

PRESIDENT'S STATEMENT



In our efforts to continually reach out to the investment community, we attended and presented at two recent conferences: at the Citi China Investor Conference held in Macau, China in November 2013 and at the ISI Industrial Conference in New York in March 2014. We met with existing and new institutional shareholders and we intend to continue to cultivate good relations with the investment community.

As we look to the remainder of 2014, we are relying on our competitive advantages and reputation for innovation to sustain us through a more challenging environment. China's new government is targeting a growth rate of 7.5% in 2014 as it looks to restructure its economy towards more domestic consumption away from investment and export fuelled growth. In late April 2014, China's Ministry for Industry and Information Technology published a directive that sales of National III vehicles are to cease by December 31, 2014. As a result, we expect the pre-buying of commercial vehicles to continue in 2014. As we enter into the replacement cycle for trucks, we believe the restocking exercise will help stabilize the overall engine sales. With continuing urbanization across China, domestic consumption is expected to increase resulting in a demand for trucks for logistics purposes to move people and goods across the country. Construction activity is expected to see a slight improvement due to resumption of construction of new public housing and high-speed rail programs that would help stabilize demand for engines. As a result of new government subsidies in the first quarter of 2014, we expect engine sales in the agriculture segment to increase. Growth in the bus market is expected to remain flat in 2014 but we anticipate higher growth in the natural gas bus segment. We believe there will be continued momentum in the sales of natural gas and off-road engines. We are also

enhancing our export capabilities in order to strategically position our superior and extensive line of product offerings in foreign markets.

With a broader portfolio of advanced engines in 2013, substantial progress was achieved in 2013 to attain leadership positions in multiple engine markets in China. We have developed a strong corporate culture focusing on technology, quality, market leadership, and profitability alongside our financial discipline and core competencies, which position us well for long-term success.

Weng Ming HOH

President, May 19, 2014