 December 2020 the Group's accounts receivable for which credit losses are provided for using impairment matrix based on aging analysis are presented as follows:

RMB

Age	31 December 2020		
	Carrying amount estimated to be in default	Expected credit loss rate (%)	Lifetime expected credit loss
Within 1 year	3,995,687,190.75	3.37	134,806,963.76
1 to 2 years	387,997,719.80	18.05	70,022,678.43
2 to 3 years	113,220,525.56	28.62	32,407,500.03
3 to 4 years	44,382,720.16	54.17	24,043,030.99
4 to 5 years	26,154,451.85	99.14	25,929,542.81
Over 5 years	303,950,571.84	100.00	303,950,571.84
Total	4,871,393,179.96	12.14	591,160,287.86

As at 31 December 2020, the Group's accounts receivable for which credit losses are provided for using overdue ages as credit risk characteristics are presented as follows:

RMB

Overdue age	31 December 2020		
	Carrying amount estimated to be in default	Expected credit loss rate (%)	Lifetime expected credit loss
Not yet overdue or overdue for less than 90 days	8,787,178,820.00	0.42	36,844,937.18
Overdue for more than 90 days but less than 180 days	227,052,895.56	2.01	4,558,865.28
Overdue for more than 180 days	293,924,638.78	3.10	9,117,730.57
Total	9,308,156,354.34	0.54	50,521,533.03

As at 31 December 2020, provisions for credit losses for the Group's accounts receivable with good credit history are presented as follows:

RMB

Item	31 December 2020		
	Carrying amount estimated to be in default	Expected credit loss rate (%)	Lifetime expected credit loss
Accounts receivable with good credit history	335,066,866.90	1.14	3,811,791.50

As at 31 December 2020, the top five balances in respect of accounts receivable had a sum of closing balance of RMB2,196,793,317.16 (31 December 2019: RMB2,435,489,389.61), accounting for 12.51% (31 December 2019: 15.27%) of the total of closing balance of accounts receivable. The closing balance in respect of credit losses provided for the top five amounted to RMB490,417,741.65 (31 December 2019: RMB258,392,423.15).

Movements in provision for credit losses:

RMB

Provision for credit losses	Lifetime expected credit loss (without impairment of credit)	Lifetime expected credit loss (with impairment of credit)	Total
Balance as at 31 December 2019	1,005,615,663.38	654,817,261.85	1,660,432,925.23
Balance as at 31 December 2019 in the current year			
– Transferred to receivables with impairment of credit	(18,109,959.33)	18,109,959.33	–
– Reversal of receivables without impairment of credit	–	–	–
Provision for the year	204,043,153.94	342,852,117.51	546,895,271.45
Reversal during the year	(38,445,946.58)	(306,173.02)	(38,752,119.60)
Written-off or transferred out during the year	–	(20,887,441.32)	(20,887,441.32)
Decrease in disposal of subsidiaries	(368,739.62)	(651,548.43)	(1,020,288.05)
Adjustment for exchange differences	(3,295,745.53)	1,792.71	(3,293,952.82)
	<u>1,149,438,426.26</u>	<u>993,935,968.63</u>	<u>2,143,374,394.89</u>
Balance as at 31 December 2020			

As at 31 December 2020, the Group had no restricted accounts receivable (31 December 2019: RMB25,442,865.48).

5. NOTES PAYABLE

RMB

Item	31 December 2020	31 December 2019
Bank acceptance bills	22,897,792,119.42	22,399,651,927.32
Commercial acceptance bills	<u>72,701,616.78</u>	<u>46,752,609.26</u>
Total	<u>22,970,493,736.20</u>	<u>22,446,404,536.58</u>

As at 31 December 2020, the Group had no outstanding notes payable which were due (31 December 2019: Nil).

6. ACCOUNTS PAYABLE

RMB

Item	31 December 2020	31 December 2019
Within 3 months	38,941,972,550.33	33,160,995,390.49
3 to 6 months	5,140,360,453.02	2,714,553,791.80
6 to 12 months	619,577,261.89	543,361,583.54
Over 12 months	<u>748,014,731.15</u>	<u>329,592,917.02</u>
Total	<u>45,449,924,996.39</u>	<u>36,748,503,682.85</u>

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

As at 31 December 2020, there was no payable which was material and aged over one year (31 December 2019: Nil).

7. REVENUE AND COST OF SALES

(1) Revenue and cost of sales

RMB

Item	Incurred during the year		Incurred in previous year	
	Revenue	Cost	Revenue	Cost
Revenue from principal operations	191,888,497,726.87	154,412,810,268.00	171,001,213,380.16	133,392,320,982.75
Other revenue	5,602,595,199.55	4,939,838,839.93	3,359,679,132.70	2,960,914,451.57
Total	197,491,092,926.42	159,352,649,107.93	174,360,892,512.86	136,353,235,434.32

(2) Details of revenue

RMB

Item	Incurred during the year	Incurred in previous year
Revenue from principal operations		
Sales of goods and others	126,909,025,943.97	103,996,691,356.99
Revenue from forklift trucks production and sales and warehousing technology	44,281,131,020.01	48,663,418,280.53
Revenue from supply chain solution services	20,698,340,762.89	18,341,103,742.64
Sub-total	191,888,497,726.87	171,001,213,380.16
Other revenue		
Sales of materials	4,925,721,012.97	2,767,638,600.39
Lease income	89,776,921.85	186,094,795.18
Sales of power	179,183,752.55	71,650,545.60
Provision of non-industrial labour	98,959,851.70	24,838,653.07
Others	308,953,660.48	309,456,538.46
Sub-total	5,602,595,199.55	3,359,679,132.70
Total	197,491,092,926.42	174,360,892,512.86

(3) Reporting segment

RMB

Item	Engines	Automobiles and automobile components	Intelligent logistics	Total
Major regions of operation:				
Mainland China	44,187,933,196.21	79,910,943,348.15	4,154,923,597.40	128,253,800,141.76
Other countries and regions	3,506,072,576.90	4,906,672,022.26	60,824,548,185.50	69,237,292,784.66
Total	47,694,005,773.11	84,817,615,370.41	64,979,471,782.90	197,491,092,926.42
Time for recognition of revenue:				
Transferred at a certain point of time	47,646,544,443.43	84,584,482,842.39	35,997,048,096.10	168,228,075,381.92
Provided over a certain period of time	16,023,135.43	174,793,800.42	22,593,008,871.39	22,783,825,807.24
Subtotal of revenue arising from contracts with customers	47,662,567,578.86	84,759,276,642.81	58,590,056,967.49	191,011,901,189.16
Revenue under the Standard on Leases	31,438,194.25	58,338,727.60	6,389,414,815.41	6,479,191,737.26
Total	47,694,005,773.11	84,817,615,370.41	64,979,471,782.90	197,491,092,926.42

(4) Performance of obligations

The supply chain solution services provided by the Group belong to the performance obligation satisfied over a certain period of time. The performance costs actually incurred on a cumulative basis as a percentage of estimated total costs is used to ascertain progress of performance of supply chain solution services contracts. As at 31 December 2020, some of the Group's supply chain solution services contracts were still in the process of performance, the transaction price allocated to the outstanding (or partially unperformed) performance obligations is related to the performance progress of each supply chain solution services contract, and will be recognized as revenue in the future performance period of each supply chain solution services contracts based on the performance progress.

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

The amount of revenue corresponding to the contract performance obligations for which the contracts had been entered into and which had not been performed or fully performed as at the end of the year was RMB34,282,666,216.42. Information related to revenue expected to be recognized in respect of outstanding performance obligations under contracts is set out below:

RMB

Term	31 December 2020
Within 1 year	21,662,321,695.88
1 to 2 years	6,945,829,321.50
2 to 3 years	2,022,233,374.04
3 to 4 years	1,420,457,100.00
4 to 5 years	996,231,525.00
Over 5 years	<u>1,235,593,200.00</u>

8. **TAXES AND SURCHARGES**

RMB

Item	Incurred during the year	Incurred in previous year
City maintenance and construction tax	219,768,713.71	183,106,864.29
Property tax	187,673,464.34	141,860,296.88
Educational surtax	160,829,291.70	124,625,772.86
Stamp duty	102,407,346.80	80,520,942.01
Others	<u>159,992,388.55</u>	<u>133,847,215.26</u>
Total	<u>830,671,205.10</u>	<u>663,961,091.30</u>

9. INCOME TAX EXPENSES

RMB

Item	Incurring during the year	Incurring in previous year
Current tax expenses	2,798,523,804.32	3,105,790,137.26
Deferred tax expenses	(1,391,684,719.96)	(661,147,088.70)
Total	1,406,839,084.36	2,444,643,048.56

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

RMB

Item	Incurring during the year	Incurring in previous year
Total profit	12,681,678,871.32	14,351,650,141.05
Tax at statutory tax rate	<i>Note 1</i> 3,170,419,717.83	3,587,912,535.26
Effect of different tax rates applicable to the Company and some subsidiaries	<i>Note 2</i> (1,298,523,176.15)	(914,894,238.69)
Effect of tax rate change on opening balance of deferred income tax	5,008,867.38	12,826,724.56
Adjustments to current tax of previous periods	(1,169,297.61)	(130,960,111.01)
Profits and losses attributable to associates and joint ventures	(13,535,305.38)	(45,654,248.89)
Income not subject to tax	(1,748,535.66)	(78,517,579.40)
Expenses not deductible for tax	194,806,466.36	204,927,112.97
Effect of tax incentives on eligible expenditures	(607,340,105.30)	(490,935,012.52)
Effect of utilization of deductible losses and deductible temporary difference of unrecognized deferred tax assets from prior years	(522,629,554.22)	(16,686,279.69)
Effect of unrecognized deductible losses and deductible temporary difference	473,838,832.84	317,886,471.35
Others	7,711,174.27	(1,262,325.38)
Tax expense at the Group's effective tax rate	1,406,839,084.36	2,444,643,048.56

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

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

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

10. EARNINGS PER SHARE (EPS)

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

The calculation of basic EPS is detailed as follows:

Item	<i>RMB</i>	
	Incurred during the year	Incurred in previous year
Earnings		
Net profit of the current year attributable to ordinary shareholders of the Company	<u>9,207,129,173.77</u>	<u>9,104,955,354.35</u>
Shares		
Weighted average number of the ordinary shares outstanding of the Company	<u>7,933,873,895.00</u>	<u>7,933,873,895.00</u>
Basic EPS (RMB/share)	<u>1.16</u>	<u>1.15</u>

The Group holds no potential shares that are significantly dilutive.

11. OTHER COMPREHENSIVE INCOME

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

RMB

Item	Balance as at 31 December 2019	Incurred before the income tax for the current year	Incurred during the year		Less: Income tax expenses	Attributable to parent company after tax	Attributable to minority interests after tax	Balance as at 31 December 2020
			Less: Amount recognized in other comprehensive income in previous period and recognized in profit or loss in current period	Less: Income tax expenses				
I. Those other comprehensive income not to be reclassified into profit or loss								
Changes arising from re-measuring of defined benefit plan	(936,835,187.38)	(1,287,600,398.23)	-	(374,232,336.78)	(435,444,292.90)	(477,923,768.55)	(1,372,279,480.28)	
Other comprehensive income not to be reclassified into profit or loss using the equity method	(159,298,652.32)	(20,512,044.60)	-	-	11,854,432.02	(32,366,476.62)	(147,444,220.30)	
Change in fair value of investment in other equity instruments	425,026,942.34	132,125,002.78	-	8,634,429.67	116,444,579.15	7,045,993.96	541,471,521.49	
II. Other comprehensive income to be reclassified into profit or loss								
Other comprehensive income to be reclassified into profit or loss using the equity method	36,683,605.76	4,985,450.20	-	-	2,243,452.59	2,741,997.61	38,927,058.35	
Cashflow hedging reserve	(54,454,552.10)	169,234,404.61	14,131,670.97	43,667,565.97	43,953,036.86	67,482,130.81	(10,501,515.24)	
Exchange differences on foreign currency translation	(589,152,792.88)	(1,301,194,017.28)	-	-	(711,847,338.93)	(589,346,678.35)	(1,301,000,131.81)	
Total of other comprehensive income	<u>(1,278,030,636.58)</u>	<u>(2,302,961,602.52)</u>	<u>14,131,670.97</u>	<u>(321,930,341.14)</u>	<u>(972,796,131.21)</u>	<u>(1,022,366,801.14)</u>	<u>(2,250,826,767.79)</u>	

12. DIVIDEND

	2020 RMB'000	2019 RMB'000
No final dividend proposed (2019: RMB0.136 per share)	-	1,079,007

On 30 March 2021, the Company's seventh meeting of the fifth session of the Board considered and approved that the Company will not make profit distribution for 2020 nor will it convert its capital reserve funds into share capital given that Company is currently proceeding with the non-public issuance of A Shares, after making comprehensive consideration of factors such as the interests of shareholders and the development of the Company. Following the completion of the non-public issuance of A Shares, the Company will conduct profit distribution as soon as possible in compliance with the requirements of relevant regulatory authorities and the Articles of Association.

CHAIRMAN’S STATEMENT

I. REVIEW OF OPERATING CONDITIONS

In 2020, facing the severe and complicated environment domestically and abroad, particularly the outbreak of the novel coronavirus (“COVID-19”), the Chinese government has implemented various measures to prevent and control the spread of COVID-19 and to facilitate economic and social developments. China’s economy recovered steadily and the progress of fulfillment of the key targets of economic and social development was better than expected. The annual gross domestic product reached RMB101.6 trillion, representing a year-on-year increase of 2.3% in terms of comparable prices. The heavy-duty truck industry of China delivered sales volume of 1,619,000 units, representing a year-on-year growth of 37.9%; the construction machinery industry of China delivered sales volume of 919,000 units (including forklift trucks using internal combustion engines), representing a year-on-year growth of 23.9% and the agricultural equipment industry¹ of China delivered sales volume of 521,000 units, representing a year-on-year growth of 53.9%.

During the reporting period, the Company scientifically prevented and controlled the pandemic, took the lead in resuming operation and production, focused on technological innovation, seized market opportunities and continuously optimised its business structure and enhanced its operational efficiency, leading to significant improvement in its core competitiveness. In 2020, the Company’s revenue increased by approximately 13.3% as compared with that in the corresponding period of 2019 to approximately RMB197,491 million. Net profit attributable to shareholders of the listed company was approximately RMB9,207 million, representing an increase of 1.1% as compared with that in the corresponding period of 2019. Basic earnings per share was RMB1.16, representing an increase of 1.1% as compared with that in the corresponding period of 2019.

1. Power System Business

The Company upheld an innovation-driven approach to establish its core competitiveness. Through simultaneous growth in both products with competitive advantages and strategic products, its product mix became more reasonable. The new generation of the high-end platforms “N+H+M” are constantly upgraded and market performance of products such as WP8, WP10.5H and N series are outstanding with exponential growth in accumulated sale volume. The performance of N-series products has been significantly improved in terms of prime power in high-altitude environment and fuel consumption of complete vehicles. The Company has made breakthroughs in a brand new H-series products development project that aims to benchmark the world’s most advanced standard and large diameter engines project that strives to achieve the first class in the world. Reliability of natural gas engines has been further enhanced and the research and development (R&D) of the technology of high thermal efficiency and zero emission diesel engines continued to progress. All series of engines met the China VI-b Emission Standard and preparation work for products complying with standards

¹ The data of agricultural equipment industry is the data of purchase subsidies of agricultural machineries, including tractors with 50 horsepower or above, corn harvesters, wheat harvesters, rice harvesters and others.

including non-road-going China IV was completed ahead of schedule, which will enable the Company to firmly secure its leading position amidst the new round of emission standards upgrade. Leveraging the globally coordinated R&D platform, we made strenuous efforts in achieving breakthroughs in core technologies, and our product competitiveness was significantly strengthened by continuously optimising engines and performance strengths of parts and components, lowering costs and fuel consumption, light-weighting, etc. The Company was committed to creating synergy by combining its resources and speeding up the integration of the industrial chain. With engines as our principal axis, the Company achieved rapid breakthroughs in core technology of three major powertrain systems, namely, commercial vehicles, construction machineries and agricultural equipment, and took full advantage of systematic matching of its products, thereby forming Weichai's unique technological solutions. Following the completion of test for multi-operating conditions of hydraulic powertrain for construction machineries and agricultural equipment CVT powertrain, the Company achieved self-development of and full control over its core technologies. By strengthening self-development and innovation, the Company made fruitful technological achievements. The Company launched the first commercial diesel engine in the world with an over 50% thermal efficiency, setting a benchmark for thermal efficiency of diesel engines worldwide. Its "Key Technology and Application of Diesel Engines with High Efficiency and High Reliability" project was awarded the special prize for technological advancement in the mechanical industry in the PRC (中國機械工業科技進步特等獎).

During the reporting period, the performance of the Company's power system business hit another record high: sales volume of engines increased year-on-year by 32.2% to 981,000 units; sales volume of gear boxes increased year-on-year by 18.4% to 1.186 million units; sales volume of axles increased year-on-year by 39.7% to 1.09 million units. In addition, our strategic high-end products continued to develop, with sales revenue of large-diameter engines achieving RMB950 million, representing a year-on-year growth of 21.7%, and sales revenue of high-end hydraulic products achieving RMB500 million, representing a year-on-year growth of 53.8%.

2. Commercial Vehicles Business

Upholding a strategy driven by complete vehicles and machineries, the Company sped up resources coordination and industrial chain structural upgrades, and further enhanced the comprehensive competitiveness of our products. Shaanxi Heavy-duty Motor Company Limited (陝西重型汽車有限公司), a controlling subsidiary of the Company, effectively overcame the impacts brought by COVID-19 pandemic by making continuous efforts in the adjustment of the major products, market structure and services network, and achieved stable growth with a total heavy-duty trucks sales volume of 181,000 units, representing a year-on-year growth of 16.4%. We focused on the segment markets and consolidated our leading advantages. The Company sustained the top position in various segment markets such as coal transportation, port tractor, sand and gravel transportation and crane truck. The Company also overcame the impacts of COVID-19 pandemic in the overseas market and actively expanded channels of cooperation, thereby significantly enhanced our ability in grasping market opportunities. We continued to uphold an innovation-driven approach to create a leading edge. To satisfy the demands in the short-to-medium distance transportation market, the Company launched new generation

of M3000S products, fully covering tractors, self-unloading, loading and special vehicles; and developed Delong X6000 heavy-duty trucks, which are internationally leading in key performance such as fuel efficiency, comfort, safety and intelligence and taking lead in the era of smart heavy-duty trucks in China. The Company accelerated the development of battery electric vehicles and hybrid vehicles and the application of new energy technologies so as to win the market initiative; we also expedited the exploration of effective combination of management of customers' demands with the Internet throughout the life cycle of trucks and introduced innovative models of cooperation with major customers and platform customers on an ongoing basis, proactively forming a new business format.

3. Intelligent Logistics Business

KION Group AG (“KION”), an overseas controlling subsidiary, is a globally leading supplier in the area of intralogistics which assists factories, warehouses and distribution centres to optimise their materials flow and information flow through the design, establishment and improvement of logistics solutions in over a hundred countries and regions around the world. Dematic Group is a globally leading automated logistics expert, with its products meeting the comprehensive needs in areas of intelligent supply chain and automated solutions. In 2020, the total order value of KION amounted to EUR9.44 billion, representing a year-on-year increase of 3.6%, among which the order value of supply chain solutions amounted to EUR3.65 billion, representing a year-on-year increase of 31.9%.

4. New Business Format, New Energy and New Technology

While we have been devoted to our traditional business, we also focused on our 2020-2030 strategy by actively facilitating the re-engineering of the industrial chain and upgrade of the value chain as well as accelerating our expansion in new industries such as new energy, hydraulics and smart driving. The Company focused on key technologies to take lead in the development of the industry. The strategic restructure of Germany-based ARADEX AG allowed the Company to make up for the weakness in electric control system and successfully developed a new energy power system integrating “cell+ motor+ ECU” providing a market advantage. The strategic restructure of Austria-based VDS Holding GmbH filled the gaps in large-scale CVT power system of agricultural equipment technology in China. We have built a hydrogen-fueled batteries engine factory with a production capacity of 20,000 units, which is currently the world's largest manufacturing base of engines powered by hydrogen-fueled batteries. With the support of the new generation of information technology, the Company sped up the pace of digital transformation. With customers as the centre and digital technology as the carrier, the Company served and empowered our business and sped up the pace of digital transformation. We have actively developed artificial intelligence and internet of vehicles businesses. For the intelligent connection network, the development and testing of major functions of driving assistance and development of the auto-driving system have been completed, the technology of which is capable of being transferred to different models of vehicles under different driving conditions. We have been continuously optimising our supply chain business and empowering upstream and downstream suppliers and customers, so as to achieve highly-efficient synergy in the industry chain and enhance the consistency in product quality.

II. Dividends and Capitalisation of Reserve

It is proposed that the Company will not make profit distribution for 2020 nor will it convert its capital reserve funds into share capital given that Company is currently proceeding with the non-public issuance of A shares, after making comprehensive consideration of factors such as the interests of shareholders and the development of the Company. Following the completion of the non-public issuance of A shares, the Company will conduct profit distribution as soon as possible in compliance with the requirements of relevant regulatory authorities and its articles of association.

III. Outlook and Prospects

Looking into 2021, due to the impact of pandemic, the overall global economy will be in a sluggish recovery under a number of constraints including the impact brought by a new wave of the pandemic, weak growth momentum and gloomy employment market, resulting in a high level of uncertainties in economic outlook. From the perspective of the domestic economy, making progress while maintaining stability remains the general keynote. As China has a stronger momentum of economic recovery, the domestic consumption power will be further stimulated through the strategy of expanding domestic demand under the development model of domestic and international dual circulation. Remediation of shortcomings in infrastructures, “new infrastructure, new urbanisation initiatives and major projects” (“兩新一重”) and the expansion of strategic investments in emerging industries will constantly boost the demands in auxiliary markets such as trucks and construction machineries markets. Limitations on production for environmental protection, replacement of China III vehicles, and anti-overloading policies will continue to drive replacement demands in industries including the truck industry. Motivated by the development of new infrastructures such as 5G facility construction, market demand for energy and electricity will gradually expand. The work concerning agriculture, rural areas and farmers (“三農”) has shifted from “winning the battle against poverty” to “comprehensive rural vitalisation”, thereby creating development opportunities for agricultural machinery auxiliaries. In view of the goals of “CO₂ Emission Peak by 2030 and Carbon Neutrality by 2060” and the huge potential brought by the trend of energy saving and intelligent network, there will be a rapid development in the new energy business, which will bring opportunities for the high-quality development of related businesses of the Company.

The Company will continue to carefully implement pandemic prevention and control measures as part of our normal operations, make continuous effort in optimising production and operation, fully expedite the pace of technological innovation, enhance product competitiveness and brand influence, and make best efforts to accomplish our full-year goals.

Focusing on the annual sales target, the Company will strive for market expansion. Adhering to a customer demand-oriented approach, the Company will seize the development opportunities in the “post-pandemic era”, make efforts to improve product offerings, steadfastly capture the market demands and secure orders. We will cultivate different segment markets and adjust our marketing strategies from time to time to precisely address diversified needs from different customers, as well as to further

upgrade our business model with innovative marketing models and optimised sales and service systems. Through scientific research on emission-related regulations and policies and the development pattern of the industry, we will make scientific planning of products and technologies based on the Company's "14th Five-Year" development plan. We also aim to digitalise all business processes and efficiently respond to the needs of customers and market through enhancement of product development, delivery, quality and services. We will accelerate the pace of technological innovation and move towards the high end in all aspects. Through coordinating global R&D resources, we will continuously work on optimising the new four-in-one technology innovation system consisting of "self-developed innovation+ open innovation+ professional innovation+ basic-research innovation". In particular, in terms of the basic research area and "bottleneck" technologies, we will strive to make breakthroughs to address thorny issues and master the core technologies. We will efficiently introduce road-going China VI and non-road-going China IV products and improve product consistency to maintain a leading edge in the new cycle of emission standard upgrade. Moreover, we will make efforts to expedite breakthroughs in key and core technologies of fuel cells to significantly lower the cost of fuel cell engines so as to reach a leading position in the industry. We will accelerate the development of electric control of engine, new energy and hydraulics to master key control technologies and improve our forward development capacity of both software and hardware. We will also speed up the implementation of additive manufacturing by developing a design and simulation platform for additive manufacturing in order to achieve the goal of integrating product design and manufacturing. We will strengthen risk management and control, and comprehensively enhance the quality of operation. We will adopt innovative management approach and tools, establish a data administration system and explore data value based on the needs of our customers and characteristics of their businesses, with a view to facilitating the digital transformation of the management of the Company. We will make continuous effort to lower costs, improve efficiency and enhance the profitability of all series of products in a comprehensive manner. We will further enhance the methodology, tools and approaches of the WOS management system, and accelerate the promotion and implementation of WOS at different classes and levels. With a business-oriented approach, we will systematically identify weakness in our operation and make continuous improvement to the Company's operational management and control. We will establish a risk-oriented internal control system focusing on the supervision of compliance and based on internal control guidelines in order to promote the sound and orderly operation of domestic and overseas subsidiaries. We will step up the construction of an innovative eco-system and build a pool of talents. In the new era, under the new landscape and to meet new demands, the Company will strive to establish an optimal top-level design of the innovative eco-system, enhance the integration of industry-university-research innovation chain and coordinate the innovation resources for optimised allocation. We will optimise the precise appraisal and incentive system, establish a multi-level incentive system, innovate incentive measures such as equity-based incentive, results-sharing and upfront incentives to encourage innovation and creativity. We will formulate human resources planning in a scientific way, step up the recruitment of strategic talents and expedite the training of skillful talents with craftsmanship, with a view to building a team of international talents with a reasonable mix of different age groups and a scientific medium-to-high level hierarchy, thereby providing full support for the Company to move towards high-end.

IV. Appreciation

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

MANAGEMENT DISCUSSION AND ANALYSIS

The Directors are pleased to present a management discussion and analysis of the results of operations of the Group for the year ended 31 December 2020 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 areas of powertrain, complete vehicles and machineries, hydraulic controlling parts, new energy cells and automotive ECU and parts and components, and is equipped with the most comprehensive supply chain of engines, gear boxes and axles, and offers related aftersales market services. Meanwhile, with its leading advantages in intelligent logistics, the Group is able to provide the most comprehensive logistics solutions to its customers.

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

In 2020, as the global economy was severely stricken by the COVID-19 pandemic, various industries including international trading, tourism, and air transportation were all impacted on an unprecedented scale. To control the pandemic, different countries had implemented various restrictive measures and the industry and supply chain cycles had been significantly affected. Facing the complex and challenging domestic and overseas environments, the Chinese government implemented effective measures to prevent and control the spread of COVID-19 and to resume economic activities, which resulted in a steady recovery in the economy. The gross domestic product of the PRC last year reached RMB101.6 trillion, representing a year-on-year increase of approximately 2.3%. The report of International Monetary Fund published in January 2021 showed that the global gross domestic product for 2020 was -3.5% and that major economies recorded different degrees of negative growth and China is the only exception with a positive growth.

The pandemic in China began to come under control during the Year. In the overall environment of the domestic and international dual circulation, investment activities gradually resumed to the level before the outbreak of the pandemic. Benefited from favorable factors such as China's investment in infrastructure, upgrade of emission standards and the rapid development of domestic logistics and transportation, the markets of commercial vehicles, construction machinery and agricultural equipment continued to operate at a high level. The heavy truck market achieved an annual sales volume of approximately 1.619 million units, representing a year-on-year increase of approximately 37.9%; the construction machinery industry (including forklift trucks using internal combustion engines) achieved an annual sales volume of approximately 919,000 units, representing a year-on-year increase of approximately 23.9%; the agricultural equipment industry achieved an annual sales volume of approximately 521,000 units, representing a year-on-year increase of approximately 53.9%.

2. *Forklift Truck and Supply Chain Solutions Industry*

During the Year, despite the impact of COVID-19 pandemic, the global orders for industrial forklift trucks increased from approximately 1,509,000 units in 2019 to approximately 1,639,000 units, representing a year-on-year increase of approximately 8.6%. Due to the successful control of the pandemic and rapid market recovery in China, the orders for industrial forklift trucks in China increased by 37.0% to 648,000 units during the Year. On the other hand, negative growth was recorded in Europe, the Middle East, Africa, and North America regions. In the supply chain solution industry, increasing consumers switched to online shopping due to the pandemic. As companies have to reorganise their supply chains, demands for warehouse automation and sortation systems increased. As estimated by a research institution, global orders for warehouse automation recorded a high single digit growth in 2020.

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. *Powertrain, Complete Vehicles and Machines and Key Components*

The Group adhered to the innovation-oriented approach and continued to invest in research and development. In September 2020, the Company released the first commercial diesel engines in the world with a thermal efficiency of over 50%. The Group's existing full-series engines reached China VI-b emission standard, and we had completed the preparation of non-road-going China IV product ahead of schedule. The Group was committed to creating synergy by combining its resources and achieving rapid breakthroughs in core technology of three major powertrain systems, namely, commercial vehicles, construction machineries and agricultural equipment with engines as our principal axis, as well as taking full advantage of systematic matching of its products, thereby creating competitive advantage of differentiation and speeding up the integration of the industrial chain. During the year of 2020, the Company sold approximately 981,000 units of engines; approximately 1.186 million units of gear boxes, representing an increase of approximately 32.2% and 18.4% as compared to approximately 742,000 units and 1.002 million units in the same period in 2019, respectively. The engines segment contributed RMB47,694 million to the sales revenue of the Group during the year, representing a year-on-year increase of 27.8%.

Shaanxi Heavy-duty Motor Company Limited (陝西重型汽車有限公司), a controlling subsidiary of the Group, fully took a leading role in complete vehicles and ranked top in multiple segment markets including coal transportation, port tractor, sand and gravel transportation and crane trucks. During the Year, the Group sold approximately 181,000 units of heavy-duty trucks, an increase of approximately 16.4% as compared to that of the same period in 2019.

2. *Intelligent Logistics*

During the Year, despite the increase in the number of global orders for industrial forklift trucks, the number of the Group's forklift truck orders decreased from approximately 213,700 units in the previous year to approximately 198,300 units, representing a year-on-year decrease of approximately 7.2%. The annual amount of orders decreased by approximately 8.8% to approximately EUR5,776 million, as compared to approximately EUR6,331 million in the same period of the previous year. As the major markets of Group's forklift trucks were severely affected by the pandemic last year, negative growth of approximately 5.2% was recorded in the Europe, the Middle East and Africa regions. The order value of supply chain solution services amounted to approximately EUR3,654 million, representing a significant year-on-year increase of approximately 31.9%, which was mainly due to the rapid growth of e-commerce and outstanding innovation capacity of the Group. Dematic Group, an overseas company of the Group, successfully developed a new generation of warehouse system Multishuttle 2.0 which is able to enhance the transportation speed and accuracy of warehouses and distribution centres. Intelligent logistics business contributed approximately RMB64,979 million to the Group's sales revenue of the Year, representing a decrease of approximately 3.0% as compared to approximately RMB67,005 million last year.

Last year, the Company expected that its sales revenue in 2020 would reach approximately RMB188.5 billion, representing an increase of approximately 8%, while the actual sales revenue amounted to approximately RMB197.5 billion, representing a year-on-year increase of approximately 13%. Against the complicated domestic and international landscape in the Year brought about by the COVID-19 pandemic, the Company implemented policies precisely to seize the opportunities arising from domestic economic recovery and recorded a new high for its domestic business. The Group's new business format and diversified business structure provided an obvious advantage and equipped the Company with strong risk-resistance capacity to generate greater-than-expected actual sales revenue.

In 2021, the global economy is still affected by the recurring pandemic and the economic outlook is highly uncertain. The Company will seize the development opportunities in the "post-pandemic era" by continuing to optimise its production and operation, fully accelerating its pace of technological innovation and enhancing product competitiveness and brand influence in striving to achieve the annual target. As at 31 December 2020, the Company's order on hand amounted to approximately RMB35.6 billion. The Company expects that its sales revenue in 2021 would increase by approximately 15% to approximately RMB227 billion.

III. FINANCIAL REVIEW

1. *The Group's Results of Operations*

a. *Revenue*

In 2020, the Group's revenue amounted to approximately RMB197,491 million, representing an increase of approximately RMB23,130 million or approximately 13.3% from approximately RMB174,361 million in the corresponding period in 2019. Benefiting from the favourable factors such as the gradual control against the spread of COVID-19 across the PRC, resumption of investing activities and favourable government policies, the domestic markets of commercial vehicles, construction machinery and agricultural equipment continued to operate at a high level. Driven by the change in the pattern of global consumption and increased demand for warehouse automation and sorting systems, the number of orders of the Group's supply chain solution services significantly increased. In particular, revenue from principal operations increased by approximately RMB20,887 million or approximately 12.2% from approximately RMB171,001 million in the corresponding period last year to approximately RMB191,888 million.

b. *Profit from Principal Operations*

During the Year, the Group generated profit from principal operations in the amount of approximately RMB37,476 million, representing a decrease of approximately RMB133 million or 0.4% from approximately RMB37,609 million recorded in the corresponding period in 2019. This was mainly attributable to the restrictive measures adopted by various countries in Europe and the United States to control the spread of COVID-19 which led to a decrease in the profit contributed by overseas businesses and intelligent logistics business. The recovery in domestic business and engines segment was more obvious, offsetting most of the adverse impact. The Group strictly controlled the costs to maintain a stable profit margin from principal operations at approximately 19.5%.

c. *Distribution and Selling Expenses*

Distribution and selling expenses decreased by approximately 3.5% to approximately RMB10,862 million in the Year from approximately RMB11,254 million in the corresponding period of 2019. This was primarily attributable to the decrease in marketing expenses and travel expenses. The distribution and selling expenses as a percentage of revenue dropped from approximately 6.5% in the corresponding period of last year to approximately 5.5% during the Year.

d. *General and Administrative Expenses*

General and administrative expenses increased by approximately RMB810 million or approximately 11.7% from approximately RMB6,900 million in the corresponding period of 2019 to approximately RMB7,710 million in the Year. The increase was mainly due to the effects of the consolidation of Power Solutions International Inc. in the United States and the increase in depreciation and amortisation expenses during the Year. However, the overall expenses were under effective control. The general and administrative expenses as a percentage of revenue decreased from approximately 4.0% as in the corresponding period last year to approximately 3.9% during the Year.

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

During the Year, the Group's EBIT was approximately RMB13,821 million, representing a decrease of approximately RMB1,764 million or 11.3% from approximately RMB15,585 million in the corresponding period of 2019. The decrease in EBIT was primarily attributable to the decrease in the profit contributed by the intelligent logistics business, increase in loss of impairment of credit of account receivables and provision for decline in value of inventory, and the continuous increase in investment in research and development of the Company. As a result, EBIT margin dropped from approximately 8.9% last year to approximately 7.0% this Year.

f. *Finance Expenses*

Finance expenses increased by approximately 26.6% to approximately RMB279 million in the Year from approximately RMB220 million in the corresponding period of 2019. This was mainly attributable to exchange losses and the increase in handling fees on bank loans, which offset the increase in the net interest income.

g. *Income Tax Expenses*

The Group's income tax expenses decreased by approximately 42.5% from approximately RMB2,445 million in the corresponding period in 2019 to approximately RMB1,407 million in the Year. The Group's average effective tax rate was approximately 11.1%, representing a decrease from approximately 17.0% in the corresponding period last year, which was mainly attributable to the decrease in offshore profits.

h. *Net Profit and Net Profit Margin*

The Group's net profit decreased by approximately 5.3% from approximately RMB11,907 million in the corresponding period of 2019 to approximately RMB11,275 million in the Year. During the Year, the net profit margin of the Group was approximately 5.7%, representing a decrease of approximately 1.1 percentage points. This was primarily attributable to the decrease in net profit due to the impact of COVID-19.

i. *Liquidity and Cash Flow*

During the Year, the Group generated operating cashflows of approximately RMB22,928 million and net increase in cash and cash equivalents amounted to approximately RMB10,448 million. A portion of that was applied to the acquisition of 100% equity interest of Digital Applications International Limited (total consideration amounting to approximately EUR110 million), 38% equity interest of Shengrui Transmission Corporation Limited (total consideration amounting to approximately RMB760 million), and 5,934,520 new shares of KION (total consideration amounting to approximately EUR368 million), the repayment of the US\$400 million bonds issued in 2015, the repayment of borrowings, payment of interest, as well as the acquisition of property, plant and equipment for the expansion of the Group's business. As of 31 December 2020, the Group's cash and cash equivalents (net of interest-bearing debts) amounted to net cash of RMB23,513 million (as of 31 December 2019, the Group's cash and cash equivalents (net of interest-bearing debts) amounted to net cash of RMB19,116 million). Based on the above calculations, the Group is in a net cash position. As at 31 December 2020, the Group's gearing ratio (net interest-bearing debts/(shareholders' equity + net interest-bearing debts)) was approximately 26.6% (as at 31 December 2019: 29.9%).

2. *Financial Position*

a. *Assets and Liabilities*

As at 31 December 2020, the Group had total assets of approximately RMB270,750 million, of which approximately RMB152,515 million were current assets. As at 31 December 2020, the Group had cash and cash equivalents of approximately RMB62,216 million (as at 31 December 2019: RMB48,818 million). On the same date, the Group's total liabilities amounted to approximately RMB190,317 million, of which approximately RMB123,713 million were current liabilities. The current ratio was approximately 1.23x (as at 31 December 2019: 1.19x).

b. *Capital Structure*

As at 31 December 2020, the Group had total equity of approximately RMB80,433 million, of which approximately RMB51,202 million was attributable to equity holders of the Company and the remaining balance was minority interests. Interest attributable to minority interest holders includes the perpetual capital securities in the principal amount of US\$775 million issued in September 2017. The borrowings of the Group as at 31 December 2020 amounted to approximately RMB29,221 million, which included bonds of approximately RMB8,703 million and bank borrowings of approximately RMB20,518 million. Borrowings repayable on demand or within a period not exceeding one year were approximately RMB8,491 million, borrowings repayable within a period of more than one year but not exceeding two years were approximately RMB832 million; borrowings repayable within a period of more than two years but not exceeding five years were approximately RMB10,584 million; and borrowings repayable within a period of more than 5 years were approximately RMB611 million. The bank borrowings included approximately RMB9,173 million of fixed interest rate bank borrowings and approximately RMB11,345 million of floating interest rate bank borrowings. Other than Euro-denominated borrowings equivalent to approximately RMB16,321 million, USD-denominated borrowings equivalent to approximately RMB1,138 million, GBP-denominated borrowings equivalent to approximately RMB247 million and INR-denominated borrowings equivalent to approximately RMB21 million, other 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 USD775 million USD-denominated perpetual capital securities issued in September 2017 to Euro, therefore the Group does not consider its currency risk 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 maximising the return to shareholders through the optimisation of the debts and equity balance. The Group's overall strategy remains unchanged from prior years.

c. Pledge of Assets

As at 31 December 2020, bank deposits, notes receivable and receivable financing of approximately RMB24,429 million (as at 31 December 2019: approximately RMB22,897 million) were pledged to banks to secure the Group's notes payable, letter of guarantee, acceptance bills and letter of credit, etc. issued by banks. The pledged bank deposits carry prevailing bank interest rates. The pledge will be released upon the settlement of the relevant bank borrowings. The fair value of the bank deposits as at the balance sheet date was approximately the same as the carrying amount. Certain other assets were also pledged by the Group to secure the Group's borrowings.

d. Contingencies

As at 31 December 2020, the Group provided certain distributors and agents bank guarantee amounting to approximately RMB3,587 million (as at 31 December 2019: approximately RMB2,643 million) to secure their obtaining and use of banking facilities.

As at 31 December 2020, the Group provided guarantee for joint liabilities in respect of failure of the lessee under finance lease to settle instalment payments plus interest. Risk exposure in respect of possible guarantee for joint liabilities amounted to approximately RMB3,550 million (as at 31 December 2019: approximately RMB2,734 million).

e. Commitments

As at 31 December 2020, the Group had capital commitments of approximately RMB3,285 million (as at 31 December 2019: approximately RMB3,088 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 2020, the Group had other investment commitments of approximately RMB682 million, for the conditional subscription of up to 236,705,601 new shares (as at 31 December 2019: Nil) in Shantui Engineering Machinery Co., Ltd. pursuant to a subscription agreement entered into between the Company and Shantui Engineering Machinery Co., Ltd. This investment will be financed by internal resources.

3. Other Financial Information

a. Employees

As at 31 December 2020, the Group had approximately 81,600 employees (including approximately 36,200 employees of KION). During the Year, the Group paid remuneration of approximately RMB27,071 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, following the orientation of “empowering the group and the individuals, leading all members towards our strategic targets”, the Company provided diversified training totalling 1.505 million training hours to 205,000 participants in the Year, which translated to an average of 100.3 training hours per person, incurring training expenses of approximately RMB34 million in total.

b. Material Investment, Major Acquisition and Disposal

During the Year, the Group did not have any material investment, major acquisition or disposal.

c. Subsequent Events

- (i) On 24 December 2020, a resolution in relation to the non-public issuance of A shares of the Company (“A Shares”) have been considered and approved at the Company’s tenth provisional meeting of the board of directors (the “Board”) for the year 2020, and on 29 January 2021, a resolution in relation to the grant of the general mandate to the Board was approved at the extraordinary general meeting. Pursuant to the general mandate, the Company will issue a maximum of 793,387,389 new A Shares, representing not more than 10% of the total issued share capital of the Company prior to the completion of the non-public issuance of A Shares, and the proceeds expected to be raised will be not more than RMB13,000 million. The issuance will be implemented by the Company in due course by way of non-public issuance to specific targets within the validity period upon obtaining the approval from the China Securities Regulatory Commission (the “CSRC”). The maximum number of A Shares to be issued under the non-public issuance of A Shares will be based on the approval granted by the CSRC. The non-public issuance of A Shares is still subject to the obtaining of the approval of the CSRC.
- (ii) At the board meeting held on 25 February 2021, a proposal in relation to the possible spin-off and separate listing of the spark plug business of the Group on the ChiNext Board of the Shenzhen Stock Exchange (the “Possible Spin-off”) was considered and approved. The Possible Spin-off is subject to the approval of The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”) and the approval at the general meeting of the Company.
- (iii) On 30 March 2021, the Company’s seventh meeting of the fifth session of the Board considered and approved that the Company will not make profit distribution for 2020 nor will it convert its capital reserve funds into share capital given that Company is currently proceeding with the non-public issuance of A Shares, after making comprehensive consideration of factors such as the interests of shareholders and the development of the Company. Following the completion of the non-public issuance of A Shares, the Company will conduct profit distribution as soon as possible in compliance with the requirements of relevant regulatory authorities and the articles of association of the Company.

OTHER INFORMATION

Directors' and Supervisors' Interests in Shares and Underlying Shares

As at 31 December 2020, the interests and short position (if any) of the directors, the chief executives and the supervisors in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code"), were as follows:

Name of director	Capacity	Number of "A" shares held	Number of "H" shares held	Percentage of the issued share capital of the Company
Tan Xuguang	Beneficial owner	58,842,596 (Note 1)	–	0.74%
Zhang Quan	Beneficial owner	13,684,324 (Note 1)	–	0.17%
Xu Xinyu	Beneficial owner	13,684,324 (Note 1)	–	0.17%
Sun Shaojun	Beneficial owner	13,684,324 (Note 1)	–	0.17%
Yuan Hongming	Beneficial owner	1,000,440	–	0.013%
	Interest held by spouse	444	–	0.000006%
		<u>1,000,884</u>		<u>0.013%</u>
Yan Jianbo	Beneficial owner	1,097,904	–	0.014%
Wen Daocai	Beneficial owner	21,940	–	0.0003%
Name of supervisor	Capacity	Number of "A" shares held	Number of "H" shares held	Percentage of the issued share capital of the Company
Lu Wenwu	Beneficial owner	600,000	–	0.0076%
Wu Hongwei	Beneficial owner	4,789,516	–	0.06%

Notes:

- These shares were derived from the previous domestic shares of the Company. The domestic shares were ordinary shares issued by the Company, with a Renminbi denominated par value of RMB1.00 each, which were subscribed for and paid up in Renminbi or credited as fully paid up. These shares became A shares of the Company upon the A share listing of the Company on the Shenzhen Stock Exchange.
- All the shareholding interests listed in the above table are "long" position.
- The percentages disclosed in the above table were calculated based on the total number of issued shares of the Company as at 31 December 2020, i.e. 7,933,873,895 shares (comprised of 5,990,833,895 A shares and 1,943,040,000 H shares).

Interests in the shares of associated corporations of the Company

Name of director	Name of associated corporation	Nature of interest	Class and number of securities interested or deemed to be interested	Approximate percentage interest in the entire issued share capital of associated corporation
Gordon Riske (<i>Note</i>)	KION Group AG ("KION")	Beneficial owner	146,460 ordinary shares	0.11%
		Interest held by spouse	93,940 ordinary shares	0.07%
			<u>240,400</u> ordinary shares	<u>0.18%</u>

Note: Gordon Riske, a non-executive Director, was the beneficial owner of 146,460 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 2020, 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 2020)

	Before the movement		Increase/decrease in the movement (+, -)					After the movement	
	No. of shares	Percentage (%)	New shares issued	Bonus Issue	Transfer of surplus to capital	Others	Sub-total	No. of shares	Percentage (%)
I. Restricted circulating shares	1,745,832,270	22.00%	-	-	-	685,800	685,800	1,746,518,070	22.01%
1. State-owned shares	-	-	-	-	-	-	-	-	-
2. State-owned legal person shares	1,642,531,008	20.70%	-	-	-	-	-	1,642,531,008	20.70%
3. Shares held by other domestic entities	103,301,262	1.30%	-	-	-	685,800	685,800	103,987,062	1.31%
including: Shares held by domestic natural persons	-	-	-	-	-	-	-	-	-
Shares held by domestic natural persons	103,301,262	1.30%	-	-	-	685,800	685,800	103,987,062	1.31%
4. Shares held by foreign entities	-	-	-	-	-	-	-	-	-
including: Shares held by overseas legal persons	-	-	-	-	-	-	-	-	-
Shares held by overseas natural persons	-	-	-	-	-	-	-	-	-
II. Non-restricted circulating shares	6,188,041,625	78.00%	-	-	-	(685,800)	(685,800)	6,187,355,825	77.99%
1. RMB ordinary shares	4,245,001,625	53.51%	-	-	-	(685,800)	(685,800)	4,244,315,825	53.50%
2. Domestic listed foreign shares	-	-	-	-	-	-	-	-	-
3. Overseas listed foreign shares	1,943,040,000	24.49%	-	-	-	-	-	1,943,040,000	24.49%
4. Others	-	-	-	-	-	-	-	-	-
III. Total number of shares	7,933,873,895	100.00%	-	-	-	-	-	7,933,873,895	100.00%

(II) Shareholdings of the Substantial Shareholders (as at 31 December 2020)

Total number of Shareholders The number of shareholders is 199,047 among which 198,806 are shareholders of “A” shares and 241 are shareholders of “H” shares.

Shareholdings of the top ten shareholders

Name of shareholder	Type of shareholder	Percentage of shares held (%)	Total number of shares held as at the end of the reporting period	Number of restricted shares held	Pledged or frozen
HKSCC Nominees Limited	Foreign shareholder	24.43%	1,938,491,156	–	–
Weichai Group Holdings Limited	State-owned legal person	17.72%	1,406,100,000	1,345,905,600	–
Hong Kong Securities Clearing Company Limited (<i>Note</i>)	Overseas legal person	10.28%	815,400,522	–	–
Weifang Investment Group Company Limited	State-owned legal person	3.74%	296,625,408	296,625,408	–
China Securities Finance Corporation Limited	Domestic non-state-owned legal person	2.06%	163,608,906	–	–
IVM Technical Consultants Wien Gesellschaft m.b.H.	Overseas legal person	1.49%	118,358,700	–	–
Central Huijin Assets Management Company Limited	State-owned legal person	1.37%	108,492,800	–	–
Tan Xuguang	Domestic natural person	0.74%	58,842,596	44,131,947	–
Hu Zhongxiang	Domestic natural person	0.68%	53,587,741	–	–
Bank of Communications – Rong Tong Industry Prosperous Securities Invest Fund	Fund and wealth management product, etc.	0.52%	41,302,610	–	–

Note: Hong Kong Securities Clearing Company Limited holds 815,400,522 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 as at the end of the reporting period	Types of shares
HKSCC Nominees Limited	1,938,491,156	Overseas listed foreign shares
Hong Kong Securities Clearing Company Limited	815,400,522	RMB ordinary shares
China Securities Finance Corporation Limited	163,608,906	RMB ordinary shares
IVM Technical Consultants Wien Gesellschaft m.b.H.	118,358,700	RMB ordinary shares
Central Huijin Assets Management Company Limited	108,492,800	RMB ordinary shares
Weichai Group Holdings Limited	60,194,400	RMB ordinary shares
Hu Zhongxiang	53,587,741	RMB ordinary shares
Bank of Communications – Rong Tong Industry Prosperous Securities Invest Fund	41,302,610	RMB ordinary shares
China AMC Fund – Agricultural Bank – China AMC China Securities and Financial Assets Management Program	33,002,800	RMB ordinary shares
Dacheng Fund – Agricultural Bank – Dacheng CSI Financial Assets Management Program	31,855,600	RMB ordinary shares

Notes:

1. Among the aforesaid shareholders, Mr. Tan Xuguang is the chairman of Weichai Group Holdings Limited. It is not certain whether there is any connected relationship among other top ten shareholders and the other top ten non-restricted shareholders, or whether there is any acting in concert relationship among them.
2. Among the top ten shareholders of the Company, Mr. Hu Zhongxiang holds 53,587,741 shares through the client credit trading guarantee securities account.

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 2020, the following persons (other than directors, chief executives and supervisors) had the following interests and short positions (if any) in the shares and underlying shares of the Company:

Name	Capacity	Long/ Short position	Number of A shares	Percentage of share capital comprising only A shares	Number of H shares	Percentage of share capital comprising only H shares	Percentage of total issued share capital
Weichai Group Holdings Limited	Beneficial owner	Long	1,406,100,000	23.47%	–	–	17.72%
Shandong Heavy Industry Group Co., Ltd. (Note 1)	Interest of corporation controlled by you	Long	1,406,100,000	23.47%	–	–	17.72%
Brandes Investment Partners, LP (Note 3)	Investment manager	Long	–	–	78,578,612	16.18%	3.96%
Lazard Emerging Markets Equity Portfolio (Note 4)	Investment manager	Long	–	–	23,707,500	5.86%	1.43%
Barclays PLC (Note 3)	Person having a security interest in shares	Long	–	–	525,552	0.11%	0.03%
	Interest of corporation controlled by you	Long	–	–	25,453,050	5.24%	1.28%
					25,978,602	5.35%	1.31%
	Interest of corporation controlled by you	Short	–	–	24,102,475	4.96%	1.22%
Morgan Stanley (Note 2)	Interest of corporation controlled by you	Long	–	–	49,335,508	5.08%	1.24%
	Interest of corporation controlled by you	Short	–	–	42,078,545	4.33%	1.06%
BlackRock, Inc.	Interest of corporation controlled by you	Long	–	–	105,948,135	5.45%	1.34%
	Interest of corporation controlled by you	Short	–	–	2,270,000	0.12%	0.03%
Lazard Asset Management LLC	Investment manager	Long	–	–	328,810,940	16.92%	4.14%
Schroders Plc	Investment manager	Long	–	–	136,853,130	7.04%	1.72%

Name	Capacity	Long/ Short position	Number of A shares	Percentage of share capital comprising only A shares	Number of H shares	Percentage of share capital comprising only H shares	Percentage of total issued share capital
Citigroup Inc.	Interest of corporation controlled by you	Long	-	-	2,334,605	0.12%	0.03%
	Approved lending agent	Long	-	-	133,245,756	6.85%	1.68%
					<u>135,580,361</u>	<u>6.97%</u>	<u>1.71%</u>
	Interest of corporation controlled by you	Short	-	-	279,000	0.01%	0.00%
Brown Brothers Harriman & Co.	Agent	Long	-	-	116,949,106	6.02%	1.47%
Pandanus Associates Inc.	Interest of corporation controlled by you	Long	-	-	97,806,000	5.03%	1.23%
Pandanus Partners L.P.	Interest of corporation controlled by you	Long	-	-	97,806,000	5.03%	1.23%
FIL Limited	Interest of corporation controlled by you	Long	-	-	97,806,000	5.03%	1.23%

Notes:

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

Save as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 31 December 2020.

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

1. At the Board meeting convened on 6 January 2020, the Board considered and approved the appointment of Mr. Cheng Guangxu as a vice president of the Company and Ms. Wu Di as a securities affair representative of the Company.
2. At the Board meeting convened on 17 February 2020, the Board considered and approved the resignation of Mr. Hu Haoran as a vice president of the Company and approved the appointment of Mr. Chen Wenmiao, Mr. Wang Zhijian, Mr. Sun Jian and Mr. Hu Haihua as vice presidents of the Company.
3. At the Board Meeting convened on 26 March 2020, the Board considered and approved the resignation of Mr. Wang Yuepu as a non-executive Director and a member of the strategic development and investment committee of the Company with effect from 26 March 2020 and the nomination of Mr. Zhang Liangfu as a non-executive director of the Company, with effect from the date of approval by the shareholders of the Company at the general meeting of the Company for the year ended 31 December 2019 (the “2019 Annual General Meeting”) and until the conclusion of the annual general meeting of the Company for the year ended 31 December 2020, which is the expiration of the term of the current session of the Board.
4. At the 2019 Annual General Meeting convened on 29 June 2020, it was approved that Mr. Zhang Liangfu be appointed as a non-executive director of the Company, and that Ms. Jiang Yan, Mr. Yu Zhuoping and Ms. Zhao Huifang be appointed as independent non-executive directors of the Company, each for a term from 29 June 2020 to the conclusion of the annual general meeting of the Company for the year ending 31 December 2020.
5. At the conclusion of the 2019 Annual General Meeting on 29 June 2020, Mr. Zhang Zhong, Mr. Wang Gongyong and Mr. Ning Xiangdong retired as independent non-executive directors and members of the relevant board committees of the Company.
6. At the Board meeting convened on 29 June 2020, the Board considered and approved the appointment of Mr. Zhang Liangfu and Mr. Yu Zhuoping as members of the strategic development and investment committee of the Company, Ms. Jiang Yan as the chairman and Mr. Yu Zhuoping and Ms. Zhao Huifang as members of the audit committee of the Company, Ms. Zhao Huifang as the chairman and Ms. Jiang Yan as a member of the remuneration committee of the Company, and Mr. Li Hongwu as the chairman and Ms. Zhao Huifang as a member of the nomination committee of the Company.
7. At the Board meeting convened on 27 August 2020, the Board considered and approved (i) the resignation of Mr. Xu Xinyu as an executive president of the Company, and (ii) the resignation of Mr. Tong Dehui, Mr. Li Shaohua and Ms. Ren Bingbing, each as a vice president 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 (Cai Shui Zi [1994] No. 20)(《財政部、國家稅務總局關於個人所得稅若干政策問題的通知》(財稅字 [1994]第20號)), foreign individual resident shareholders are exempt from personal income tax in respect of the dividends or bonus received from domestic foreign invested enterprises for now. As the Company is a foreign invested enterprise, for all natural person shareholders whose names are registered on the register of members for H Shares of the Company on the Record Date, the Company does not need to withhold personal income tax. The Company shall obtain latest updates by consulting relevant tax authorities in the PRC in due course.

In respect of dividends for the H shares of a company invested in by mainland individual investors and listed on the Hong Kong Stock Exchange through the 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. Upon the verification of the relevant tax authorities, the amount being the difference between the tax withheld and the tax calculated at the rate as prescribed under the corresponding tax treaty shall be refunded.

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

MAJOR CUSTOMERS AND SUPPLIERS

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

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

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

SUBSEQUENT EVENTS

- (i) On 24 December 2020, a resolution in relation to the non-public issuance of A Shares have been considered and approved at the Company's tenth provisional meeting of the Board for the year 2020, and on 29 January 2021, a resolution in relation to the grant of the general mandate to the Board was approved at the extraordinary general meeting. Pursuant to the general mandate, the Company will issue a maximum of 793,387,389 new A Shares, representing not more than 10% of the total issued share capital of the Company prior to the completion of the non-public issuance of A Shares, and the proceeds expected to be raised will be not more than RMB13,000 million. The issuance will be implemented by the Company in due course by way of non-public issuance to specific targets within the validity period upon obtaining the approval from the CSRC. The maximum number of A Shares to be issued under the non-public issuance of A Shares will be based on the approval granted by the CSRC. The non-public issuance of A Shares is still subject to the obtaining of the approval of the CSRC.
- (ii) At the Board meeting held on 25 February 2021, a proposal in relation to the Possible Spin-off was considered and approved. The Possible Spin-off is subject to the approval of the Hong Kong Stock Exchange and the approval at the general meeting of the Company.

- (iii) On 30 March 2021, the Company’s seventh meeting of the fifth session of the Board considered and approved that the Company will not make profit distribution for 2020 nor will it convert its capital reserve funds into share capital given that Company is currently proceeding with the non-public issuance of A Shares, after making comprehensive consideration of factors such as the interests of shareholders and the development of the Company. Following the completion of the non-public issuance of A Shares, the Company will conduct profit distribution as soon as possible in compliance with the requirements of relevant regulatory authorities and its articles of association.

AUDIT COMMITTEE

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

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

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

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

COMPLIANCE WITH THE MODEL CODE

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

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITORS

The Company appointed Deloitte Touche Tohmatsu Certified Public Accountants LLP (德勤華永會計師事務所(特殊普通合伙)) as the Company's auditors on 20 June 2019 in place of Ernst & Young Hua Ming LLP. Deloitte Touche Tohmatsu Certified Public Accountants LLP will retire and a resolution for their reappointment as auditors of the Company for the year of 2021 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 30 March 2021.

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

The 2020 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, 30 March 2021

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