WEICHAI

濰柴動力股份有限公司

WEICHAI POWER CO., LTD.

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

(Stock Code: 2338)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2018

FINANCIAL HIGHLIGHTS

- Revenue amounted to approximately RMB82,264 million, an increase of approximately 13.8%.
- Net Profit Attributable to the Shareholders of the Parent amounted to approximately RMB4,393 million, an increase of approximately 65.8%.
- Basic Earnings Per Share was approximately RMB0.55, an increase of approximately 65.8%.

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

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Approved by: ______________________
To be submitted to SEHK on 28 August, 2018

The board of directors (the "Board") of Weichai Power Co., Ltd. (the "Company") is pleased to announce the reviewed consolidated financial statements of the Company and its subsidiaries (the "Group") prepared in accordance with the Mainland Accounting Standards for the six months ended 30 June 2018 (the "Period"), together with comparative figures for the corresponding period of 2017 as follows:

CONSOLIDATED INCOME STATEMENT
January to June 2018 (Expressed in Renminbi Yuan)

	Notes	**January to June 2018 (unaudited)**	January to June 2017 (unaudited)
Revenue	*5*	**82,263,906,908.88**	72,313,265,590.11
Less: Cost of sales	*5*	**64,335,849,214.51**	56,987,411,183.56
Taxes and surcharges	*6*	**399,294,357.54**	373,189,991.32
Distribution and selling expenses		**5,473,595,476.28**	5,027,424,399.09
General and administrative expenses		**3,196,179,093.83**	3,061,107,092.58
Research & development expenses		**1,751,132,452.88**	1,531,986,191.85
Finance expenses		**56,645,514.29**	368,716,470.81
Incl: Interest expenses		**612,147,513.99**	664,527,888.68
Interest income		**563,067,891.29**	470,373,560.53
Impairment loss of assets		**179,326,217.62**	953,074,047.47
Impairment loss of credit		**105,247,274.82**	–
Add: Other income		**58,339,437.77**	39,869,770.84
Investment income		**221,176,005.84**	135,204,722.57
Incl: Investment income from associates and jointly controlled enterprises		**136,233,044.06**	120,804,392.87
Gain or loss on fair value changes		**26,873,836.25**	142,460,083.61
Gain/(loss) on disposal of assets		**4,186,159.48**	(5,032,604.91)
Operating profit		**7,077,212,746.45**	4,322,858,185.54
Add: Non-operating income		**142,190,971.81**	116,891,259.00
Less: Non-operating expenses		**52,526,096.81**	56,452,852.00
Total profit		**7,166,877,621.45**	4,383,296,592.54
Less: Income tax expense	*7*	**1,284,648,536.55**	907,205,448.79
Net profit		**5,882,229,084.90**	3,476,091,143.75
Incl: Net profit from continuing operations		**5,882,229,084.90**	3,476,091,143.75
Net profit from discountinued operations		**–**	–
Breakdown by attributable interests			
Net profit attributable to the shareholders of the parent		**4,392,587,359.49**	2,650,042,739.83
Minority interests		**1,489,641,725.41**	826,048,403.92

	Notes	**January to June 2018 (unaudited)**	January to June 2017 (unaudited)
Net other comprehensive income after tax			
Net other comprehensive income attributable to shareholders of the parent after tax		**(41,354,889.09)**	(754,005,994.31)
Those other comprehensive income not to be reclassified into profit or loss			
Changes arising from re-measuring defined benefit plan		**17,362,053.85**	161,064,157.23
Other comprehensive income not to be taken to profit or loss using the equity method		**(1,135,343.38)**	1,498,557.20
Change of fair value of investment in other equity instruments		**(65,902,072.83)**	–
Those other comprehensive income to be reclassified into profit or loss			
Other comprehensive income to be taken to profit or loss using the equity method		**1,002,941.82**	1,850,567.27
Change of fair value of available-for-sale financial assets		**–**	4,556,426.85
Cashflow hedging reserve		**(29,131,420.11)**	46,750,523.02
Exchange differences on foreign currency translation		**36,448,951.56**	(969,726,225.88)
Net other comprehensive income attributable to minority owners after tax		**(123,419,940.23)**	(544,391,705.31)
Total comprehensive income		**5,717,454,255.58**	2,177,693,444.13
Incl:			
Total comprehensive income attributable to the shareholders of the parent		**4,351,232,470.40**	1,896,036,745.52
Total comprehensive income attributable to minority interest		**1,366,221,785.18**	281,656,698.61
Earnings per share	*8*		
Basic earnings per share		**0.55**	0.33
Diluted earnings per share		**0.55**	0.33

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CONSOLIDATED BALANCE SHEET

30 June 2018 (Expressed in Renminbi Yuan)

ASSETS	*Notes*	**30 June 2018 (unaudited)**	31 December 2017 (audited)
Current assets			
Cash and cash equivalents		**37,040,344,786.58**	34,221,837,770.90
Financial assets at fair value through profit or loss		**–**	384,067,087.32
Financial assets held for trading		**1,090,763,052.20**	–
Notes receivable and accounts receivable	*3*	**43,099,074,906.02**	38,863,774,260.96
Prepayments		**892,878,443.17**	559,802,492.16
Other receivables		**1,103,649,773.06**	888,122,035.12
Inventories		**21,051,363,532.53**	19,850,822,463.67
Contracted assets		**1,029,394,552.50**	–
Non-current assets due within one year		**1,809,419,068.50**	1,778,971,213.80
Other current assets		**1,738,313,381.57**	3,792,776,498.74
Total current assets		**108,855,201,496.13**	100,340,173,822.67
Non-current assets			
Available-for-sale financial assets		**–**	594,847,216.31
Investment in other equity instruments		**344,932,671.75**	–
Long-term receivables		**5,239,387,579.50**	5,197,814,237.00
Long-term equity investments		**2,867,622,067.55**	2,638,935,915.48
Other non-current financial assets		**234,694,459.50**	–
Investment property		**596,593,949.51**	569,210,526.81
Fixed assets		**26,452,192,544.85**	27,068,307,958.45
Construction in progress		**1,790,672,969.18**	1,218,747,351.06
Intangible assets		**22,966,917,868.82**	23,839,954,192.45
Development expenditure		**522,979,946.28**	515,853,805.25
Goodwill		**22,332,093,265.80**	22,583,192,662.42
Long-term prepaid expenses		**275,988,486.82**	283,430,938.92
Deferred tax assets		**4,733,785,234.88**	4,533,525,646.91
Other non-current assets		**186,464,064.75**	254,172,355.79
Total non-current assets		**88,544,325,109.19**	89,297,992,806.85
Total assets		**197,399,526,605.32**	189,638,166,629.52

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LIABILITIES AND EQUITY	*Notes*	**30 June 2018 (unaudited)**	31 December 2017 (audited)
Current liabilities			
Short-term loans		**4,741,754,576.66**	3,174,887,395.62
Financial liabilities at fair value through profit or loss		**–**	482,880,099.94
Financial liabilities held for trading		**379,338,525.97**	–
Notes payable and accounts payable	*4*	**47,804,442,438.45**	43,016,241,784.82
Advances from customers		**–**	5,814,905,624.90
Contracted liabilities		**5,835,123,607.04**	–
Payroll payable		**4,881,833,939.86**	4,810,305,393.38
Taxes payable		**2,393,774,742.40**	2,700,258,706.06
Other payables		**7,653,880,607.76**	8,026,100,946.56
Non-current liabilities due within one year		**5,681,039,573.50**	5,596,251,134.50
Other current liabilities		**5,351,877,587.87**	4,851,696,489.11
Total current liabilities		**84,723,065,599.51**	78,473,527,574.89
Non-current liabilities			
Long-term borrowings		**13,824,151,743.45**	15,678,594,729.35
Bonds payable		**11,916,122,424.42**	10,459,780,084.07
Long-term payables		**9,439,003,335.00**	9,241,432,433.10
Long-term payroll payable		**9,144,413,878.76**	9,236,773,057.02
Accruals and provisions		**319,969,845.90**	344,923,046.70
Deferred income		**2,653,164,919.67**	3,121,664,308.58
Deferred tax liabilities		**6,009,042,894.28**	6,500,274,764.52
Other non-current liabilities		**782,010,659.00**	226,205,400.79
Total non-current liabilities		**54,087,879,700.48**	54,809,647,824.13
Total liabilities		**138,810,945,299.99**	133,283,175,399.02
Shareholders' equity			
Share capital		**7,997,238,556.00**	7,997,238,556.00
Capital reserve		**111,621,160.68**	135,898,754.99
Other comprehensive income	*9*	**(1,541,276,541.12)**	(1,527,566,155.73)
Special reserve		**143,912,283.47**	118,355,897.38
Surplus reserve		**–**	616,811,881.87
Retained earnings		**30,262,702,010.52**	27,898,783,968.43
Total equity attributable to the shareholders of the parent		**36,974,197,469.55**	35,239,522,902.94
Minority interests		**21,614,383,835.78**	21,115,468,327.56
Total shareholders' equity		**58,588,581,305.33**	56,354,991,230.50
Total liabilities and shareholders' equity		**197,399,526,605.32**	189,638,166,629.52

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

30 June 2018

1. SIGNIFICANT ACCOUNTING POLICIES

a. Preparation basis of the financial statements

These interim financial statements have been prepared in accordance with Accounting Standards for Business Enterprises – No. 32 Interim Financial Reporting issued by the Ministry of Finance (the "MOF").

These interim financial statements include selected explanatory notes, which are provided for easy understanding of the Group's important events and transactions leading to its financial position and change of results of operations since the financial statements for the year 2017. These selected notes do not include all information and disclosures required under the Accounting Standards for Business Enterprises for a full set of financial statements. As such, these statements shall be read in conjunction with the financial statements for the year 2017.

The interim financial statements are presented on a going concern basis.

Other than certain financial instruments, these financial statements have been prepared at historical costs. Disposal group held-to-sale are 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.

b. Business combination

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

Business combinations involving entities under common control

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

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

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Business combinations not involving entities under common control

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

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

The excess of the sum of the consideration paid (or equities securities issued) for business combination and equity interests in the acquiree held prior to the date of acquisition over the share of the attributable net identifiable assets of the acquiree, measured at fair value, was recognized as goodwill, which is subsequently measured at cost less cumulative impairment loss. In case the fair value of the sum of the consideration paid (or equities securities issued) and equity interests in the acquiree held prior to the date of acquisition is less than the fair value of the share of the attributable net identifiable assets of the acquiree, a review of the measurement of the fair values of the identifiable assets, liabilities and contingent liabilities, the consideration paid for the combination (or equities securities issued) and the equity interests in the acquiree held prior to the date of acquisition is conducted. If the review indicates that the fair value of the sum of the consideration paid (or equities securities issued) and equity interests in the acquiree held prior to the date of acquisition is indeed less than the fair value of the share of the attributable net identifiable assets of the acquiree, the difference is recognized in current profit or loss.

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

c. Consolidated financial statements

The consolidation scope of consolidated financial statements is determined on the basis of control, including the financial statements for the half year ended 30 June 2018 of the Company and all of its subsidiaries. A subsidiary is an entity that is controlled by the Company, including separable parts of an enterprise or investee and structured entities controlled by the Company, etc.

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

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

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

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

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

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

d. Change of accounting policies

In 2017, the MOF issued Accounting Standards for Business Enterprises No. 14 – Revenue (the "New Standard on Revenue"); Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments; Accounting Standards for Business Enterprises No. 23 – Transfer of Financial Assets; Accounting Standards for Business Enterprises No. 24 – Hedge Accounting; and Accounting Standards for Business Enterprises No. 37 – Presentation of Financial Instruments (the "New Standard on Financial Instruments"). With effect from 1 January 2018, the Group has adopted the newly amended accounting standards set out above for accounting treatment. According to the transitional requirements, no adjustment is made to information for the comparative period. Adjustments arising from the difference in first adopting the new standards and the original standards will be dealt with in the opening retained earnings or other comprehensive income.

New Standard on Revenue

The New Standard on Revenue establishes a new model to recognize revenue arising from contracts with customers. Revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for delivering goods and services to a customer. The standard also provides for the judgments and estimates to be made on the contracted costs, performance obligations, variable consideration, primary obligors, agents and so forth. Adjustments are only made to the cumulative effect of contracts that remain outstanding as of 1 January 2018. For changes in contracts incurred before 1 January 2018, a simplified approach is adopted in respect of the final arrangements for all contracts based on changes in contracts, identify performance obligations that have been performed or remain outstanding, determine the transaction price and apportion the transaction price between performance obligations that have been performed or remain outstanding.

Except for certain indirect leasing business and certain supply chain solutions construction contracts being affected by the New Standard on Revenue and leading to changes in the time of revenue recognition, for major sales contracts, service contracts and construction contracts, there have been no material changes in the time and manner of recognition. On 1 January 2018, adjustments are only made to the cumulative effect of contracts that remain outstanding, and contracts entered into and performed prior to 1 January 2018 under the aforesaid indirect leasing business were all completed prior to 1 January 2018, thus has no impacts on the opening retained earnings; the aforesaid changes in time of recognition for construction contracts have given rise to an increase of RMB46,813,800.00 in contracted assets, a decrease of RMB62,418,400.00 in contracted liabilities, a decrease of RMB19,505,750.00 in deferred tax assets, and an increase of RMB89,726,450.00 in opening retained earnings.

New Standard on Financial Instruments

The New Standard on Financial Instruments has changed the classification and measurement of financial assets, affirming three major categories of measurement, namely at amortised cost, fair value through other comprehensive income and fair value through profit or loss. Such categorization takes into account the entity's own business model and the characteristics of the contracted cashflow of its financial assets. An equity investment is required to be measured at fair value through profit or loss with the irrevocable option at inception to be measured at fair value through other comprehensive income (profit or loss at disposal may not be transferred back to profit or loss; however, dividends are included in profit/loss).

The New Standard on Financial Instruments requires the measurement of impairment of financial assets be changed from the "incurred loss model" to the "expected credit loss model", which is applicable to financial assets measured at amortized cost, financial assets at fair value through other comprehensive income, loan commitments and financial guarantee contracts.

The new hedge accounting model has strengthened the link between enterprises' risk management and financial statements, broadened the scope of hedging instruments and hedged items, abandoned retrospective validity test, introduced a re-balancing mechanism and the concept of cost of hedging. On 1 January 2018, the Group's reassessment of the hedging relationship suggested that the validity requirement of hedging was still satisfied and thus no re-balancing would be required.

On the date of first adoption, the categorization and measurement of financial assets conducted according to the standards on the recognition and measurement of financial instruments before and after amendment are compared as follows:

The Group

	Standards on the recognition and measurement of financial instruments before amendment		Standards on the recognition and measurement of financial instruments after amendment	
	Measurement categories	**Carrying amount**	**Measurement categories**	**Carrying amount**
Accounts receivable	Amortized cost (Loans and receivables)	13,572,535,350.44	Amortized cost	13,605,102,150.64
			Fair value through profit or loss (required by standard)	145,122,780.00
Long-term receivables	Amortized cost (Loans and receivables)	5,197,814,237.00	Amortized cost	5,054,002,243.40
			Fair value through profit or loss (required by standard)	143,811,993.60

	Standards on the recognition and measurement of financial instruments before amendment		Standards on the recognition and measurement of financial instruments after amendment	
	Measurement categories	**Carrying amount**	**Measurement categories**	**Carrying amount**
Other non-current debt investments	Amortized cost (Loans and receivables)	17,227,478.40	Fair value through profit or loss (required by standard)	17,227,478.40
Equity investments	Fair value through other comprehensive income (Available-for-sale)	319,262,446.10	Fair value through profit or loss (required by standard)	3,378,395.90
	Cost method (Available-for-sale)	275,584,770.21	Fair value through other comprehensive income (designated)	438,106,427.08
			Long-term equity investments	190,118,644.10
Wealth management products	Fair value through other comprehensive income (Available-for-sale)	2,365,000,000.00	Fair value through profit or loss (required by standard)	2,365,000,000.00

The Company

	Standards on the recognition and measurement of financial instruments before amendment		Standards on the recognition and measurement of financial instruments after amendment	
	Measurement categories	**Carrying amount**	**Measurement categories**	**Carrying amount**
Equity investments	Fair value through other comprehensive income (Available-for-sale)	224,800,000.00	Fair value through other comprehensive income (designated)	255,670,000.00
	Cost method (Available-for-sale)	31,680,000.00		

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On the date of first adoption, the original carrying amount of the financial assets and the new carrying amount of the financial assets as categorized and measured according to the standards on the recognition and measurement of financial instruments after amendment are reconciled as follows:

The Group

	Carrying amount presented according to the original standard applicable to financial instruments 31 December 2017	Reclassified	Re-measured	Carrying amount presented according to the New Standard on Financial Instruments 1 January 2018
Financial assets measured at amortized cost				
Accounts receivable				
Balance presented according to the original standard applicable to financial instruments	13,572,535,350.44	–	–	13,572,535,350.44
Less: Transferred to fair value through profit or loss (New Standard on Financial Instruments)	–	(145,122,780.00)	–	(145,122,780.00)
Re-measured: Allowance for expected credit losses	–	–	177,689,580.20	177,689,580.20
Balance presented according to the New Standard on Financial Instruments				13,605,102,150.64
Long-term receivables				
Balance presented according to the original standard applicable to financial instruments	5,197,814,237.00	–	–	5,197,814,237.00
Less: Transferred to fair value through profit or loss (New Standard on Financial Instruments)	–	(143,811,993.60)	–	(143,811,993.60)
Balance presented according to the New Standard on Financial Instruments				5,054,002,243.40
Other non-current assets				
Balance presented according to the original standard applicable to financial instruments	17,227,478.40	–	–	17,227,478.40
Less: Transferred to fair value through profit or loss (New standard on financial instruments)	–	(17,227,478.40)	–	(17,227,478.40)
Balance presented according to the New Standard on Financial Instruments				–

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	Carrying amount presented according to the original standard applicable to financial instruments 31 December 2017	Reclassified	Re-measured	Carrying amount presented according to the New Standard on Financial Instruments 1 January 2018
Financial assets at fair value through other comprehensive income				
Equity investments – Available-for-sale financial assets (Note 1)				
Balance presented according to the original standard applicable to financial instruments	594,847,216.31	–	–	594,847,216.31
Less: Transferred to fair value through profit or loss (New Standard on Financial Instruments)	–	(3,378,395.90)	–	(3,378,395.90)
Transferred to fair value through other comprehensive income-Equity instruments (New Standard on Financial Instruments)	–	(401,350,176.31)	–	(401,350,176.31)
Transferred to long-term equity investments	–	(190,118,644.10)	–	(190,118,644.10)
Add: Transferred to fair value through other comprehensive income-Equity instruments (New Standard on Financial Instruments)	–	401,350,176.31	–	401,350,176.31
Remeasured: Cost method changed to measurement of fair value	–	–	36,756,250.77	36,756,250.77
Balance presented according to the New Standard on Financial Instruments				438,106,427.08
Wealth management products – Available-for-sale financial assets (Note 2)				
Balance presented according to the original standards applicable to financial instruments	2,365,000,000.00	–	–	2,365,000,000.00
Less: Transferred to fair value through profit or loss (New Standard on Financial Instruments)	–	(2,365,000,000.00)	–	(2,365,000,000.00)
Balance presented according to the new standard on Financial Instruments				–
Financial assets at fair value through profit or loss				
Financial assets held for trading				
Balance presented according to the original standard applicable to financial instruments	384,067,087.32	–	–	384,067,087.32
Add: Transferred to fair value through profit or loss (the New Standard on Financial Instruments)	–	2,510,122,780.00	–	2,510,122,780.00
Balance presented according to the New Standard on Financial Instruments				2,894,189,867.32
Other non-current financial assets				
Balance presented according to the original standard applicable to financial instruments	–	–	–	–
Add: Transferred to fair value through profit or loss (the New Standard on Financial Instruments)	–	164,417,867.90	–	164,417,867.90
Balance presented according to the New Standard on Financial Instruments				164,417,867.90

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The Company

	Carrying amount presented according to the original standard applicable to financial instruments 31 December 2017	Reclassified	Re-measured	Carrying amount presented according to the New Standard on Financial Instruments 1 January 2018
Financial assets at fair value through other comprehensive income				
Equity investments – Available-for-sale financial assets (Note 1)				
Balance presented according to original standard applicable to financial instruments	256,480,000.00	–	–	256,480,000.00
Less: Transferred out to fair value through other comprehensive income – Equity instruments (the New Standard on Financial Instruments)	–	(256,480,000.00)	–	(256,480,000.00)
Add: Transferred in to fair value through other comprehensive income – Equity instruments (the New Standard on Financial Instruments)	–	256,480,000.00	–	256,480,000.00
Remeasured: Cost method changed to measurement of fair value	–	–	(810,000.00)	(810,000.00)
Balance presented according to the New Standard on Financial Instruments				255,670,000.00

Note 1: The investments in equity instruments were strategic investments aiming to uplift the Group's long term profitability through equity participation. The Group designated that such investments shall be measured at fair value through other comprehensive income.

Note 2: The wealth management products did not pass the contracted cashflow characteristics test under the New Standard on Financial Instruments. They were measured at fair value through profit or loss as required under the standard.

On the date of first adoption, the original provision for impairment of financial assets as of 31 December 2017 and the new provision for impairment of financial assets as categorized and measured according to the standards applicable to the financial instruments after amendment are reconciled as follows:

The Group

Measurement categories	Provision for impairment made according to the original standard applicable to financial instruments	Reclassified	Re-measured	Provision for impairment made according to the New Standard on Financial Instruments
Loans and receivables (Original standard for financial instruments)/Financial assets measured at amortized cost (the New Standard on Financial Instruments)				
Accounts receivable	1,433,114,728.64	–	(177,689,580.20)	1,255,425,148.44
Other receivables	48,508,702.99	–	–	48,508,702.99

The Company

Measurement categories	Provision for impairment made according to the original standard on financial instruments	Reclassified	Re-measured	Provision for impairment made according to the New Standard On Financial Instruments
Loans and receivables (Original standard on financial instruments)/Financial assets measured at amortized cost (the New standard on financial instruments)				
Accounts receivable	89,097,053.93	–	–	89,097,053.93
Other receivables	14,749,851.41	–	–	14,749,851.41

Major impacts of the changes in accounting policies arising from the New Standard on Revenue and the New Standard on Financial Instruments stated above on the financial statements as at 1 January 2018 are as follows:

The Group

		Reclassified		Re-measured		
	Carrying amount presented according to the original standards 31 December 2017	Impact of the New Standard on Revenue	Impact of the New Standard on Financial Instruments	Impact of the New Standard on Revenue	Impact of the New Standard on Financial Instruments	Carrying amount presented according to the new standards 1 January 2018
Financial assets at fair value through profit or loss	384,067,087.32	–	(384,067,087.32)	–	–	–
Financial assets held for trading	–	–	2,894,189,867.32	–	–	2,894,189,867.32
Accounts receivable	13,572,535,350.44	(1,590,884,422.70)	(145,122,780.00)	–	177,689,580.20	12,014,217,727.94
Contracted assets	–	735,764,692.30	–	46,813,800.00	–	782,578,492.30
Inventories	19,850,822,463.67	(735,764,692.30)	–	–	–	19,115,057,771.37
Other current assets	3,792,776,498.74	–	(2,365,000,000.00)	–	–	1,427,776,498.74
Available-for-sale financial assets	594,847,216.31	–	(594,847,216.31)	–	–	–
Investment in other equity instruments	–	–	401,350,176.31	–	36,756,250.77	438,106,427.08
Other non-current financial assets	–	–	164,417,867.90	–	–	164,417,867.90
Long-term receivables	5,197,814,237.00	–	(143,811,993.60)	–	–	5,054,002,243.40
Long-term equity investments	2,638,935,915.48	–	190,118,644.10	–	–	2,829,054,559.58
Deferred tax assets	4,533,525,646.91	–	–	(19,505,750.00)	(58,453,657.62)	4,455,566,239.29
Other non-current assets	254,172,355.79	–	(17,227,478.40)	–	–	236,944,877.39
Receipts in advance	(5,814,905,624.90)	5,814,905,624.90	–	–	–	–
Contracted liabilities	–	(7,417,610,663.24)	–	62,418,400.00	–	(7,355,192,263.24)
Other payables	(7,723,245,808.19)	2,811,214,342.64	–	–	–	(4,912,031,465.55)
Other current liabilities	(4,851,696,489.11)	382,375,118.40	–	–	–	(4,469,321,370.71)
Deferred income	(3,121,664,308.58)	305,225,976.00	–	–	–	(2,816,438,332.58)
Deferred tax liabilities	(6,500,274,764.52)	–	–	–	(9,295,050.00)	(6,509,569,814.52)
Other non-current liabilities	(226,205,400.79)	(305,225,976.00)	–	–	–	(531,431,376.79)
Retained earnings	(27,898,783,968.43)	–	–	(89,726,450.00)	(119,172,330.20)	(28,107,682,748.63)
Other comprehensive income	1,527,566,155.73	–	–	–	(27,644,503.70)	1,499,921,652.03
Minority interests	(21,115,468,327.56)	–	–	–	119,710.55	(21,115,348,617.01)
	(24,905,181,764.69)	–	–	–	–	(24,905,181,764.69)

The Company

	Carrying amount presented according to the original standards 31 December 2017	Reclassified		Re-measured		Carrying amount presented according to the New Standard 1 January 2018
		Impact of the New Standard on Revenue	Impact of the New Standard on Financial Instruments	Impact of the New Standard on Revenue	Impact of the New Standard on Financial Instruments	
Accounts receivable	1,492,883,648.61	(397,204,441.44)	–	–	–	1,095,679,207.17
Available-for-sale financial assets	256,480,000.00	–	(256,480,000.00)	–	–	–
Investment in other equity instruments	–	–	256,480,000.00	–	(810,000.00)	255,670,000.00
Deferred tax assets	724,662,933.48	–	–	–	121,500.00	724,784,433.48
Receipts in advance	(53,587,374.55)	53,587,374.55	–	–	–	–
Other payables	(2,497,504,438.30)	1,503,283,483.34	–	–	–	(994,220,954.96)
Contracted liabilities	–	(1,159,666,416.45)	–	–	–	(1,159,666,416.45)
Other comprehensive income	(26,180,000.00)	–	–	–	688,500.00	(25,491,500.00)
	(103,245,230.76)	–	–	–	–	(103,245,230.76)

Formats of financial statements

As required by the Notice on Revising and Circulating General Corporate Financial Statement Formats 2018 (Cai Kuai [2018] No.15), other than the changes in presentation arising from the adoption of the aforesaid New Standard on Financial Instrument and the New Standard on Revenue, "notes receivable and "accounts receivable" are classified under the new "notes receivable and accounts receivable" item; "dividend receivable" and "interest receivable' are classified under the "other receivables" item; "disposal of fixed assets" are classified under the "fixed assets' item; "materials used in construction" are classified under the "construction in progress" item; "notes payable" and "accounts payable" are classified under the new "notes payable and accounts payable" item; "special payables" are classified under the "long-term payables" item; the "research and development expenses" item is separated from the "general and administrative expenses" in the income statement; the "interest expenses" and "interest income" items are separated from the finance expenses item; the new item of "transfer of changes in defined benefit plan to retained earnings" has been added under the statement of changes in equity; and the Group has restated the financial statements for the comparative period on a retrospective basis. The changes in accounting policies has no impact on consolidated and company net profit and shareholders' equity.

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Major impacts of the retrospective adjustment arising from the changes in accounting policies stated above on the balance sheet as at 31 December 2017 are as follows:

The Group

	Closing balance before changes in accounting policies	Adjustment arising from changes in accounting policies	Closing balance after changes in accounting policies
Notes receivable	25,291,238,910.52	(25,291,238,910.52)	–
Accounts receivable	13,572,535,350.44	(13,572,535,350.44)	–
Notes receivable and accounts receivable	–	38,863,774,260.96	38,863,774,260.96
Interests receivable	25,264,533.85	(25,264,533.85)	–
Dividends receivable	5,228,280.90	(5,228,280.90)	–
Other receivables	857,629,220.37	30,492,814.75	888,122,035.12
Fixed assets	27,067,404,030.16	903,928.29	27,068,307,958.45
Construction in progress	1,218,157,893.32	589,457.74	1,218,747,351.06
Materials used in construction	589,457.74	(589,457.74)	–
Disposal of fixed assets	903,928.29	(903,928.29)	–
Notes payable	12,361,446,846.30	(12,361,446,846.30)	–
Accounts payable	30,654,794,938.52	(30,654,794,938.52)	–
Notes payable and accounts payable	–	43,016,241,784.82	43,016,241,784.82
Interests payable	95,394,487.50	(95,394,487.50)	–
Dividends payable	207,460,650.87	(207,460,650.87)	–
Other payables	7,723,245,808.19	302,855,138.37	8,026,100,946.56
Long-term payables	9,218,432,433.10	23,000,000.00	9,241,432,433.10
Special payables	23,000,000.00	(23,000,000.00)	–
		–	

The Company

	Closing balance before changes in accounting policies	Adjustment arising from changes in accounting policies	Closing balance after changes in accounting policies
Notes receivable	23,018,971,007.38	(23,018,971,007.38)	–
Accounts receivable	1,492,883,648.61	(1,492,883,648.61)	–
Notes receivable and accounts receivable	–	24,511,854,655.99	24,511,854,655.99
Interests receivable	23,116,750.00	(23,116,750.00)	–
Dividends receivable	240,204,169.02	(240,204,169.02)	–
Other receivables	360,439,484.91	263,320,919.02	623,760,403.93
Notes payable	9,339,569,093.38	(9,339,569,093.38)	–
Accounts payable	8,360,166,067.65	(8,360,166,067.65)	–
Notes payable and accounts payable	–	17,699,735,161.03	17,699,735,161.03
		–	

Affected items in income statements for the half year of 2017:

The Group

	Incurred before changes in accounting policies	Adjustment arising from changes in accounting policies	Incurred after changes in accounting policies
General and administrative expenses	4,593,093,284.43	(1,531,986,191.85)	3,061,107,092.58
Research & development expenses	–	1,531,986,191.85	1,531,986,191.85
		–	

The Company

	Incurred before changes in accounting policies	Adjustment arising from changes in accounting policies	Incurred after changes in accounting policies
General and administrative expenses	917,548,087.35	(449,251,530.89)	468,296,556.46
Research & development expenses	–	449,251,530.89	449,251,530.89
		–	

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2. SEGMENT REPORTING

Operating segments

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

The details of operating segments are as follows:

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

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

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

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

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

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

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

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

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

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	Diesel engines	Automobiles and other major automobile components	Other components	Import & export services	Forklift trucks and supply chain solution	Total
(Unaudited)						
January to June 2018						
Segment revenue:						
Sale to external customers	16,496,457,346.32	34,807,968,274.78	1,054,821,113.59	83,422,207.65	29,821,237,966.54	82,263,906,908.88
Inter-segment sale	6,663,563,794.49	11,226,433.97	679,127,201.26	15,406,153.73	39,259,000.00	7,408,582,583.45
Total	23,160,021,140.81	34,819,194,708.75	1,733,948,314.85	98,828,361.38	29,860,496,966.54	89,672,489,492.33
Adjustment:						
Elimination of inter-segment sale						(7,408,582,583.45)
Revenue						82,263,906,908.88
Segment results	4,102,231,614.70	1,361,431,828.76	55,961,308.60	(10,874,439.06)	1,444,754,489.16	6,953,504,802.16
Adjustment:						
Elimination of inter-segment results						(67,696,383.51)
Interest income						563,067,891.29
Dividend income and unallocated income						390,240,813.90
Corporate and other unallocated expenses						(52,526,096.81)
Finance expenses						(619,713,405.58)
Profit before tax						7,166,877,621.45
30 June 2018						
Segment assets	37,801,572,290.07	32,719,245,407.96	18,829,018,090.57	11,916,996,454.15	76,683,428,336.09	177,950,260,578.84
Adjustment:						
Elimination of inter-segment assets						(23,760,559,718.94)
Corporate and other unallocated assets						43,209,825,745.42
Total assets						197,399,526,605.32
Segment liabilities	31,308,687,466.72	28,748,016,883.86	12,806,003,761.01	2,129,330,376.87	36,078,306,891.00	111,070,345,379.46
Adjustment:						
Elimination of inter-segment liabilities						(16,825,286,034.19)
Corporate and other unallocated liabilities						44,565,885,954.72
Total liabilities						138,810,945,299.99
January to June 2018						
Other segment information:						
Share of profit and loss from:						
Gain/(loss) from associates and jointly controlled enterprises	55,527,230.40	31,500,030.36	–	(23,303,785.12)	72,509,568.42	136,233,044.06
Reversal/(loss) of impairment of inventories	(12,582,989.37)	(74,676,316.88)	(1,430,891.78)	–	(47,559,680.99)	(136,249,879.02)
Reversal/(loss) of impairment of accounts receivable and other receivables	(39,085,124.66)	(36,107,796.92)	(1,460,074.84)	13,165.61	(28,607,444.01)	(105,247,274.82)
Loss of impairment of non-current assets	(570,845.44)	(30,600,000.00)	–	–	(11,905,493.16)	(43,076,338.60)
Depreciation and amortization	(406,725,424.93)	(452,717,518.98)	(100,941,796.85)	(9,172,672.02)	(2,676,698,009.60)	(3,646,255,422.38)
Gain/(loss) from disposal of fixed assets	1,439,200.12	(608,887.36)	152,573.44	6,819.99	3,196,453.29	4,186,159.48
Investment in associates and jointly controlled enterprises	1,223,547,603.17	755,820,352.12	–	195,332,294.51	692,921,817.75	2,867,622,067.55
Capital expenditure	(428,561,075.11)	(589,902,945.80)	(109,082,164.59)	(331,057.44)	(3,509,419,465.00)	(4,637,296,707.94)

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	Diesel engines	Automobiles and other major automobile components	Other components	Import & export services	Forklift trucks and supply chain solution	Total
(Unaudited) January to June 2017						
Segment revenue:						
Sale to external customers	14,043,483,588.68	28,440,049,250.93	1,187,866,585.93	68,154,705.47	28,573,711,459.10	72,313,265,590.11
Inter-segment sale	6,410,150,667.23	531,039.20	625,155,077.86	11,015,386.80	–	7,046,852,171.09
Total	20,453,634,255.91	28,440,580,290.13	1,813,021,663.79	79,170,092.27	28,573,711,459.10	79,360,117,761.20
Adjustment:						
Elimination of inter-segment sale						(7,046,852,171.09)
Revenue						72,313,265,590.11
Segment results	2,877,280,998.80	764,763,274.91	74,915,166.52	(14,201,302.29)	1,166,791,446.87	4,869,549,584.81
Adjustment:						
Elimination of inter-segment results						(308,147,046.12)
Interest income						470,373,560.53
Dividend income and unallocated income						263,160,705.90
Corporate and other unallocated expenses						(72,550,181.24)
Finance expenses						(839,090,031.34)
Profit before tax						4,383,296,592.54
(Audited)						
31 December 2017						
Segment assets	37,778,526,803.73	32,471,332,085.77	18,251,755,485.49	11,966,343,480.78	75,034,006,890.41	175,501,964,746.18
Adjustment:						
Elimination of inter-segment assets						(25,214,008,750.78)
Corporate and other unallocated assets						39,350,210,634.12
Total assets						189,638,166,629.52
Segment liabilities	27,027,000,538.90	31,023,164,678.62	13,019,140,067.07	1,492,306,272.60	35,725,701,796.40	108,287,313,353.59
Adjustment:						
Elimination of inter-segment liabilities						(17,957,220,509.52)
Corporate and other unallocated liabilities						42,953,082,554.95
Total liabilities						133,283,175,399.02
(Unaudited)						
January to June 2017						
Other segment information:						
Share of profit and loss from:						
Gain/(loss) from associates and jointly controlled enterprises	24,288,840.34	545,131.82	–	73,589.70	95,896,831.01	120,804,392.87
Reversal/(loss) of impairment of inventories	(14,516,873.61)	(114,668,354.07)	2,695,184.63	–	(44,608,116.57)	(171,098,159.62)
Reversal/(loss) of impairment of accounts receivable and other receivables	(115,520,104.50)	(159,547,806.87)	(2,808,532.59)	39,420.09	(32,005,955.60)	(309,842,979.47)
Reversal/(loss) of impairment of non-current assets	(9,810,355.64)	(90,625,706.36)	–	–	(371,696,846.38)	(472,132,908.38)
Depreciation and amortization	(399,993,844.56)	(472,378,641.86)	(115,920,796.17)	(12,864,471.22)	(2,663,014,772.25)	(3,664,172,526.06)
Gain/(loss) from disposal of fixed assets	1,243,542.14	(868,579.01)	(4,450,864.70)	–	1,403,360.67	(2,672,540.90)
Investment in associates and jointly controlled enterprises	659,350,842.13	483,843,279.43	–	442,831,695.97	509,255,342.82	2,095,281,160.35
Capital expenditure	(200,942,331.32)	(297,495,771.98)	(148,299,509.14)	(259,914.11)	(3,071,329,096.50)	(3,718,326,623.05)

Group information

Information about products and services

Revenues from external transactions

	January to June 2018 (Unaudited)	January to June 2017 (Unaudited)
Complete vehicles and key components	**40,057,321,537.92**	31,374,075,026.15
Non-automobile engines	**3,689,801,288.17**	5,610,440,235.25
Other non-major automobile components	**5,374,539,079.42**	4,941,517,806.37
Forklift trucks and supply chain solution	**29,821,237,966.54**	28,056,760,799.34
Others	**3,321,007,036.83**	2,330,471,723.00
	82,263,906,908.88	72,313,265,590.11

Geographic information

Revenues from external transactions

	January to June 2018 (Unaudited)	January to June 2017 (Unaudited)
China	**49,809,908,688.78**	41,695,452,653.33
Other countries and regions	**32,453,998,220.10**	30,617,812,936.78
	82,263,906,908.88	72,313,265,590.11

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

Total non-current assets

	30 June 2018 (Unaudited)	31 December 2017 (Audited)
China	**16,955,411,032.23**	17,096,411,403.27
Other countries and regions	**61,036,114,131.33**	61,858,166,824.96
	77,991,525,163.56	78,954,578,228.23

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

Information about major customers

Revenue of RMB3,425,111,762.01 (January to June 2017: RMB2,811,205,577.70) was derived from sales by Diesel engines segment and Automobiles and other major automobile components segment to a single customer, including sales to a group of entities which is known to be under common control by that customer.

3. NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE

	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Notes receivable	**27,578,915,285.34**	25,291,238,910.52
Accounts receivable	**16,852,805,371.16**	15,005,650,079.08
	44,431,720,656.50	40,296,888,989.60
Less: Provision for bad debts	**1,332,645,750.48**	1,433,114,728.64
	43,099,074,906.02	38,863,774,260.96

Notes receivable

	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Bank acceptance bills	**27,441,814,203.96**	25,259,282,610.52
Commercial acceptance bills	**137,101,081.38**	31,956,300.00
	27,578,915,285.34	25,291,238,910.52

Among which, notes receivable which had been pledged are presented as follows:

	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Bank acceptance bills	**11,169,836,092.10**	8,862,401,073.29
Commercial acceptance bills	**93,553,840.00**	–
	11,263,389,932.10	8,862,401,073.29

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

	30 June 2018 (Unaudited)		31 December 2017 (Audited)	
	Derecognized	**Not derecognized**	Derecognized	Not derecognized
Bank acceptance bills	**11,998,020,396.92**	**–**	11,897,133,700.14	–
Commercial acceptance bills	**–**	**–**	–	7,321,000.00
	11,998,020,396.92	**–**	11,897,133,700.14	7,321,000.00

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

	30 June 2018 (Unaudited)		31 December 2017 (Audited)	
	Derecognized	**Not derecognized**	Derecognized	Not derecognized
Bank acceptance bills	**214,187,942.56**	**–**	19,718,076.84	–

As at 30 June 2018, the Group had not transferred any notes into accounts receivable due to issuers' failure in performance (31 December 2017: Nil).

Accounts receivable

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

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

	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Within 1 year	**15,116,129,076.92**	13,127,341,974.02
1 to 2 years	**467,755,045.62**	597,200,935.15
2 to 3 years	**180,341,643.52**	190,287,768.61
Over 3 years	**1,088,579,605.10**	1,090,819,401.30
	16,852,805,371.16	15,005,650,079.08
Less: provision for bad debts	**1,332,645,750.48**	1,433,114,728.64
	15,520,159,620.68	13,572,535,350.44

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

	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Opening balance	**1,433,114,728.64**	1,144,057,968.02
Opening effect of New Standard on Financial Instruments	**(177,689,580.20)**	–
Opening balance under New Standard on Financial Instruments	**1,255,425,148.44**	1,144,057,968.02
Provision for the period/year	**171,612,595.41**	370,477,690.97
Decrease during the period/year:		
Reversal	**(70,611,633.45)**	(33,037,659.83)
Decrease upon disposal of subsidiaries	**(7,188,013.81)**	–
Eliminated	**(12,737,308.91)**	(45,663,345.00)
Written off	**–**	(1,984,107.32)
Adjustments for exchange differences	**(3,855,037.20)**	(735,818.20)
Closing balance	**1,332,645,750.48**	1,433,114,728.64

	30 June 2018 (Unaudited)			
	Gross carrying amount	**Proportion** *(%)*	**Provision for bad debt**	**Percentage** *(%)*
Items for which provision for bad debts is recognized and expected credit loss is assessed separately	**2,219,737,022.84**	**13.17**	**722,783,700.99**	**32.56**
Items for which provision for bad debts is recognized and expected credit loss is assessed by group with distinctive credit risk characteristics	**14,633,068,348.32**	**86.83**	**609,862,049.49**	**4.17**
	16,852,805,371.16	**100.00**	**1,332,645,750.48**	**7.91**

	31 December 2017 (Audited)			
	Gross carrying amount	Proportion *(%)*	Provision for bad debt	Percentage *(%)*
Individually significant items for which provision for bad debt is recognized separately	1,558,286,912.47	10.38	541,702,763.60	34.76
Items for which provision for bad debt is recognized by group with distinctive credit risk characteristics	12,820,513,104.70	85.44	759,675,762.97	5.93
Not individually significant items for which provision for bad debt is recognized separately	626,850,061.91	4.18	131,736,202.07	21.02
	15,005,650,079.08	100.00	1,433,114,728.64	9.55

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As at 30 June 2018, items for which provision for bad debts is recognized and expected credit loss is assessed separately are presented as follows:

(Unaudited)	**Gross carrying amount**	**Provision for bad debt**	**Percentage**	**Reasons**
Customer 1	**56,927,140.00**	**56,927,140.00**	100%	Long credit age
Customer 2	**49,159,575.31**	**49,159,575.31**	100%	Bad repayment ability
Customer 3	**40,516,068.59**	**38,490,265.16**	95%	Bad repayment ability
Customer 4	**37,449,568.86**	**35,577,090.42**	95%	Liquidation
Customer 5	**33,808,426.00**	**27,046,740.80**	80%	Long credit age
Customer 6	**32,989,886.43**	**32,456,366.43**	98%	Assets have been preserved
Customer 7	**32,623,150.80**	**29,360,835.72**	90%	Litigation
Customer 8	**32,556,007.92**	**32,291,887.03**	99%	Long credit age
Customer 9	**28,471,419.76**	**27,297,117.10**	96%	Long credit age
Customer 10	**26,400,747.00**	**25,080,709.65**	95%	Litigation
Others	**1,848,835,032.17**	**369,095,973.37**		Long credit age etc.
	2,219,737,022.84	**722,783,700.99**		

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

(Audited)	**Gross carrying amount**	**Provision for bad debt**	**Percentage**	**Reasons**
Customer 1	56,927,140.00	56,927,140.00	100%	Long credit age
Customer 2	49,159,575.31	49,159,575.31	100%	Bad repayment ability
Customer 3	40,516,068.59	38,490,265.16	95%	Bad repayment ability
Customer 4	37,449,568.86	35,577,090.42	95%	Liquidation
Customer 5	32,989,886.43	32,456,366.43	98%	Assets have been preserved
Customer 6	32,623,150.80	26,098,520.64	80%	Litigation
Customer 7	29,745,233.41	21,312,766.31	72%	Bad repayment ability
Customer 8	28,369,816.49	26,663,258.86	94%	Long credit age
Customer 9	26,400,747.00	25,080,709.65	95%	Litigation
Customer 10	24,671,392.36	19,737,113.89	80%	Bad repayment ability
Others	1,199,434,333.22	210,199,956.93		Long credit age etc.
	1,558,286,912.47	541,702,763.60		

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

	30 June 2018 (Unaudited)			31 December 2017 (Audited)			
	Carrying amount estimated to be in default	**Expected credit loss rate (%)**	**Expected credit loss during the entire subsistence**	Gross carrying amount	Proportion (%)	Provision for bad debt	Percentage (%)
Within 1 year	**2,793,093,061.73**	**6.45**	**180,119,325.80**	4,153,297,472.89	86.37	235,956,825.77	5.68
1 to 2 years	**168,342,636.40**	**15.00**	**25,249,703.11**	179,278,257.61	3.73	23,184,910.36	12.93
2 to 3 years	**102,419,955.21**	**29.64**	**30,359,397.42**	115,587,025.62	2.40	31,359,396.59	27.13
3 to 4 years	**94,617,721.96**	**50.35**	**47,636,406.03**	179,392,572.43	3.73	83,254,744.56	46.41
4 to 5 years	**39,471,877.90**	**79.75**	**31,477,394.51**	38,460,830.81	0.80	28,784,084.45	74.84
Over 5 years	**155,671,259.05**	**100.00**	**155,671,259.05**	142,884,643.24	2.97	142,884,643.24	100.00
	3,353,616,512.25	**14.03**	**470,513,485.92**	4,808,900,802.60	100.00	545,424,604.97	11.34

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

	30 June 2018 (Unaudited)		
	Carrying amount estimated to be in default	**Expected credit loss rate (%)**	**Expected credit loss during the entire subsistence**
Provided for using overdue age	**8,057,978,286.01**	**0.75**	**60,798,818.99**
	8,057,978,286.01	**0.75**	**60,798,818.99**

	31 December 2017 (Audited)			
	Amount	Proportion (%)	Provision for bad debt	Percentage (%)
Neither overdue nor impaired	6,211,411,030.00	77.53	–	–
Overdue and impaired	229,356,410.80	2.86	214,251,158.00	93.41
Overdue and not impaired	1,570,844,861.30	19.61	–	–
	8,011,612,302.10	100.00	214,251,158.00	2.67

Bad debt provision for the Group's accounts receivable with good credit history are presented as follows:

	30 June 2018 (Unaudited)		
	Carrying amount estimated to be in default	**Expected credit loss rate (%)**	**Expected credit loss during the entire subsistence**
Accounts receivable with good credit history	**3,221,473,550.06**	**2.44**	**78,549,744.57**
	3,221,473,550.06	**2.44**	**78,549,744.57**

As at 30 June 2018, the top five balances in respect of accounts receivable had a sum of closing balance of RMB2,021,748,829.00 (31 December 2017: RMB1,460,834,595.71), accounting for 12.00% (31 December 2017: 9.74%) of the total of closing balance of accounts receivable. The closing balance in respect of bad debt provided for the top five amounted to RMB42,562,871.73 (31 December 2017: RMB62,847,994.57).

In January-June 2018, provision for bad debts of RMB171,612,595.41 (2017: RMB370,477,690.97) was made, and provision for bad debts of RMB70,611,633.45 (2017: RMB33,037,659.83) was reversed.

In January-June 2018, no accounts receivable was written off (2017: RMB1,984,107.32).

4. NOTES PAYABLE AND ACCOUNTS PAYABLE

	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Notes payable	**13,813,699,608.40**	12,361,446,846.30
Bank acceptance bills	**13,751,023,162.20**	12,192,327,019.82
Commercial acceptance bills	**62,676,446.20**	169,119,826.48
Accounts payable	**33,990,742,830.05**	30,654,794,938.52
Total	**47,804,442,438.45**	43,016,241,784.82

As at 30 June 2018, the Group had no outstanding notes payable which were due (31 December 2017: Nil).

Accounts payable

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

As at 30 June 2018, there was no payable which was significant and aged over one year (31 December 2017: nil).

5. REVENUE AND COST OF SALES

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

	January-June 2018 (Unaudited)		January-June 2017 (Unaudited)	
	Revenue	**Cost**	Revenue	Cost
Revenue from principal operations	**80,294,445,120.92**	**62,604,629,623.86**	70,595,730,065.54	55,450,390,027.24
Other revenue	**1,969,461,787.96**	**1,731,219,590.65**	1,717,535,524.57	1,537,021,156.32
	82,263,906,908.88	**64,335,849,214.51**	72,313,265,590.11	56,987,411,183.56

The revenue is listed as follows:

	January-June 2018 (Unaudited)	January-June 2017 (Unaudited)
Revenue from principal operations		
Sales of goods and others	**50,473,207,154.38**	42,538,969,266.20
Forklift trucks production, warehousing technology and supply chain solution services	**29,821,237,966.54**	28,056,760,799.34
	80,294,445,120.92	70,595,730,065.54
Other revenue		
Sales of materials	**1,436,913,288.95**	1,281,061,173.29
Lease income	**114,148,433.81**	60,486,099.04
Labour income	**26,668,028.45**	31,411,687.76
Income from trial production of vehicles	**61,560,815.78**	–
Others	**330,171,220.97**	344,576,564.48
	1,969,461,787.96	1,717,535,524.57
	82,263,906,908.88	72,313,265,590.11

Reporting segment:

January-June 2018

(Unaudited)	Diesel engines	Automobiles and other major automobile components	Other components	Import & export services	Forklift trucks and supply chain solution	Total
Major regions of operation:						
Mainland China	16,289,391,462.82	33,347,362,378.39	140,512,073.27	32,642,774.30	–	49,809,908,688.78
Other countries and regions	207,065,883.50	1,460,605,896.39	914,309,040.32	50,779,433.35	29,821,237,966.54	32,453,998,220.10
Total	16,496,457,346.32	34,807,968,274.78	1,054,821,113.59	83,422,207.65	29,821,237,966.54	82,263,906,908.88
Time for recognition of revenue:						
Goods (transferred at a certain point of time)	16,428,928,543.10	34,703,861,685.95	1,034,245,495.79	58,161,600.03	18,261,034,612.12	70,486,231,936.99
Services (provided at a certain period of time)	67,528,803.22	104,106,588.83	20,575,617.80	25,260,607.62	11,560,203,354.42	11,777,674,971.89
Total	16,496,457,346.32	34,807,968,274.78	1,054,821,113.59	83,422,207.65	29,821,237,966.54	82,263,906,908.88

6. TAXES AND SURCHARGES

	January-June 2018 (Unaudited)	January-June 2017 (Unaudited)
City maintenance and construction tax	**132,973,278.94**	125,354,845.27
Educational surtax	**96,054,689.78**	90,647,330.23
Others	**170,266,388.82**	157,187,815.82
	399,294,357.54	373,189,991.32

7. INCOME TAX EXPENSES

	January-June 2018 (Unaudited)	January-June 2017 (Unaudited)
Current tax expenses	**1,898,277,774.00**	1,198,469,202.97
Deferred tax expenses	**(613,629,237.45)**	(291,263,754.18)
	1,284,648,536.55	907,205,448.79

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

		January-June 2018 (Unaudited)	January-June 2017 (Unaudited)
Total profit		**7,166,877,621.45**	4,383,296,592.54
Tax at statutory tax rate	*Note 1*	**1,791,719,405.36**	1,095,824,148.14
Effect of different tax rates applicable to parent company and some subsidiaries	*Note 2*	**(547,096,487.49)**	(280,506,907.75)
Effect of tax rate change on opening balance of deferred income tax		**3,824,908.76**	–
Adjustments to current tax of previous periods		**25,659,572.83**	(37,886,351.97)
Profits and losses attributable to associates and jointly-controlled enterprises		**(27,410,938.79)**	(18,120,658.93)
Income not subject to tax		**(71,912,112.51)**	(28,023,411.89)
Expenses not deductible for tax		**80,527,215.96**	80,767,496.83
Tax incentives on eligible expenditures		**(70,655,486.24)**	(44,616,330.47)
Utilization of deductible losses from prior years		**(52,822,872.14)**	(72,685,777.75)
Unrecognized deductible losses		**133,107,532.27**	128,419,971.50
Effect of unrecognized deductible temporary difference		**12,953,692.88**	13,181,690.23
Others		**6,754,105.66**	70,851,580.85
Tax expense at the Group's effective tax rate		**1,284,648,536.55**	907,205,448.79

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 period.

8. 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:

	January-June 2018 (Unaudited)	January-June 2017 (Unaudited)
Earnings		
Net profit of the current period attribute to ordinary shareholders of the Company	**4,392,587,359.49**	2,650,042,739.83
Shares		
Weighted average number of the ordinary shares outstanding of the Company *(Note 1)*	**7,997,238,556.00**	7,997,238,556.00
Basic EPS (RMB/share)	**0.55**	0.33

The Group holds no potential shares that are significantly dilutive.

Note 1: The Company's 2016 profit distribution proposal was considered and approved at the Company's 2016 annual general meeting, the first class meeting of the holders of A shares in 2017 and the first class meeting of the holders of H shares in 2017. The Company distributed to all shareholders a cash dividend of RMB2.50 (including tax) and 10 bonus shares (including tax) for every 10 shares. Such distribution was completed in July 2017. Pursuant to the Accounting Standards for Business Enterprises, the earnings per share was calculated again based on the adjusted number of shares of 7,997,238,556 shares for the comparative period.

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9. OTHER COMPREHENSIVE INCOME

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

	1 January 2017	Increase/Decrease	31 December 2017	Adjustments upon changes in standards	**1 January 2018**
Changes arising from re-measuring defined benefit plan	(559,951,639.63)	104,152,091.25	(455,799,548.38)	–	**(455,799,548.38)**
Those other comprehensive income not to be taken to profit or loss under equity method	(165,577,229.27)	3,280,767.28	(162,296,461.99)	–	**(162,296,461.99)**
Those other comprehensive income to be taken to profit or loss under equity method	34,674,207.98	1,967,785.30	36,641,993.28	–	**36,641,993.28**
Change of fair value of available-for-sale financial assets	53,200,000.00	6,353,967.55	59,553,967.55	(59,553,967.55)	**–**
Change of fair value of investment in other equity instruments	–	–	–	96,451,054.25	**96,451,054.25**
Effective portion of cashflow from hedging	(59,830,990.05)	(25,984,960.43)	(85,815,950.48)	–	**(85,815,950.48)**
Exchange differences on foreign currency translation	155,927,720.30	(1,165,770,648.29)	(1,009,842,927.99)	–	**(1,009,842,927.99)**
Relevant income tax effect	121,985,402.42	(31,992,630.14)	89,992,772.28	(9,252,583.00)	**80,740,189.28**
	(419,572,528.25)	(1,107,993,627.48)	(1,527,566,155.73)	27,644,503.70	**(1,499,921,652.03)**

	1 January 2018	**Increase/Decrease**	**30 June 2018**
Changes arising from re-measuring defined benefit plan	**(455,799,548.38)**	**17,077,390.51**	**(438,722,157.87)**
Those other comprehensive income not to be taken to profit or loss under equity method	**(162,296,461.99)**	**(1,135,343.38)**	**(163,431,805.37)**
Those other comprehensive income to be taken to profit or loss under equity method	**36,641,993.28**	**1,002,941.82**	**37,644,935.10**
Change of fair value of investment in other equity instruments	**96,451,054.25**	**(75,817,187.93)**	**20,633,866.32**
Effective portion of cashflow from hedging	**(85,815,950.48)**	**(42,626,448.70)**	**(128,442,399.18)**
Exchange differences on foreign currency translation	**(1,009,842,927.99)**	**36,448,951.56**	**(973,393,976.43)**
Relevant income tax effect	**80,740,189.28**	**23,694,807.03**	**104,434,996.31**
	(1,499,921,652.03)	**(41,354,889.09)**	**(1,541,276,541.12)**

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Incurred in current period for other comprehensive income as shown in the income statement:

January to June 2018

(Unaudited)	Incurred pre-tax	Less: Amount recognised in other comprehensive income in previous period and recognised in profit or loss in current period	Less: income tax	Attributable to parent company	Attributable to minority interests
Other comprehensive income not to be reclassified into profit or loss					
Changes arising from re-measuring defined benefit plan	25,471,843.50	–	(658,029.00)	17,362,053.85	8,767,818.65
Those other comprehensive income not to be taken to profit or loss under equity method	(2,624,464.50)	–	–	(1,135,343.38)	(1,489,121.12)
Change of fair value of investment in other equity instruments	(92,086,648.13)	–	(10,483,846.50)	(65,902,072.83)	(15,700,728.80)
Other comprehensive income to be reclassified into profit or loss					
Those other comprehensive income to be taken to profit or loss under equity method	2,318,404.50	–	–	1,002,941.82	1,315,462.68
Effective portion of cashflow from hedging	(18,235,060.47)	86,578,477.03	(31,195,165.50)	(29,131,420.11)	(44,486,951.89)
Exchange differences on foreign currency translation	(35,377,468.19)	–	–	36,448,951.56	(71,826,419.75)
	(120,533,393.29)	86,578,477.03	(42,337,041.00)	(41,354,889.09)	(123,419,940.23)

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January to June 2017

(Unaudited)

	Incurred pre-tax	Less: Amount recognised in other comprehensive income in previous period and recognised in profit or loss in current period	Less: income tax	Attributable to parent company	Attributable to minority interests
Other comprehensive income not to be reclassified into profit or loss					
Changes arising from re-measuring defined benefit plan	453,956,068.80	–	125,597,767.20	161,064,157.23	167,294,144.37
Those other comprehensive income not to be taken to profit or loss under equity method	3,464,071.20	–	–	1,498,557.20	1,965,514.00
Other comprehensive income to be reclassified into profit or loss					
Those other comprehensive income to be taken to profit or loss under equity method	4,277,779.20	–	–	1,850,567.27	2,427,211.93
Change of fair value of available-for-sale financial assets	30,589,388.80	–	(2,240,539.20)	4,556,426.85	28,273,501.15
Effective portion of cashflow from hedging	(144,617,149.19)	(240,725,080.75)	23,814,520.80	46,750,523.02	25,542,887.74
Exchange differences on foreign currency translation	(1,739,621,190.38)	–	–	(969,726,225.88)	(769,894,964.50)
	(1,391,951,031.57)	(240,725,080.75)	147,171,748.80	(754,005,994.31)	(544,391,705.31)

10. DIVIDEND

On 28 August 2018, the Board passed resolution to propose the distribution to all shareholders of an interim cash dividend of RMB1.80 (including tax) for every 10 shares based on the total share capital of 7,997,238,556 shares for year 2018 of the Company, without any capitalisation of reserve. Please refer to the further announcement to be issued by the Company for details on the closure of registers of members in determining the shareholders who are eligible for the 2018 interim dividend.

Pursuant to the annual general meeting of shareholders of the Company held on 14 June 2018, a mandate has been given to the Board for the payment of the 2018 interim dividend.

11. COMPARATIVE FIGURES

As stated in Note 1.d, in compliance with the requirement under the Notice on Revising and Circulating General Corporate Financial Statement Formats 2018 (Cai Kuai [2018] No.15), adjustments have been made to the accounting treatment and presentation of certain items in the financial statements and the amounts in financial statements in order to conform with the new requirements. Accordingly, certain prior year data have been adjusted and certain comparative data have been reclassified and restated to conform with the requirements on presentation and accounting treatment in the current period.

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CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board, I would like to present the reviewed interim results of the Company for the six months' period ended 30 June 2018.

I. Review of Operations

In the first half of 2018, the Chinese government insisted upon the general working theme of making progress while maintaining stability, firmly committed to put the philosophy of new development into practice and actively benchmarked itself against standards of high-quality development. The overall nationwide economic performance maintained a trend of stability with positive development. Structural adjustment proceeded in a thorough manner, new economic drivers started to take over the old ones, quality and efficiency improved steadily, and the economy had a positive start towards a high-quality development. In the first half of the year, the gross domestic product reached RMB41.90 trillion, representing a year-on-year growth of 6.8%. On a quarter-to-quarter basis, it grew by 6.8% in the first quarter and 6.7% in the second quarter.

During the reporting period, the heavy-duty truck market exhibited an obvious trend of recovery with substantial growth in sales volume and delivering sales of 672,000 units in total, representing a year-on-year increase of 15.1%. This increase in sales volume is a reflection of the influence of a multitude of favourable factors including the drive from fixed asset investments and the imposition of more stringent emission policies. Under such influence, during the reporting period, the Company reported sales of 194,000 units of heavy-duty truck engines, representing a year-on-year increase of 8.9%, and a market share of 28.9%, maintaining its leading position in the industry. Shaanxi Heavy-duty Motor Company Limited (陝西重型汽車有限公司), a controlling subsidiary of the Company, reported an aggregate sales of 84,000 units of heavy-duty trucks for the first half of the year, representing a year-on-year increase of 14.4%, with a market share of 12.5% and ranking among the first-tier enterprises in the domestic heavy-duty truck industry in the PRC, further increasing its competitiveness. Shaanxi Fast Gear Co., Ltd. (陝西法士特齒輪有限責任公司), a controlling subsidiary of the Company, has maintained an absolute leading position in the industry with its aggregate sales of 523,000 units of gear boxes, representing a year-on-year increase of 22.4% and approximately 75.2% market share in the market of gear boxes for use in heavy-duty trucks.

In the first half of 2018, fixed-asset investments in the PRC (excluding agricultural households) reached RMB29.73 trillion, representing a year-on-year growth of 6.0%, and a drop of 2.6 percentage points in growth rate year-on-year. Investments in property development reached RMB5.55 trillion, representing a year-on-year growth of 9.7%, and an increase of 1.2 percentage points in growth rate year-on-year. As such, during the reporting period, the construction machinery industry continued to recover, delivering sales of 400,000 units for the whole construction machinery industry (including electric fork-lift trucks), representing a year-on-year increase of 32.0%, among which the sales volume of wheel loaders with a load capacity of 5 tonnes was 43,000 units, representing a year-on-year increase of 40.0%. The Company sold a total of 38,000 units of engines for wheel loaders with a load capacity of 5 tonnes, representing a year-on-year increase of 43.7%, hence maintaining its leading position in this sector.

During the reporting period, the Company adhered to the market-oriented approach and accelerated product innovation and structural adjustments, thereby enhancing its market competitiveness and maintaining its trend of relatively fast development. In the first half of 2018, the Company reported a sales figure of 114,000 units of 12L and 13L engines, representing a 12.9% growth year-on-year, and maintaining its stable leading position of heavy-duty engine products in the heavy-duty truck market, the market of wheel loaders with a load capacity of 5 tonnes and the market of passenger vehicles with a span of over 11 metres. Meanwhile, sales of strategic products and in strategic markets grew substantially. The sales of Yangchai engines increased by 20.9% year-on-year to 59,000 units, the sales of WP9H/WP10H engines reached 30,400 units, representing a year-on-year increase of 260.8%; the sales of WP13 engines increased by 6.7% year-on-year to 22,000 units, the sales of engines for use in agricultural equipment increased by 31.8% year-on-year to 21,000 units and the sales of engines for use in forklift trucks totalled 2,164 units, remaining basically the same level year-on-year. During the reporting period, Shaanxi Heavy-duty Motor Company Limited, a controlling subsidiary of the Company, firmly adhered to the use of technology and innovative development by building its innovative platform and speeding up the high-end development of products. It explored the heavy-duty truck segment market and achieved breakthroughs in strategic areas such as dump trucks, natural gas tankers, tractors used at ports, grout trucks for urban construction and so forth, and maintained its leading position in the industry in the PRC. Embarking upon the events under the "Year of Innovative Development" initiative, Shaanxi Fast Gear Co., Ltd. solidified product innovation and research and development (R&D), making important progress in areas such as light-weight development and new-material applications. Marketing efforts were stepped up, securing strategic cooperation with Linyi Lingong Machinery Group Co., Ltd. (臨沂臨工機械集團有限公司) and Dayun Motor Co., Ltd. (大運汽車股份有限公司). The joint venture project named Fast Eaton (Baoji) Light-duty Transmission Co., Ltd. (法士特伊頓(寶雞)輕型變速器有限責任公司) jointly formed with the U.S. - based Eaton Corporation plc was implemented successfully, adding further to our development momentum.

During the reporting period, adhering to the principle of "high quality, robust and stable growth", the Company focused on both external market development and internal management. Grasping market opportunities in a scientific manner, going high-end with innovation, and achieving further enhancements in the overall operational quality and effectiveness, our key operating indicators including revenue and profit were all promising. Firstly, we focused on our main business of engines, gathering power in terms of marketing, R&D, manufacturing and management and so forth. Through sales activities such as "Work hard 100 days to achieve a production and sales volume of 180,000 units", we allocated resources in a highly-efficient way, deeply explored target markets, capitalized on a new round of development opportunities, maintained its faster pace of development compared to industry peers, and delivered positive growth in our results of operations. Secondly, we were firmly committed to innovation and saw it as our first and foremost principle, forming a "three-in-one" innovation system, namely "self-owned innovation, open innovation and first-tier innovation" with the characteristics of Weichai, keeping key and core technology at our own hands; we integrated global resources for our own use and established technology and innovation centres in Germany, the United States and Japan, forming a network of globally coordinated R&D facilities; we fostered the development of high-end engines including all-series road-going China-VI products and non-road-going China Stage IV products, H-series and M-series, to build up a Chinese "Power Core" and took the lead in equipment manufacturing in the PRC on developing along a high-end path. Thirdly, we expedited the replacement of "old-power" with "new-power". The Weichai New-energy Power Industrial Park Project has been ranked as a key project in Shandong for old-new power transformation, which had received great support from the Ministry of Technology and the Shandong Provincial Government; we took the lead in undertaking a major project of the PRC regarding the commercialization of hydrogen-fuelled batteries, and entered into a strategic cooperation agreement with the U.K.-based Ceres Power Holdings plc, thereby establishing our presence in the market of Solid Oxide Fuel Cells, and accelerating the commercialization of new-energy products. Fourthly, we enhanced the value orientation of customer satisfaction. Based on appraisals, and in various segments including marketing, R&D, manufacturing, procurement and so forth, we introduced our customer-oriented mechanism, thereby passing on the voice of customers and achieving accountability and precise appraisal along the entire value chain, continued to optimize and improve, leading to a continuous improvement in customer satisfaction.

During the reporting period, the Company's revenue increased by 13.8% compared with that in the corresponding period of 2017 to approximately RMB82,264 million. The net profit attributable to shareholders of the listed company was approximately RMB4,393 million, representing an increase of 65.8% compared with that in the corresponding period of 2017. The basic earnings per share was RMB0.55, representing an increase of 65.8% compared with that in the corresponding period of 2017.

II. Dividends and Transfer of Capital Reserve

On 14 June 2018, the Company's 2017 profit distribution proposal was considered and approved at the Company's 2017 Annual General Meeting. Based on the total share capital of 7,997,238,556 shares as at 31 December 2017, the Company distributed to all shareholders a cash dividend of RMB2.50 (including tax) for every 10 shares held, without any capitalisation of reserve.

On 28 August 2018, under the authority granted by the shareholders of the Company, the Board considered and approved the distribution to all shareholders of a cash dividend of RMB1.80 (including tax) for every 10 shares held, based on the total share capital of the Company of 7,997,238,556 shares, without any capitalisation of reserve. Please refer to the further announcement to be issued by the Company for details on the closure of registers of members in determining the shareholders who are eligible for the 2018 interim dividend.

III. Acquisition and Consolidation

In May 2018, the Group entered into a strategic partnership with Ceres Power Holdings plc ("Ceres Power"), the world's leading UK-based supplier of Solid Oxide Fuel Cells ("SOFC"), in Weifang, Shandong province, pursuant to which, the Company will invest more than £40 million to subscribe for shares newly issued by Ceres Power. Upon completion of the subscription, Weichai's shareholding in Ceres Power will reach 20%. At the same time, both parties will jointly establish a joint venture in Weifang, China by 2020, to realize the commercialization of SOFC technology in China.

The signing of the strategic partnership agreement with Ceres Power symbolizes a substantial step of Weichai towards the shift from old to new economic growth drivers and is beneficial to the establishment of a new energy powertrain system in Shandong province by Weichai, providing an excellent new energy power solution for domestic commercial vehicles manufacturers, fostering the Company's business restructuring, and enabling the Company to take lead in the new energy technology.

IV. Outlook and Prospects

In the second half of 2018, the global economy will continue to revive. From the perspective of the major economies, the U.S. economy witnessed a positive growth momentum, whereas the European economy has experienced a slowdown in growth since the beginning of the year, but all economic data has maintained at a positive level. The economic growth in emerging economies continued to outperform that of developed countries. Nevertheless, given the increasing uncertainty and instability, it is expected that the global economic growth rate will be approximately 3.6% this year. In China, along with the faster and deepening supply-side structural reform, continual progress of the transformation from old to new economic growth drivers and enhancement of quality and efficiency, China's economy is expected to maintain a positive trend amidst stability. At the same time, however, China's economy will undergo some changes amidst such stability and face some new problems and challenges, in particular, significant changes to the external environment. Driven by the factors such as generally stable investment, stable trade growth as well as steadily growing consumption, it is expected that in the second half of the year, China's economy will continue its growth momentum seen in the first half of the year and will maintain an annual growth rate of around 6.6%.

The Company remains cautiously optimistic about the development of the industry in which the Company operates in. Looking into the second half of 2018, it is estimated that the heavy-duty truck market will continue running within a high range, which is mainly attributable to the following reasons. Firstly, with the infrastructure investment remaining at a high level, there will be a greater market demand for heavy-duty trucks. Secondly, the robust growth of the e-commerce and express logistics industries will continue to secure strong demands. Thirdly, with the decreasing price of natural gas, the natural gas heavy-duty truck market will see a restorative growth. Fourthly, the regulation work on anti-overloading will continue to be deepened, which will further boost the demand for upgrading vehicle transporters. Fifthly, the unprecedented efforts in environmental governance and the apparently accelerated emission standard upgrade will generate huge demand for vehicle upgrading and will be beneficial to the industry development.

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In the second half of 2018, benefitting from the favourable factors such as the combined effect of infrastructure investment and demand for upgrading, the construction machinery industry will maintain its cyclical growth but with a lower growth rate as compared to the first half of the year. It is expected that the overall sales volume will exceed 700,000 units for the whole year, representing an increase of more than 22.1% over the same period last year. On the international market front, the national "One Belt and One Road" initiative will largely foster the mutual access of infrastructure facilities, increase growth of the highly demanded infrastructure constructions and foreign contractual projects undertaken by Chinese entities. On the domestic market front, the domestic investment structure has undergone changes with a decrease in "Infrastructure + Real Estate" investment, and investments in infrastructure construction in urban and rural areas, major transportation projects and major projects or pillar industries supported by the supply-side structural reform have become new growth points. Furthermore, the construction machinery industry is in the process of structural change, and the growth of the loader and bulldozer markets will slow down while the digger and crane truck markets will sustain a higher growth.

On 27 June 2018, the State Council promulgated the Three-Year Blue Sky Defending Plan (《打贏藍天保衛戰三年行動計劃》). Starting from 1 July 2019, the China VI Emission Standards will first be implemented in major regions, the Pearl River Delta and Chengdu-Chongqing Region. In major regions, strenuous efforts will be made to push ahead with the early elimination and upgrade of commercial diesel trucks which are at or below China III Standard, and strict control will be imposed on highly polluting non-road-going mobile machineries. On 3 July 2018, the Ministry of Ecology and Environment and the State Administration for Market Regulation jointly issued the Announcement on the National Standards for the Discharge of Pollutants – Limits and Measurement Methods for Emissions from Heavy-duty Diesel Vehicles (China Stage VI) (國家污染物排放標準《重型柴油車污染物排放限值及測量方法(中國第六階段)》公告) in relation to the formulation of the National VI Emission Standards, the most stringent set of standards in the world. Such standards may be implemented in advance in the major regions, significantly accelerating the reshuffling of the industry. Leveraging on the synergy presented by its global research and development, full-range and all-rounded product portfolio, product performance strengths, product advantages in segment markets and after-sales service warranty, the Company takes pre-emptive actions and makes active responses to focus on research and development, customers and ancillary services to fight the critical battle of emission upgrade. The Board has full confidence in the Company's future development prospects.

In the second half of 2018, the Company will continue to commit to the main theme of "high-quality, positive and stable growth", and work strenuously on the following for the fifteen battles that it must win: Firstly, the Company will adhere to the market-oriented approach, further improve its product and market structure, seize market opportunities, focus on expanding the market, and work diligently towards the annual sales goal of engines for the year. With the scientific planning and production layout and highly efficient resources allocation under the WOS management system, a double million high-end production base will be established. Secondly, the Company will increase, to a large extent, its investment in scientific research leveraging on the globally coordinated research and development platform, which can fully speed up the comprehensive product research and development. The Company is in full gear to fight the critical battle of emission upgrade, achieve product internationalization and push forward the construction of a strong technology power country and a beautiful China. Thirdly, the Company will uphold the strategic layout of high starting point and premium positioning, leverage on its long-term strategic layout and actively integrate global resources to bring in high-end talents and speed up the implementation of new energy resources layout. Fourthly, for customer satisfaction, the Company will set up a collective quality management system and commence the reform of quality improvement and production consistency by raising the level of smart manufacturing. The Company will strive to move towards a culture of high-end quality, manufacture "high-end and zero-defect" products, and lay a sturdy foundation for product quality. Fifthly, to cater to the needs arising from internationalization, the Company will formulate reasonable human resources planning and build a highly efficient human resources management system by attracting and nurturing talents, building a team of elites, fostering the construction of a better talent ecosystem, and cultivating an encouraging atmosphere of taking root in Weichai, working hard in Weichai and being filled with a sense of well-being in Weichai. Stepping into the second half the year, the heavy-duty truck sector will give full play to its strengths in new energy and intelligent network technologies, and will accelerate the development and performance enhancement of the new generation of products. Through gradual implementation of a series of significant reforms, major projects and key tasks, the Company will promote high-quality operation and enlarge its market share as well as industry influence with a view to achieving an annual sales target of 160,000 units. Focusing on the future market demand, gear box companies will gear up their paces of scientific innovation and step up efforts to further promote the development of China-VI products and new energy products, while constantly exploring the market and realizing mutual benefits for both the domestic and international markets.

In the meantime, being guided by the "2020-2030 Strategy", the Company will remain focused on scaling new heights and becoming the world's number one by accelerating the transformation into a leading commercial entity in the whole value chain consisting of powertrain systems, hydraulics system, intelligent logistics and new energy while sustaining high-quality development. It will provide customers with the best quality products and services through scientific innovation-driven development to and foster itself into a well-respected international enterprise.

V. Appreciation

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

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 six months ended 30 June 2018 ("the Period") as follows:

I. Industry Analysis

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

1. Heavy-duty Vehicle Industry

In the first half of 2018, the PRC's economy maintained last year's trend of positive development amidst stability. Through structural adjustments, quality and efficiency had enhanced, paving way for a high-quality development of the Chinese economy. In the first half of the year, the gross domestic product of the PRC reached RMB41.90 trillion, representing a 6.8% growth year-on-year. The heavy-duty truck market of the PRC recorded substantial growth in sales volume, delivering sales of approximately 672,000 units in total during the Period, representing a substantial year-on-year increase of 15.1%. Such increase in sales volume is a reflection of the influence of a multitude of favourable factors including the acceleration of infrastructure investments and the implementation of enhanced emission policies.

2. Construction Machinery

During the Period, fixed-asset investments in the PRC (excluding agricultural households) reached approximately RMB29.73 trillion, representing a year-on-year growth of 6.0%. Investments in property development reached approximately RMB5.55 trillion, representing a year-on-year growth of 9.7%, and an increase of approximately 1.2 percentage points in growth rate year-on-year. As such, the construction machinery market in the PRC continued to recover, delivering sales of approximately 400,000 units for the whole construction machinery industry (including electric fork-lift trucks), representing a year-on-year increase of 32.0%, amongst which, the sales of wheel loaders with a load capacity of 5 tonnes was approximately 43,000 units, representing a substantial year-on-year increase of 40.0%.

3. *Forklift Truck and Supply Chain Solutions Industry*

In the first half of 2018, the momentum of global economy continued the increasing trend of last year, electronic commerce maintained its rapid development and the industrial 4.0 technology was widely applied to warehousing and automated systems. As such, the global order for forklift trucks increased from approximately 694,100 units in the corresponding period last year to approximately 801,100 units, representing an increase of 15.4% year-on-year. Except for the Middle East and Africa, a double-digit growth was recorded in all other regions.

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: App 16 para 32(6)

1. *Sale of Diesel Engines*

For Use in Heavy-duty Trucks

During the Period, the heavy-duty truck market in the PRC reported a continual increase in sales volume. The Company sold a total of approximately 194,300 units of heavy-duty truck engines, representing a year-on-year increase of approximately 8.9% from approximately 178,500 units in the corresponding period last year. The Company maintained its leading position in the heavy-duty truck auxiliary market with a market share of 28.9%.

For Use in Construction Machinery

The Group is also the largest supplier of diesel engines to major manufacturers of construction machinery (mainly wheel loaders) with a load capacity of 5 tonnes in the PRC. During the Period, under the continual recovery of the construction machinery market, the Company's sales of engines for wheel loader with a load capacity of 5 tonnes was approximately 38,000 units, representing a year-on-year increase of approximately 43.7% from approximately 26,500 units in the corresponding period of last year and maintaining the Company's leading position in the market.

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

Benefiting from the strong growth of the forklift truck industry and the "2027 Strategy" which was actively pushed forward by KION Group AG ("KION"), in the first half of 2018, the Group recorded sales orders for forklift trucks of approximately 110,500 units, a year-on-year increase of approximately 7.9% from approximately 102,400 units in the corresponding period last year. Overall sales orders on hand amounted to EUR4,309 million, an increase from approximately EUR3,852 million in the corresponding period last year, or a year-on-year increase of 11.9%. Before elimination of intra-group sales, the forklift trucks production, warehousing technology services and supply chain solution services business contributed approximately RMB29,860 million to the Group's sales revenue during the Period.

3. *Sale of Heavy-duty Trucks*

During the Period, the Group reported an aggregate sales of approximately 84,000 units of heavy-duty trucks, representing an increase of approximately 14.4% from approximately 73,400 units sold during the corresponding period of 2017. Shaanxi Heavy-duty Motor Company Limited, a controlling subsidiary of the Company, continuously strengthened research and development of products and achieved significant progress including in areas such as lightweighting and application of new materials, achieved tremendous breakthroughs in the heavy-duty truck segment market and ranked among the first-tier players in the domestic heavy-duty truck industry in the PRC. Before elimination of intra-group sales, the heavy-duty trucks business contributed approximately RMB27,951 million to the Group's sales revenue during the Period.

4. *Sale of Heavy-duty Gear Boxes*

During the Period, the Group sold approximately 523,100 units of heavy-duty gear boxes, representing an increase of approximately 22.4% compared to approximately 427,300 units sold in the corresponding period of 2017, and maintained its leading position in the industry. Before elimination of intra-group sales, the gear boxes business contributed approximately RMB8,051 million to the Group's sales revenue during the Period.

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

Apart from the production and sales of diesel engines for trucks and construction machinery, heavy-duty trucks and heavy-duty gear boxes, the Group is also engaged in the production and sales of engine parts and components and other truck parts and components such as: spark plugs, axles, chassis, air-conditioner compressors, hydraulics controlling parts etc. During the Period, the Group's sales of parts and components of engines and trucks and hydraulics controlling parts decreased by approximately RMB81 million from approximately RMB2,055 million in the corresponding period in last year to approximately RMB1,974 million, representing a year-on-year decrease of approximately 3.9%.

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III. Financial Review

1. *The Group's Results of Operations*

a. *Revenue*

The Group's revenue increased by approximately RMB9,951 million or approximately 13.8% from approximately RMB72,313 million in the corresponding period of 2017 to approximately RMB82,264 million for the Period. This was primarily attributable to the continual increase in sales volume in the heavy-duty truck market in China and the breakthrough achieved by Shaanxi Heavy-duty Motor Company Limited, a controlling subsidiary of the Company, in the heavy-duty truck segment market, resulting in a substantial increase in sales volume. Revenue from principal operations increased by approximately 13.7% from approximately RMB70,596 million in the corresponding period of last year to approximately RMB80,295 million for the Period. Other revenue increased by approximately 14.7%, from approximately RMB1,718 million in the corresponding period of last year to approximately RMB1,969 million for the Period.

b. *Profit from Principal Operations*

During the Period, the Group generated profit from principal operations in the amount of approximately RMB17,690 million, representing an increase of approximately RMB2,545 million or 16.8% as compared to approximately RMB15,145 million recorded in the corresponding period in 2017. The Group has concentrated on its main business, continuously engaged in product research and development and effectively controlled costs, giving advantages to its products' competitiveness in terms of cost, core technology and quality. The Group's profit margin of principal operations increased from approximately 21.5% in the corresponding period of last year to approximately 22.0%.

c. *Distribution and Selling Expenses*

Distribution and selling expenses increased by approximately RMB447 million or 8.9% to approximately RMB5,474 million in the Period from approximately RMB5,027 million in the corresponding period of 2017. The increase of distribution and selling expenses was primarily attributable to the Company's intensified efforts in market expansion, causing increases in staff costs and marketing expenses. Meanwhile, the increase in sales volume resulted in increases in transportation expenses, but the overall expenses were controlled effectively. As such, the distribution and selling expenses as a percentage of revenue decreased from approximately 7.0% in the corresponding period of last year to approximately 6.7% in the Period.

d. *General and Administrative Expenses*

General and administrative expenses increased by approximately RMB135 million or 4.4% from approximately RMB3,061 million in the corresponding period of 2017 to approximately RMB3,196 million in the Period, which was mainly due to the increase in staff costs resulting from the additional recruitments for business expansion. Under effective control of expenses by the Group, the general and administrative expenses as a percentage of revenue decreased from approximately 4.2% in the corresponding period of last year to approximately 3.9% in the Period.

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

During the Period, the Group's EBIT increased by approximately RMB2,639 million or 57.7% to approximately RMB7,216 million from approximately RMB4,577 million in the corresponding period last year. The increase was primarily attributable to the increase in sales amount, while the improved EBIT margin from approximately 6.3% in the corresponding period of 2017 to approximately 8.8% this Period was due to a slower rate of increase in expenses in the Period.

For a business combination involving enterprises not under common control, the cost of business combination should be allocated between the identifiable assets and liabilities acquired on the date of acquisition, and assets and liabilities should be accounted for at fair value and are subsequently measured ("purchase price allocation"). The purchase price allocation of the Group primarily arose from the acquisition of KION and Dematic. During the Period, the two purchase price allocations stated above resulted in a decrease in profit before tax of RMB739 million (in the corresponding period of 2017: RMB1,383 million). After adjustment for the purchase price allocation, total profit amounted to approximately RMB7,994 million, representing an increase of approximately 38.5% from approximately RMB5,771 million in the corresponding period of last year.

f. *Finance Expenses*

Finance expenses decreased by approximately 84.6% to approximately RMB57 million in the Period from approximately RMB369 million in the corresponding period of 2017. This was mainly attributable to the decrease in foreign exchange losses and increase in interest income for the Period.

g. *Income Tax Expenses*

The Group's income tax expenses increased by 41.6% from approximately RMB907 million in the corresponding period of 2017 to approximately RMB1,285 million in the Period. During the Period, the Group's average effective tax rate was approximately 17.9%, representing a decrease of approximately 2.8 percentage points as compared to approximately 20.7% in the corresponding period of last year, which was primarily because of the increase in the proportion of profit from the Group's business in China, where the average effective tax rate is lower than those in overseas regions.

h. Net Profit and Net Profit Margin

The Group's net profit for the Period increased by approximately RMB2,406 million or 69.2% from approximately RMB3,476 million in the corresponding period of last year to approximately RMB5,882 million in the Period. Net profit margin for the Period was approximately 7.2%, an increase of 2.4 percentage points from approximately 4.8% in the corresponding period of last year. This was primarily attributable to the continual growth in the heavy-duty truck industry, the synergy between domestic and international businesses and the effective cost control of the Group.

i. Liquidity and Cash Flow

During the Period, the Group generated net operating cash flows of approximately RMB8,484 million and cash inflow from financing activities of approximately RMB11,012 million. A portion of such proceeds was applied to prepaying for the acquisition of 2,053,558 additional KION shares (at total consideration of approximately EUR150 million) and paying for the acquisition of property, plant and equipment for the expansion of the Group's business. As of 30 June 2018, the Group's gearing ratio (Interest-bearing debts/(Interest-bearing debts + Shareholders' equity)) was approximately 35.8% (31 December 2017: approximately 35.5%).

App 16 para 32(10)

2. Financial Position

a. Assets and Liabilities

As at 30 June 2018, the Group had total assets of approximately RMB197,400 million, of which approximately RMB108,855 million were current assets. As at 30 June 2018, the Group had cash and cash equivalents of approximately RMB37,040 million (as at 31 December 2017: approximately RMB34,222 million). On the same date, the Group's total liabilities amounted to approximately RMB138,811 million, of which approximately RMB84,723 million were current liabilities. The current ratio was approximately 1.28 (as at 31 December 2017: 1.28).

App 16 para 32(10)

b. Capital Structure

As at 30 June 2018, the Group had total equity of approximately RMB58,589 million, of which approximately RMB36,974 million was attributable to equity holders of the Company and the balance was minority interests. Interest attributable to minority interest holders included the issue of perpetual capital securities in the principal amount of US$775 million in September 2017. The borrowings of the Group as at 30 June 2018 amounted to approximately RMB32,657 million, which included bonds of approximately RMB11,916 million and bank borrowings of approximately RMB20,741 million. The bank borrowings included approximately RMB9,896 million of fixed interest rate bank borrowings and approximately RMB10,845 million of floating interest

App 16 para 32(1), (11), (2b), (2c), (2d), (2e), (2a)

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rate bank borrowings. Borrowings repayable on demand or within a period not exceeding one year were approximately RMB6,917 million, borrowings repayable within a period of more than one year but not exceeding two years were approximately RMB2,080 million; borrowings repayable within a period of more than two years but not exceeding five years were approximately RMB11,434 million; and borrowings repayable within a period of more than five years were approximately RMB310 million. Other than Euro-denominated borrowings, USD-denominated borrowings and Turkish Lira-denominated borrowings equivalent to approximately RMB17,859 million, RMB234 million and RMB153 million respectively, the borrowings are Renminbi-denominated borrowings. The revenue of the Group is mainly in Renminbi and Euro. To prevent exchange rate risk arising from the fluctuation of the USD exchange rate, contracts have been entered into with financial institutions to swap the USD400 million USD-denominated bonds issued in September 2015 and the USD775 million USD-denominated perpetual capital securities issued in September 2017 to Euro, and thus the Group does not consider the currency risk facing its future general cash outflow significant. As a policy, the Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debts and equity balance. The Group's overall strategy remains unchanged from prior years.

c. *Pledge of Assets*

As at 30 June 2018, bank deposits and notes receivable of approximately RMB17,634 million (as at 31 December 2017: approximately RMB16,830 million) were pledged to banks to secure the Group's notes payable, letter of guarantee, letter of credit and 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*

On 30 June 2018, the Group provided certain distributors and agents bank guarantee amounting to approximately RMB3,864 million (as at 31 December 2017: approximately RMB3,522 million) to secure their obtaining and use of banking facilities.

As at 30 June 2018, the Group provided guarantee for joint liabilities in respect of failure of the leasee under finance lease to settle instalment payments plus interest. Risk exposure in respect of possible guarantee for joint liabilities amounted to approximately RMB1,744 million (as at 31 December 2017: approximately RMB1,507 million).

As at 30 June 2018, the Group's guarantee for borrowings and other guarantee amounted to approximately RMB487 million (as at 31 December 2017: approximately RMB376 million).

e. Commitments

As at 30 June 2018, the Group had capital commitments of approximately RMB1,214 million (as at 31 December 2017: approximately RMB1,803 million), principally for the capital expenditure in respect of acquisition of property, plant and equipment. The capital expenditure will be financed by internal resources.

3. Other Financial Information

a. Employees

As at 30 June 2018, the Group had approximately 74 thousand employees (including approximately 32 thousand employees of KION). During the Period, the Group had paid remuneration of approximately RMB11,659 million. 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 merits, qualifications and competence. App 16 para 32(7)

b. Major Investment

During the Period, the Group, through Barclays Bank, acquired from the secondary market 2,053,558 shares of KION, a non-wholly owned subsidiary of the Company which is a stock corporation incorporated in Germany whose shares are listed on the Frankfurt Stock Exchange, at a consideration of approximately EUR146 million. Following the completion of the transaction, the Company has through its indirect wholly-owned subsidiary Weichai Power (Luxembourg) Holding S.à r.l. become the holder of 53,140,500 KION shares, and accordingly the Group has increased its shareholding in KION from approximately 43.26% to 45%.

c. Major Acquisition and Disposal

The Group did not have any major acquisition or disposal during the Period. App 16 para 32(4), (5)

d. Subsequent Events

i. On 28 August 2018, under the authority granted by the shareholders of the Company, the Board considered and approved the distribution to all shareholders of cash dividend of RMB1.80 (including tax) for every 10 shares held, based on the total share capital of the Company of 7,997,238,556 shares, without any capitalisation of reserve.

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ii. In July 2018, the Company and Weichai Power (Shanghai) Technology Development Co., Ltd. ("Shanghai Technology"), a subsidiary of the Company, entered into the Agreement on Participating in (Withdrawing from) Huzhou Yingcan Investment Partnership (Limited Partnership) with, among others, Hangzhou Gaomu Asset Management Company Limited, pursuant to which the Company and Shanghai Technology as a limited partner and a general partner respectively, participated in Huzhou Yingcan Investment Partnership (Limited Partnership) ("Yingcan Investment") by way of taking up the subscription amounts of RMB1,405.80 million and RMB200,000. Yingcan Investment subscribed for 367,957,139 new issue shares of XCMG Construction Machincry Co., Ltd. ("XCMG"), representing 4.70% of the total shares of XCMG upon completion of the capital increase.

OTHER INFORMATION

Directors' and Supervisors' Interests in Shares and Underlying Shares

As at 30 June 2018, the interests and short position (if any) of the directors, the chief executive 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	500,440	–	0.0063%
	Interest held by spouse	444	–	0.000006%
Yan Jianbo	Beneficial owner	522,404	–	0.0065%
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	–	0.0075%
Wu Hongwei	Beneficial owner	4,789,516	–	0.06%

Notes:

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

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

3. The percentage shareholding is calculated on the basis of 7,997,238,556 issued shares of the Company as at 30 June 2018 (comprising 6,054,198,556 "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 corporations
Gordon Riske *(Note)*	KION Group AG ("KION")	Beneficial owner	114,060 ordinary shares	0.10%
		Interest held by spouse	93,940 ordinary shares	0.08%

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

Save as disclosed above, as at 30 June 2018, none of the Directors, the chief executive 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

Changes in share capital (as at 30 June 2018)

	Before the movement		Increase/decrease in the movement (+, –)					After the movement	
	No. of shares	Percentage (%)	New shares issued	Bonus issue	Capitalisation of reserve	Others	Sub-total	No. of shares	Percentage (%)
I. Restricted circulating shares	1,738,866,299	21.74%	–	–	–	5,033,596	5,033,596	1,743,899,895	21.81%
1. State-owned shares	–	–	–	–	–	–	–	–	–
2. State-owned legal person shares	1,642,531,008	20.54%	–	–	–	–	–	1,642,531,008	20.54%
3. Shares held by other domestic entities	96,335,291	1.20%	–	–	–	5,033,596	5,033,596	101,368,887	1.27%
including: Shares held by domestic non-state-owned legal persons	–	–	–	–	–	–	–	–	–
Shares held by domestic natural persons	96,355,291	1.20%	–	–	–	5,033,596	5,033,596	101,368,887	1.27%
4. Shares held by foreign entities	–	–	–	–	–	–	–	–	–
including: Shares held by overseas legal persons	–	–	–	–	–	–	–	–	–
Shares held by overseas natural persons	–	–	–	–	–	–	–	–	–
II. Non-restricted circulating shares	6,258,372,257	78.26%	–	–	–	(5,033,596)	(5,033,596)	6,253,338,661	78.19%
1. RMB ordinary shares	4,315,332,257	53.96%	–	–	–	(5,033,596)	(5,033,596)	4,310,298,661	53.89%
2. Domestic listed foreign shares	–	–	–	–	–	–	–	–	–
3. Overseas listed foreign shares	1,943,040,000	24.30%	–	–	–	–	–	1,943,040,000	24.30%
4. Others	–	–	–	–	–	–	–	–	–
III. Total number of shares	7,997,238,556	100%	–	–	–	–	–	7,997,238,556	100%

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(II) Shareholdings of the Substantial Shareholders (as at 30 June 2018)

Total number of Shareholders The number of shareholders is 167,535 among which 167,271 are shareholders of "A" shares and 264 are shareholders of "H" shares.

Shareholdings of the top ten shareholders

Name of shareholder	Type of Shareholder	Approximate percentage of shares held *(%)*	Total number of shares held	Number of restricted shares held	Number of shares pledged or frozen
HKSCC Nominees Limited	Foreign shareholder	24.23%	1,937,880,936	–	N/A
Weichai Group Holdings Limited	State-owned legal person	16.98%	1,357,706,603	1,345,905,600	–
Weifang Investment Group Company Limited	State-owned legal person	3.71%	296,625,408	296,625,408	–
China Securities Finance Corporation Limited	Domestic non-state-owned legal person	2.90%	231,813,190	–	–
Hong Kong Securities Clearing Company Limited	Overseas legal person	2.17%	173,400,784	–	–
IVM Technical Consultants Wien Gesellschaft m.b.H	Overseas legal person	1.78%	142,510,000	–	–
Central Huijin Assets Management Company Limited	State-owned legal person	1.36%	108,492,800	–	–
Shandong Enterprise Trust Operation Company Limited	Domestic non-state-owned legal person	0.83%	66,149,960	–	–
Tan Xuguang	Domestic natural person	0.74%	58,842,596	44,131,947	–
National Social Security Fund – 116 Portfolio	Fund, wealth management products, etc.	0.65%	52,163,940	–	–

Shareholdings of the top ten non-restricted shareholders

Name of shareholder	Number of the non-restricted shares held	Types of shares
HKSCC Nominees Limited	1,937,880,936	Overseas listed foreign shares
China Securities Finance Corporation Limited	231,813,190	RMB ordinary shares
Hong Kong Securities Clearing Company Limited	173,400,784	RMB ordinary shares
IVM Technical Consultants Wien Gesellschaft m.b.H	142,510,000	RMB ordinary shares
Central Huijin Assets Management Company Limited	108,492,800	RMB ordinary shares
Shandong Enterprise Trust Operation Company Limited	66,149,960	RMB ordinary shares
National Social Security Fund – 116 Portfolio	52,163,940	RMB ordinary shares
National Social Security Fund – 102 Portfolio	49,999,898	RMB ordinary shares
National Social Security Fund – 105 Portfolio	47,520,183	RMB ordinary shares
Shanghai Gaoyi Asset Management Partnership (LP) – Gaoyi Xiaofeng No. 2 Zhixin fund	39,399,709	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 the top ten shareholders and the other top ten non-restricted shareholders or whether there is any acting in concert relationship among them.

2. No earmarked repurchase transaction has been conducted by the top ten shareholders and the top ten non-restricted shareholders of the Company during the reporting period.

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 30 June 2018, the following persons (other than the directors, chief executive and supervisors) had the following interests and the 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	1,357,706,603	22.43%	–	–	16.98%
Shandong Heavy Industry Group Co., Ltd. *(Note 1)*	Held by controlled corporation	Long	1,357,706,603	22.43%	–	–	16.98%
Brandes Investment Partners, LP *(Note 3)*	Investment manager	Long	–	–	78,578,612	16.18%	3.93%
Lazard Asset Management LLC *(Note 2)*	Investment manager	Long	–	–	245,891,812	25.31%	6.15%
Lazard Emerging Markets Equity Portfolio *(Note 4)*	Investment manager	Long	–	–	23,707,500	5.86%	1.42%
Barclays PLC *(Note 3)*	Person having a security interest in shares	Long	–	–	525,552	0.11%	0.03%
	Interest of corporation controlled by the substantial shareholder	Long	–	–	25,453,050	5.24%	1.27%
					25,978,602	5.35%	1.30%

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
	Interest of corporation controlled by the substantial shareholder	Short	–	–	24,102,475	4.96%	1.21%
Morgan Stanley *(Note 2)*	Interest of corporation controlled by the substantial shareholder	Long	–	–	49,335,508	5.08%	1.23%
	Interest of corporation controlled by the substantial shareholder	Short	–	–	42,078,545	4.33%	1.05%
BlackRock, Inc.	Interest of corporation controlled by you	Long	–	–	188,080,865	9.68%	2.35%
	Interest of corporation controlled by you	Short	–	–	216,000	0.01%	0.00%
Citigroup Inc.	Interest of corporation controlled by you	Long	–	–	16,347,027	0.84%	0.20%
	Approved lending agent	Long	–	–	103,705,778	5.34%	1.30%
					120,052,805	6.18%	1.50%
	Interest of corporation controlled by you	Short	–	–	13,582,565	0.70%	0.17%
JP Morgan Chase & Co.	Beneficial owner	Long	–	–	12,283,812	0.63%	0.16%
	Investment manager	Long	–	–	41,570,896	2.14%	0.52%
	Trustee	Long	–	–	66,480	0.00%	0.00%
	Approved lending agent	Long	–	–	43,295,221	2.23%	0.54%
					97,216,409	5.00%	1.22%
	Beneficial owner	Short	–	–	2,791,600	0.14%	0.03%

Notes:

1. Shandong Heavy Industry Group Co., Ltd., being a subsidiary of the 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 (and the relevant shareholding percentages) reported above by the relevant substantial shareholder does not take into consideration the Company's bonus share issuance on 21 July 2017 as there is no disclosure of interest obligation under the SFO where there is no change in percentage of shareholdings for a substantial shareholder.

3. The number of H shares (and the relevant shareholding percentages) reported above by the relevant substantial shareholder does not take into consideration the Company's bonus share issuance on 21 July 2017 and 20 August 2015 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 (and the relevant shareholding percentages) reported above by the relevant substantial shareholder does not take into consideration the Company's bonus share issuance on 21 July 2017, 20 August 2015 and 17 August 2012 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 had not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 30 June 2018.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by 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 Period was the Company and any of its subsidiaries a party to any arrangements to enable 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 Period, 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.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") comprises five independent non-executive Directors of the Company. The Chairman of the Audit Committee is Mr. Wang Gongyong, an independent non-executive Director. Mr. Wang has appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules for the purpose of this appointment. During the Period, 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 reviewed consolidated financial statements for the Period.

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

Throughout the Period, other than the roles of the Chairman and the Chief Executive Officer being performed by Mr. Tan Xuguang ("Mr. Tan"), and that certain directors of the Company did not attend the Company's annual general meeting held during the Period due to other essential business engagements, 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 Period, the Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting 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 for the Period.

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.

APPROVAL OF THE FINANCIAL STATEMENTS

The reviewed consolidated financial statements for the Period were approved by the Board on 28 August 2018.

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

The 2018 interim report will be despatched to the shareholders as well as made available on the Hong Kong Stock Exchange's website at www.hkexnews.hk and the Company's website at www.weichaipower.com in due course.

Tan Xuguang
Chairman and Chief Executive Officer

Hong Kong, 28 August 2018

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

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