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潍柴動力股份有限公司

WEICHAI POWER CO., LTD.

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

(Stock Code: 2338)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2020**

FINANCIAL HIGHLIGHTS

- Revenue amounted to approximately RMB94,495 million, an increase of approximately 4.0%.
- Net Profit Attributable to the Shareholders of the Parent amounted to approximately RMB4,680 million, a decrease of approximately 11.5%.
- Basic Earnings Per Share was approximately RMB0.59, a decrease of approximately 11.5%.

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

The board of directors (the “Board”) of Weichai Power Co., Ltd. (the “Company”) is pleased to announce the reviewed consolidated financial statements of the Company and its subsidiaries (the “Group”) prepared in accordance with the China Accounting Standards for Business Enterprises for the six months ended 30 June 2020 (the “Period”), together with comparative figures for the corresponding period of 2019 as follows:

CONSOLIDATED INCOME STATEMENT

January to June 2020 (Expressed in Renminbi Yuan)

| | Notes | January to June 2020 (unaudited) | January to June 2019 (unaudited) |
|---|-------|--|--|
| Revenue | 8 | 94,494,559,093.69 | 90,862,496,520.48 |
| Less: Cost of sales | 8 | 75,989,643,182.24 | 71,101,142,453.13 |
| Taxes and surcharges | 9 | 432,628,178.50 | 375,020,413.27 |
| Distribution and selling expenses | | 5,312,502,799.91 | 5,369,736,377.62 |
| General and administrative expenses | | 3,397,396,172.54 | 3,281,155,705.90 |
| Research & development expenses | | 2,582,307,532.57 | 2,397,741,836.26 |
| Finance expenses | | 166,195,298.85 | 141,342,571.21 |
| <i>Incl: Interest expenses</i> | | 587,977,422.15 | 596,873,003.86 |
| <i>Interest income</i> | | 619,198,001.23 | 479,664,629.04 |
| Add: Other income | | 139,144,077.13 | 90,120,492.57 |
| Investment income | | 271,836,921.75 | 372,698,501.34 |
| <i>Incl: investment income from associates and joint ventures</i> | | 144,700,622.61 | 123,724,757.92 |
| Profit or loss on change of fair value | | 129,675,563.76 | 25,507,034.78 |
| Impairment loss of credit | | (358,619,232.21) | (184,177,256.14) |
| Impairment loss of assets | | (199,053,610.17) | (267,253,210.66) |
| Gain on disposal of assets | | 26,894,701.14 | 43,971,693.24 |
| Operating profit | | <u>6,623,764,350.48</u> | 8,277,224,418.22 |
| Add: Non-operating income | | 126,832,763.37 | 103,809,834.47 |
| Less: Non-operating expenses | | <u>46,006,159.00</u> | 30,391,826.11 |
| Total profit | | <u>6,704,590,954.85</u> | 8,350,642,426.58 |
| Less: Income tax expenses | 10 | <u>1,002,756,749.99</u> | 1,457,822,120.44 |
| Net profit | | <u>5,701,834,204.86</u> | 6,892,820,306.14 |
| Breakdown by continuity of operations | | | |
| Net profit from continuing operations | | <u>5,701,834,204.86</u> | 6,892,820,306.14 |
| Breakdown by attributable interests | | | |
| Net profit attributable to shareholders of the parent | | <u>4,680,231,806.93</u> | 5,287,488,377.89 |
| Minority interests | | <u>1,021,602,397.93</u> | 1,605,331,928.25 |

| | <i>Notes</i> | January to June 2020 (unaudited) | January to June 2019 (unaudited) |
|---|--------------|---|--|
| Net other comprehensive income after tax | 12 | (331,312,309.12) | (219,817,816.20) |
| Net other comprehensive income attributable to shareholders of the parent after tax | | (99,048,575.45) | 138,288,663.93 |
| Those other comprehensive income not to be reclassified into profit or loss | | | |
| Changes arising from re-measuring of defined benefit plan | | (165,032,896.28) | (359,829,984.29) |
| Other comprehensive income not to be reclassified into profit or loss using the equity method | | 11,509,465.23 | (104,627.70) |
| Change in fair value of investment in other equity instruments | | 103,773,209.63 | 404,196,316.01 |
| | | | |
| Those other comprehensive income to be reclassified into profit or loss | | | |
| Other comprehensive income to be reclassified into profit or loss using the equity method | | 2,185,414.02 | (4,361,463.39) |
| Cashflow hedging reserve | | 51,933,276.56 | 35,466,883.63 |
| Exchange differences on foreign currency translation | | (103,417,044.61) | 62,921,539.67 |
| | | | |
| Net other comprehensive income attributable to minority interests after tax | | (232,263,733.67) | (358,106,480.13) |
| | | | |
| Total comprehensive income | | 5,370,521,895.74 | 6,673,002,489.94 |
| | | | |
| Total comprehensive income attributable to the shareholders of the parent | | 4,581,183,231.48 | 5,425,777,041.82 |
| Total comprehensive income attributable to minority interests | | 789,338,664.26 | 1,247,225,448.12 |
| | | | |
| Earnings per share | 11 | | |
| Basic earnings per share | | 0.59 | 0.67 |
| Diluted earnings per share | | 0.59 | 0.67 |

CONSOLIDATED BALANCE SHEET
30 June 2020 (Expressed in Renminbi Yuan)

| Assets | Notes | 30 June 2020 (unaudited) | 31 December 2019 (audited) |
|--|-------|-----------------------------|-------------------------------|
| Current assets | | | |
| Cash and cash equivalents | | 45,768,528,852.10 | 48,817,622,206.26 |
| Financial assets held for trading | | 9,828,239,349.19 | 4,451,059,463.07 |
| Notes receivable | 3 | 24,914,347,693.33 | 15,920,141,988.31 |
| Accounts receivable | 4 | 18,489,989,589.65 | 14,285,262,297.09 |
| Receivable financing | 5 | 10,123,170,313.68 | 10,537,909,983.71 |
| Prepayments | | 1,497,168,713.45 | 996,710,182.20 |
| Other receivables | | 1,051,983,586.45 | 681,601,186.05 |
| Inventories | | 27,121,565,052.48 | 24,717,700,810.03 |
| Contract assets | | 1,433,954,955.40 | 1,174,036,594.50 |
| Assets held for sale | | 24,237,289.50 | 24,237,289.50 |
| Non-current assets due within one year | | 2,908,662,804.00 | 2,658,043,734.50 |
| Other current assets | | 1,999,656,314.65 | 1,920,759,332.58 |
| Total current assets | | 145,161,504,513.88 | 126,185,085,067.80 |
| Non-current assets | | | |
| Long-term receivables | | 8,934,200,406.00 | 8,447,617,640.00 |
| Long-term equity investments | | 4,655,222,866.64 | 4,711,144,533.01 |
| Investment in other equity instruments | | 2,219,446,189.31 | 2,103,129,675.18 |
| Other non-current financial assets | | 799,120,774.21 | 636,502,629.08 |
| Investment property | | 524,588,227.30 | 537,298,133.13 |
| Fixed assets | | 29,054,957,601.86 | 26,318,667,724.94 |
| Construction in progress | | 4,978,032,002.20 | 5,408,666,017.06 |
| Right-of-use assets | | 8,465,660,936.47 | 9,109,528,185.30 |
| Intangible assets | | 24,159,013,345.72 | 23,435,580,132.59 |
| Development expenditure | | 52,257,467.22 | 139,500,519.38 |
| Goodwill | | 24,959,309,685.61 | 23,822,520,317.99 |
| Long-term prepaid expenses | | 298,496,123.89 | 254,367,462.55 |
| Deferred tax assets | | 6,121,565,021.33 | 5,034,346,014.96 |
| Other non-current assets | | 594,282,413.03 | 687,720,493.20 |
| Total non-current assets | | 115,816,153,060.79 | 110,646,589,478.37 |
| Total assets | | 260,977,657,574.67 | 236,831,674,546.17 |

| Liabilities and shareholders' equity | <i>Notes</i> | 30 June 2020 (unaudited) | 31 December 2019 (audited) |
|--|--------------|-------------------------------------|-------------------------------|
| Current liabilities | | | |
| Short-term loans | | 5,343,021,199.19 | 2,014,692,401.39 |
| Financial liabilities held for trading | | 100,032,983.46 | 131,920,754.38 |
| Notes payable | 6 | 18,418,671,023.25 | 22,446,404,536.58 |
| Accounts payable | 7 | 45,693,992,410.06 | 36,748,503,682.85 |
| Contract liabilities | | 14,372,968,816.29 | 10,654,453,360.19 |
| Payroll payable | | 5,212,592,567.82 | 5,588,996,060.47 |
| Taxes payable | | 3,025,221,176.48 | 2,064,584,764.70 |
| Other payables | | 8,786,003,912.52 | 6,511,002,642.85 |
| Non-current liabilities due within one year | | 13,845,295,365.10 | 12,998,360,887.57 |
| Other current liabilities | | 9,128,329,173.06 | 6,717,853,612.80 |
| Total current liabilities | | <u>123,926,128,627.23</u> | <u>105,876,772,703.78</u> |
| Non-current liabilities | | | |
| Long-term borrowings | | 10,293,702,983.83 | 11,373,657,990.58 |
| Bonds payable | | 10,500,328,131.06 | 10,295,279,995.18 |
| Lease liabilities | | 8,165,071,486.35 | 8,943,580,095.61 |
| Long-term payables | | 5,758,723,302.94 | 4,658,205,937.06 |
| Long-term payroll payable | | 12,727,823,351.82 | 11,667,005,084.73 |
| Accruals and provisions | | 297,994,531.42 | 315,667,957.84 |
| Deferred income | | 4,506,981,930.86 | 4,608,566,796.01 |
| Deferred tax liabilities | | 5,548,439,722.75 | 5,406,314,269.55 |
| Other non-current liabilities | | 5,193,926,584.04 | 3,911,898,285.35 |
| Total non-current liabilities | | <u>62,992,992,025.07</u> | <u>61,180,176,411.91</u> |
| Total liabilities | | <u>186,919,120,652.30</u> | <u>167,056,949,115.69</u> |
| Shareholders' equity | | | |
| Share capital | | 7,933,873,895.00 | 7,933,873,895.00 |
| Capital reserve | | 118,432,762.35 | 118,896,726.65 |
| Other comprehensive income | 12 | (1,377,079,212.03) | (1,278,030,636.58) |
| Special reserve | | 216,213,776.56 | 193,099,471.45 |
| Surplus reserve | | 973,728,220.76 | 973,728,220.76 |
| Retained earnings | | 40,842,068,973.35 | 37,282,373,385.43 |
| Total equity attributable to the shareholders of the parent | | <u>48,707,238,415.99</u> | <u>45,223,941,062.71</u> |
| Minority interests | | 25,351,298,506.38 | 24,550,784,367.77 |
| Total shareholders' equity | | <u>74,058,536,922.37</u> | <u>69,774,725,430.48</u> |
| Total liabilities and shareholders' equity | | <u>260,977,657,574.67</u> | <u>236,831,674,546.17</u> |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

30 June 2020

1. SIGNIFICANT ACCOUNTING POLICIES

a. Preparation basis of the financial statements

Preparation basis

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”). In addition, the Group also disclosed relevant financial information in accordance with relevant disclosure requirements of Compilation Rules No. 15 for Information Disclosure by Companies Offering Securities to the Public – General Requirements for Financial Reporting (2014 Revision) and the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

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 2019. 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 of the Group for the year 2019.

Continuing operations

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

Basis of book-keeping and principle of measurement

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

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

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

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

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

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

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

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

Business combinations involving enterprises under common control

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

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

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

Business combinations involving enterprises not under common control and goodwill

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

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

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

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

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

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

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

c. Basis for preparation of consolidated financial statements

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

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

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

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

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

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

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

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

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

2. SEGMENT REPORTING

Operating segments

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

The details of operating segments are as follows:

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

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

Segment assets exclude equity investments at fair value through profit or loss, derivative instruments, dividends receivable, interests receivable, equity investments at fair value through other comprehensive income, deferred tax assets and other unallocated head office assets.

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

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

As the internal management requirements changed in the second half of 2019, for the purpose of the comparative data, the operating segments have been restated for the purpose of information comparison.

| | <i>RMB</i> | | | |
|--|--------------------------|---|--------------------------|----------------------------|
| Item | Engines | Automobiles and automobile components | Intelligent logistics | Total |
| Incurred during this period | | | | |
| Segment revenue: | | | | |
| Sale to external customers | 22,372,224,492.35 | 42,039,839,424.20 | 30,082,495,177.14 | 94,494,559,093.69 |
| Inter-segment sale | 8,890,816,976.96 | 620,341,480.78 | 75,554,595.67 | 9,586,713,053.41 |
| Total | <u>31,263,041,469.31</u> | <u>42,660,180,904.98</u> | <u>30,158,049,772.81</u> | <u>104,081,272,147.10</u> |
| <i>Adjustment:</i> | | | | |
| Elimination of inter-segment sale | - | - | - | <u>(9,586,713,053.41)</u> |
| Revenue | - | - | - | <u>94,494,559,093.69</u> |
| Segment results | 4,699,216,049.44 | 1,538,888,249.51 | 531,331,647.36 | 6,769,435,946.31 |
| <i>Adjustment:</i> | | | | |
| Elimination of inter-segment results | - | - | - | <u>(380,988,782.49)</u> |
| Interest income | - | - | - | 619,198,001.23 |
| Dividend income and unallocated income | - | - | - | 528,345,248.88 |
| Corporate and other unallocated expenses | - | - | - | <u>(46,006,159.00)</u> |
| Finance expenses | - | - | - | <u>(785,393,300.08)</u> |
| Profit before tax | - | - | - | <u>6,704,590,954.85</u> |
| 30 June 2020 | | | | |
| Segment assets | 57,641,168,390.71 | 62,481,917,585.73 | 95,090,328,516.88 | 215,213,414,493.32 |
| <i>Adjustment:</i> | | | | |
| Elimination of inter-segment assets | - | - | - | <u>(18,336,290,929.72)</u> |
| Corporate and other unallocated assets | - | - | - | <u>64,100,534,011.07</u> |
| Total assets | - | - | - | <u>260,977,657,574.67</u> |
| Segment liabilities | 44,500,104,882.99 | 45,525,082,474.37 | 55,204,507,242.91 | 145,229,694,600.27 |
| <i>Adjustment:</i> | | | | |
| Elimination of inter-segment liabilities | - | - | - | <u>(10,597,624,895.09)</u> |
| Corporate and other unallocated liabilities | - | - | - | <u>52,287,050,947.12</u> |
| Total liabilities | - | - | - | <u>186,919,120,652.30</u> |
| Incurred during this period | | | | |
| <i>Other segment information:</i> | | | | |
| Share of profit and loss from: | | | | |
| Gain/(loss) from associates and joint ventures | (3,882,329.33) | 92,634,694.04 | 55,948,257.90 | 144,700,622.61 |
| Reversal/(loss) of impairment of inventories | 3,668,906.96 | (100,805,146.76) | (100,674,777.22) | (197,811,017.02) |
| Impairment loss of credit of accounts receivable | (97,160,896.80) | (196,101,953.91) | (65,356,381.50) | (358,619,232.21) |
| Loss of impairment of non-current assets | (208,658.57) | - | (1,033,934.58) | (1,242,593.15) |
| Depreciation and amortization | (555,524,141.58) | (638,790,690.30) | (3,096,058,377.72) | (4,290,373,209.60) |
| Gain from disposal of fixed assets | 4,184,819.23 | 4,256,923.71 | 18,452,958.20 | 26,894,701.14 |
| Investment in associates and joint ventures | 2,979,626,513.21 | 886,029,694.00 | 789,566,659.43 | 4,655,222,866.64 |
| Capital expenditure | <u>1,750,849,647.03</u> | <u>909,450,067.57</u> | <u>4,457,861,480.10</u> | <u>7,118,161,194.70</u> |

| | <i>RMB</i> | | | |
|--|--------------------------|---|--------------------------|----------------------------|
| Item | Engines | Automobiles and automobile components | Intelligent logistics | Total |
| Incurred in the previous period | | | | |
| Segment revenue: | | | | |
| Sale to external customers | 18,962,743,299.50 | 39,147,820,267.57 | 32,751,932,953.41 | 90,862,496,520.48 |
| Inter-segment sale | <u>7,786,648,693.10</u> | <u>652,413,888.49</u> | <u>112,324,426.54</u> | <u>8,551,387,008.13</u> |
| Total | <u>26,749,391,992.60</u> | <u>39,800,234,156.06</u> | <u>32,864,257,379.95</u> | <u>99,413,883,528.61</u> |
| <i>Adjustment:</i> | | | | |
| Elimination of inter-segment sale | – | – | – | <u>(8,551,387,008.13)</u> |
| Revenue | – | – | – | <u>90,862,496,520.48</u> |
| Segment results | 4,755,753,029.87 | 1,697,541,075.40 | 1,995,591,584.17 | 8,448,885,689.44 |
| <i>Adjustment:</i> | | | | |
| Elimination of inter-segment results | – | – | – | <u>(428,524,236.13)</u> |
| Interest income | – | – | – | 479,664,629.04 |
| Dividend income and unallocated income | – | – | – | 502,015,370.59 |
| Corporate and other unallocated expenses | – | – | – | <u>(30,391,826.11)</u> |
| Finance expenses | – | – | – | <u>(621,007,200.25)</u> |
| Profit before tax | – | – | – | <u>8,350,642,426.58</u> |
| 31 December 2019 | | | | |
| Segment assets | 44,882,937,469.75 | 56,775,622,050.61 | 91,424,104,386.93 | 193,082,663,907.29 |
| <i>Adjustment:</i> | | | | |
| Elimination of inter-segment assets | – | – | – | <u>(16,700,068,299.89)</u> |
| Corporate and other unallocated assets | – | – | – | <u>60,449,078,938.77</u> |
| Total assets | – | – | – | <u>236,831,674,546.17</u> |
| Segment liabilities | 38,985,866,513.29 | 37,633,986,684.29 | 55,142,312,447.21 | 131,762,165,644.79 |
| <i>Adjustment:</i> | | | | |
| Elimination of inter-segment liabilities | – | – | – | <u>(9,161,739,879.50)</u> |
| Corporate and other unallocated liabilities | – | – | – | <u>44,456,523,350.40</u> |
| Total liabilities | – | – | – | <u>167,056,949,115.69</u> |
| Incurred in the previous period | | | | |
| Other segment information: | | | | |
| Share of profit and loss from: | | | | |
| Gain/(loss) from associates and joint ventures | (1,855,243.40) | 46,053,276.98 | 79,526,724.34 | 123,724,757.92 |
| Loss of impairment of inventories | (15,517,989.09) | (164,515,086.91) | (87,049,020.40) | (267,082,096.40) |
| Impairment loss of credit of accounts receivable | (52,674,844.34) | (82,163,311.60) | (49,339,100.20) | (184,177,256.14) |
| Loss of impairment of non-current assets | (16,729.52) | (154,384.74) | – | (171,114.26) |
| Depreciation and amortization | (406,043,701.88) | (646,134,265.15) | (2,910,916,050.75) | (3,963,094,017.78) |
| Gain/(loss) from disposal of fixed assets | (3,302,619.81) | 24,364,337.30 | 22,909,975.75 | 43,971,693.24 |
| Investment in associates and joint ventures | 3,205,233,822.31 | 788,263,117.41 | 717,647,593.29 | 4,711,144,533.01 |
| Capital expenditure | <u>1,507,376,706.69</u> | <u>1,399,281,909.41</u> | <u>4,443,548,005.60</u> | <u>7,350,206,621.70</u> |

Group information

Information about products and services

Revenue from external transactions

RMB

| Item | Incurred during this period | Incurred in the previous period |
|---|-----------------------------|---------------------------------|
| Powertrain, complete vehicles and machines and key components | 54,115,941,632.71 | 49,840,061,101.56 |
| Other components | 5,826,633,860.21 | 5,838,628,524.31 |
| Intelligent logistics | 30,082,495,177.14 | 32,751,932,953.41 |
| Others | 4,469,488,423.63 | 2,431,873,941.20 |
| Total | <u>94,494,559,093.69</u> | <u>90,862,496,520.48</u> |

Geographic information

Revenue from external transactions

RMB

| Item | Incurred during this period | Incurred in the previous period |
|-----------------------------|-----------------------------|---------------------------------|
| China | 62,998,805,496.83 | 55,447,227,495.42 |
| Other countries and regions | 31,495,753,596.86 | 35,415,269,025.06 |
| Total | <u>94,494,559,093.69</u> | <u>90,862,496,520.48</u> |

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

Total non-current assets

RMB

| Item | 30 June 2020 | 31 December 2019 |
|-----------------------------|--------------------------|--------------------------|
| China | 22,844,348,892.36 | 21,580,951,912.91 |
| Other countries and regions | 74,897,471,777.58 | 72,844,041,606.24 |
| Total | <u>97,741,820,669.94</u> | <u>94,424,993,519.15</u> |

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

3. NOTES RECEIVABLE

Classification of notes receivable

RMB

| Item | 30 June 2020 | 31 December 2019 |
|-----------------------|--------------------------|--------------------------|
| Bank acceptance bills | <u>24,914,347,693.33</u> | <u>15,920,141,988.31</u> |

Notes receivable pledged by the Group as at period end

RMB

| Item | 30 June 2020 | 31 December 2019 |
|-----------------------|--------------------------|--------------------------|
| Bank acceptance bills | <u>11,218,574,135.51</u> | <u>12,147,538,825.61</u> |

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

RMB

| | 30 June 2020 | | 31 December 2019 | |
|-----------------------|----------------------|------------------|-------------------------|------------------|
| | Derecognized | Not derecognized | Derecognized | Not derecognized |
| Bank acceptance bills | <u>32,795,397.41</u> | <u>–</u> | <u>3,658,307,945.85</u> | <u>–</u> |

As at 30 June 2020, the Group had not transferred any notes into accounts receivable due to issuers' failure in performance (31 December 2019: Nil).

The Group considered that the credit rating of the bank acceptance bills was relatively high and there was no significant credit risk. Therefore, no provision for losses was made.

4. ACCOUNTS RECEIVABLE

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

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

RMB

| Age | 30 June 2020 | 31 December 2019 |
|---|--------------------------|-------------------|
| Within 1 year | 17,742,834,679.88 | 14,360,458,470.45 |
| 1 to 2 years | 1,482,763,712.04 | 504,740,712.30 |
| 2 to 3 years | 244,587,111.12 | 115,039,514.56 |
| Over 3 years | 1,025,246,367.39 | 965,456,525.01 |
| Total at original amount | 20,495,431,870.43 | 15,945,695,222.32 |
| Less: Provision for credit loss in respect of accounts receivable | 2,005,442,280.78 | 1,660,432,925.23 |
| Total at net amount | 18,489,989,589.65 | 14,285,262,297.09 |

Disclosure by category of provision for credit losses:

RMB

| Item | 30 June 2020 | | | | 31 December 2019 | | | |
|---|-----------------------|----------------|-----------------------------|----------------|-----------------------|----------------|-----------------------------|----------------|
| | Gross carrying amount | Proportion (%) | Provision for credit losses | Percentage (%) | Gross carrying amount | Proportion (%) | Provision for credit losses | Percentage (%) |
| Items assessed for expected credit losses individually | 2,407,788,034.69 | 11.75 | 1,380,449,029.31 | 57.33 | 2,728,834,722.55 | 17.11 | 1,215,508,645.54 | 44.54 |
| Items assessed for expected credit losses by group with distinctive credit risk characteristics | 18,087,643,835.74 | 88.25 | 624,993,251.47 | 3.46 | 13,216,860,499.77 | 82.89 | 444,924,279.69 | 3.37 |
| Total | 20,495,431,870.43 | 100.00 | 2,005,442,280.78 | 9.78 | 15,945,695,222.32 | 100.00 | 1,660,432,925.23 | 10.41 |

As at 30 June 2020, the Group's accounts receivable assessed for expected credit losses individually are presented as follows:

RMB

| Customers | Gross carrying amount | Provision for credit losses | Percentage (%) | Reasons |
|-------------|-------------------------|-----------------------------|----------------|----------------------------|
| Customer 1 | 874,252,769.81 | 335,792,800.00 | 38.41 | Bad repayment ability |
| Customer 2 | 111,878,808.83 | 111,878,808.83 | 100.00 | Bad repayment ability |
| Customer 3 | 75,871,191.17 | 75,871,191.17 | 100.00 | Bad repayment ability |
| Customer 4 | 56,927,140.00 | 56,927,140.00 | 100.00 | Long credit age |
| Customer 5 | 49,159,575.31 | 49,159,575.31 | 100.00 | Bad repayment ability |
| Customer 6 | 45,430,890.58 | 44,531,086.13 | 98.02 | Long credit age |
| Customer 7 | 40,516,068.59 | 40,516,068.59 | 100.00 | Bad repayment ability |
| Customer 8 | 37,449,568.86 | 37,449,568.86 | 100.00 | Liquidation |
| Customer 9 | 32,989,886.43 | 32,989,886.43 | 100.00 | Assets have been preserved |
| Customer 10 | 32,556,007.92 | 32,556,007.92 | 100.00 | Long credit age |
| Others | 1,050,756,127.19 | 562,776,896.07 | – | Long credit age etc. |
| Total | <u>2,407,788,034.69</u> | <u>1,380,449,029.31</u> | – | – |

As at 30 June 2020, the Group's accounts receivable for which credit losses are provided for using aging analysis are presented as follows:

RMB

| Age | 30 June 2020 | | |
|---------------|--|-------------------------------|-------------------------------|
| | Carrying amount estimated to be in default | Expected credit loss rate (%) | Lifetime expected credit loss |
| Within 1 year | 7,734,268,796.00 | 2.88 | 222,587,034.28 |
| 1 to 2 years | 295,610,214.90 | 15.15 | 44,777,993.50 |
| 2 to 3 years | 94,209,056.66 | 27.64 | 26,041,143.49 |
| 3 to 4 years | 19,994,899.79 | 70.43 | 14,082,404.22 |
| 4 to 5 years | 37,349,052.44 | 99.17 | 37,039,987.34 |
| Over 5 years | <u>213,866,406.42</u> | 100.00 | <u>213,866,406.43</u> |
| Total | <u>8,395,298,426.21</u> | 6.65 | <u>558,394,969.26</u> |

As at 30 June 2020, the Group's accounts receivable for which credit losses are provided for using overdue ages as credit risk characteristics are presented as follows:

RMB

| Overdue age | 30 June 2020 | | |
|---|--|-------------------------------------|-------------------------------------|
| | Carrying amount estimated to be in default | Expected credit loss rate (%) | Lifetime expected credit loss |
| Not yet overdue or overdue for less than 90 days | 7,985,084,715.18 | 0.31 | 24,516,856.37 |
| Overdue for more than 90 days but less than 180 days | 295,159,331.82 | 2.83 | 8,353,009.09 |
| Overdue for more than 180 days | 182,213,825.49 | 7.65 | 13,930,710.10 |
| Total | <u>8,462,457,872.49</u> | 0.55 | <u>46,800,575.56</u> |

As at 30 June 2020, provisions for credit losses for the Group's accounts receivable with good credit history are presented as follows:

RMB

| Items | 30 June 2020 | | |
|--|--|-------------------------------------|-------------------------------------|
| | Carrying amount estimated to be in default | Expected credit loss rate (%) | Lifetime expected credit loss |
| Accounts receivable with good credit history | <u>1,229,887,537.04</u> | <u>1.61</u> | <u>19,797,706.65</u> |

As at 30 June 2020, the top five balances in respect of accounts receivable had a sum of closing balance of RMB2,373,748,289.42 (31 December 2019: RMB2,435,489,389.61), accounting for 11.58% (31 December 2019: 15.27%) of the total of closing balance of accounts receivable. The closing balance in respect of credit losses provided for the top five amounted to RMB344,970,942.75 (31 December 2019: RMB258,392,423.15).

Movements in provision for credit losses:

RMB

| Provision for credit losses | Lifetime expected credit loss (without impairment of credit) | Lifetime expected credit loss (with impairment of credit) | Total |
|--|---|--|-------------------------|
| Balance as at 31 December 2019 | 1,005,615,663.38 | 654,817,261.85 | 1,660,432,925.23 |
| Balance as at 31 December 2019 in the current period | | | |
| – Transferred to receivables with impairment of credit | – | – | – |
| – Reversal of receivables without impairment of credit | – | – | – |
| Provision for the period | 172,125,307.75 | 182,823,111.67 | 354,948,419.42 |
| Reversal during the period | (3,664,440.05) | – | (3,664,440.05) |
| Written-off or transferred out during the period | – | (3,263,212.99) | (3,263,212.99) |
| Adjustment for exchange differences | (2,143,247.57) | (868,163.26) | (3,011,410.83) |
| | <u>1,171,933,283.51</u> | <u>833,508,997.27</u> | <u>2,005,442,280.78</u> |
| Balance as at 30 June 2020 | | | |

As at 30 June 2020, the carrying amount of the restricted accounts receivable of the Group amounted to RMB51,057,178.92 (31 December 2019: RMB25,442,865.48).

5. RECEIVABLE FINANCING

Classification of receivable financing

RMB

| Items | 30 June 2020 | 31 December 2019 |
|---|--------------------------|--------------------------|
| Bank acceptance bills at fair value | 10,064,002,894.85 | 10,388,865,839.45 |
| Commercial acceptance bills at fair value | 59,167,418.83 | 149,044,144.26 |
| | <u>10,123,170,313.68</u> | <u>10,537,909,983.71</u> |
| Total | | |

Receivable financing pledged by the Group as at period end

RMB

| Items | 30 June 2020 | 31 December 2019 |
|---|-------------------------|-------------------------|
| Bank acceptance bills at fair value | 2,830,447,026.53 | 4,084,326,054.81 |
| Commercial acceptance bills at fair value | – | 107,205,123.12 |
| | <u>2,830,447,026.53</u> | <u>4,191,531,177.93</u> |
| Total | | |

Receivable financing endorsed or discounted as at period end and not yet expired as at the balance sheet date

RMB

| Items | 30 June 2020 | | 31 December 2019 | |
|---|--------------------------|------------------|--------------------------|------------------|
| | Derecognized | Not derecognized | Derecognized | Not derecognized |
| Bank acceptance bills at fair value | 18,041,301,675.38 | - | 19,777,138,744.81 | - |
| Commercial acceptance bills at fair value | - | - | 21,357,250.00 | - |
| Total | <u>18,041,301,675.38</u> | <u>-</u> | <u>19,798,495,994.81</u> | <u>-</u> |

6. NOTES PAYABLE

RMB

| Items | 30 June 2020 | 31 December 2019 |
|-----------------------------|--------------------------|--------------------------|
| Bank acceptance bills | 18,074,140,421.84 | 22,399,651,927.32 |
| Commercial acceptance bills | <u>344,530,601.41</u> | <u>46,752,609.26</u> |
| Total | <u>18,418,671,023.25</u> | <u>22,446,404,536.58</u> |

As at 30 June 2020, the Group had no outstanding notes payable which were due (31 December 2019: Nil).

7. ACCOUNTS PAYABLE

RMB

| Items | 30 June 2020 | 31 December 2019 |
|-----------------|--------------------------|--------------------------|
| Within 3 months | 40,222,970,627.36 | 33,160,995,390.49 |
| 3 to 6 months | 3,687,991,150.05 | 2,714,553,791.80 |
| 6 to 12 months | 1,089,045,847.96 | 543,361,583.54 |
| Over 12 months | <u>693,984,784.69</u> | <u>329,592,917.02</u> |
| Total | <u>45,693,992,410.06</u> | <u>36,748,503,682.85</u> |

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

As at 30 June 2020, there was no payable which was material and aged over one year (31 December 2019: Nil).

8. REVENUE AND COST OF SALES

(1) Revenue and cost of sales

RMB

| Item | Incurred during this period | | Incurred in the previous period | |
|-----------------------------------|-----------------------------|--------------------------|---------------------------------|--------------------------|
| | Revenue | Cost | Revenue | Cost |
| Revenue from principal operations | 91,070,191,344.94 | 72,839,210,382.86 | 89,130,194,179.44 | 69,563,891,661.86 |
| Other revenue | 3,424,367,748.75 | 3,150,432,799.38 | 1,732,302,341.04 | 1,537,250,791.27 |
| Total | <u>94,494,559,093.69</u> | <u>75,989,643,182.24</u> | <u>90,862,496,520.48</u> | <u>71,101,142,453.13</u> |

(2) Reporting segment

RMB

| Item | Engines | Automobiles and automobile components | Intelligent logistics | Total |
|---|--------------------------|---|--------------------------|--------------------------|
| | | | | |
| Major regions of operation: | | | | |
| Mainland China | 21,160,783,988.27 | 40,070,236,919.33 | 1,767,784,589.23 | 62,998,805,496.83 |
| Other countries and regions | 1,211,440,504.08 | 1,969,602,504.87 | 28,314,710,587.91 | 31,495,753,596.86 |
| Total | <u>22,372,224,492.35</u> | <u>42,039,839,424.20</u> | <u>30,082,495,177.14</u> | <u>94,494,559,093.69</u> |
| Time for recognition of revenue: | | | | |
| Transferred at a certain point of time | 22,334,410,963.01 | 41,983,159,545.74 | 16,628,654,649.53 | 80,946,225,158.28 |
| Provided over a certain period of time | 21,969,808.39 | 30,070,494.99 | 10,357,165,927.05 | 10,409,206,230.43 |
| Revenue arising from the contracts with customers | 22,356,380,771.40 | 42,013,230,040.73 | 26,985,820,576.58 | 91,355,431,388.71 |
| Revenue under the Standard on Lease | 15,843,720.95 | 26,609,383.47 | 3,096,674,600.56 | 3,139,127,704.98 |
| Total | <u>22,372,224,492.35</u> | <u>42,039,839,424.20</u> | <u>30,082,495,177.14</u> | <u>94,494,559,093.69</u> |

(3) Performance of obligations

The supply chain solution services provided by the Group belong to the performance obligation satisfied over a certain period of time. The performance costs actually incurred on a cumulative basis as a percentage of estimated total costs is used to ascertain progress of performance of supply chain solution services contracts. As at 30 June 2020, some of the Group's supply chain solution services contracts were still in the process of performance, the transaction price allocated to the outstanding (or partially unperformed) performance obligations is related to the performance progress of each supply chain solution services contract, and will be recognized as revenue in the future performance period of each supply chain solution services contracts based on the performance progress.

9. TAXES AND SURCHARGES

RMB

| Items | Incurred during this period | Incurred in the previous period |
|---------------------------------------|-----------------------------|---------------------------------|
| City maintenance and construction tax | 133,928,314.59 | 114,008,675.23 |
| Educational surtax | 98,313,548.74 | 83,063,488.76 |
| Property tax | 76,149,490.37 | 68,987,198.89 |
| Stamp duty | 44,442,522.00 | 40,327,806.66 |
| Others | 79,794,302.80 | 68,633,243.73 |
| Total | <u>432,628,178.50</u> | <u>375,020,413.27</u> |

10. INCOME TAX EXPENSES

RMB

| Items | Incurred during this period | Incurred in the previous period |
|-----------------------|-----------------------------|---------------------------------|
| Current tax expenses | 1,932,214,146.17 | 1,997,495,904.63 |
| Deferred tax expenses | (929,457,396.18) | (539,673,784.19) |
| Total | <u>1,002,756,749.99</u> | <u>1,457,822,120.44</u> |

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

| | | <i>RMB</i> | |
|--|---------------|--------------------------------|------------------------------------|
| Items | | Incurred during this period | Incurred in the previous period |
| Total profit | | 6,704,590,954.85 | 8,350,642,426.58 |
| Tax at statutory tax rate | <i>Note 1</i> | 1,676,147,738.71 | 2,087,660,606.64 |
| Effect of different tax rates applicable to the Company and some subsidiaries | <i>Note 2</i> | (684,883,163.22) | (555,183,529.15) |
| Effect of tax rate change on opening balance of deferred income tax | | (8,028,073.49) | 7,922,837.31 |
| Effect of adjustments to tax of previous periods | | (17,349,765.33) | (38,866,974.83) |
| Profits and losses attributable to associates and joint ventures | | (21,602,451.59) | (16,507,683.30) |
| Income not subject to tax | | (39,095,451.57) | (53,916,269.33) |
| Expenses not deductible for tax | | 67,464,398.56 | 29,887,877.37 |
| Tax incentives on eligible expenditures | | (206,771,432.11) | (162,565,171.33) |
| Utilization of deductible losses from prior years | | (4,383,035.85) | (5,063,633.00) |
| Unrecognized deductible losses | | 201,427,965.99 | 131,369,715.68 |
| Effect of unrecognized deductible temporary difference | | 37,777,444.71 | 23,288,166.22 |
| Others | | 2,052,575.18 | 9,796,178.16 |
| Tax expense at the Group's effective tax rate | | <u>1,002,756,749.99</u> | <u>1,457,822,120.44</u> |

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.

11. 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:

| | | <i>RMB</i> | |
|--|--|--------------------------------|--------------------------------|
| Items | | Incurred during this period | Incurred in previous period |
| Earnings | | | |
| Net profit of the current period attributable to ordinary shareholders of the Company | | 4,680,231,806.93 | 5,287,488,377.89 |
| Shares | | | |
| Weighted average number of the ordinary shares outstanding of the Company | | 7,933,873,895.00 | 7,933,873,895.00 |
| Basic EPS (RMB/share) | | <u>0.59</u> | <u>0.67</u> |

The Group holds no potential shares that are significantly dilutive.

12. OTHER COMPREHENSIVE INCOME

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

RMB

| Items | Balance as at 1 January 2020 | Amount before the income tax incurred for the current period | Incurred during this period | | Attributable to parent company after tax | Attributable to minority shareholders after tax | Balance as at 30 June 2020 |
|---|---------------------------------|---|--|------------------------------|--|--|-------------------------------|
| | | | Less: Amount recognized in other comprehensive income in previous period and recognized in profit or loss in current period | Less: Income tax expenses | | | |
| I. Those other comprehensive income not to be reclassified into profit or loss | | | | | | | |
| Changes arising from remeasuring of defined benefit plan | (936,835,187.38) | (509,519,943.66) | - | (136,182,294.53) | (165,032,896.28) | (208,304,752.85) | (1,101,868,083.66) |
| Other comprehensive income not to be reclassified into profit or loss using the equity method | (159,298,652.32) | (20,512,044.60) | - | - | 11,509,465.23 | (32,021,509.83) | (147,789,187.09) |
| Change in fair value of investment in other equity instruments | 425,026,942.34 | 116,004,942.63 | - | 19,339,119.55 | 103,773,209.63 | (7,107,386.55) | 528,800,151.97 |
| II. Other comprehensive income to be reclassified into profit or loss | | | | | | | |
| Other comprehensive income to be reclassified into profit or loss using the equity method | 36,683,605.76 | 4,856,475.60 | - | - | 2,185,414.02 | 2,671,061.58 | 38,869,019.78 |
| Cashflow hedging reserve | (54,454,552.10) | 76,671,167.11 | (26,140,906.52) | 15,595,599.01 | 51,933,276.56 | 35,283,198.06 | (2,521,275.54) |
| Exchange differences on foreign currency translation | (589,152,792.88) | (126,201,388.69) | - | - | (103,417,044.61) | (22,784,344.08) | (692,569,837.49) |
| Total other comprehensive income | <u>(1,278,030,636.58)</u> | <u>(458,700,791.61)</u> | <u>(26,140,906.52)</u> | <u>(101,247,575.97)</u> | <u>(99,048,575.45)</u> | <u>(232,263,733.67)</u> | <u>(1,377,079,212.03)</u> |

13. DIVIDEND

On 27 August 2020, the Board passed a resolution to propose the distribution to all shareholders of an interim cash dividend of RMB1.50 (including tax) for every 10 shares based on the total share capital of 7,933,873,895 shares for year 2020 of the Company, without any capitalisation of reserve. Please refer to the further announcement to be issued by the Company for details of the closure of registers of members in determining the shareholders who are eligible for the 2020 interim dividend.

Pursuant to the annual general meeting of shareholders of the Company held on 29 June 2020, a mandate has been given to the Board for the payment of the 2020 interim dividend.

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 2020.

1. REVIEW OF OPERATING CONDITIONS

In the first half of 2020, facing the severe challenges brought by the outbreak of the novel coronavirus (“COVID-19”), coupled with the complicated and ever-changing environment domestically and abroad, the Chinese government has implemented various measures to prevent and control the spread of COVID-19 and facilitation of economic developments. China has been achieving impressive strategic results in containing COVID-19, leading to a steady recovery in the economy. In the first half of the year, the gross domestic product reached RMB45.7 trillion, representing a year-on-year decrease of 1.6%. From a quarterly perspective, the gross domestic product decreased by 6.8% in the first quarter and grew by 3.2% in the second quarter compared to the corresponding periods last year.

During the Period, the Company implemented precise strategies and scientific planning to overcome the adverse impacts brought by COVID-19 and to seize the opportunity of economic recovery, leading to a growth in domestic operation, rapid growth in new business formats and increase in the number of orders of the intelligent logistics business despite the adversity, all of which highlighted the strength of our diversified business structure and significantly enhanced our risk resistance capabilities. In the first half of the year, the Company’s revenue increased by approximately 4.0% compared with that in the corresponding period of 2019 to approximately RMB94,495 million. Net profit attributable to shareholders of the listed company was approximately RMB4,680 million, representing a decrease of approximately 11.5% compared with that in the corresponding period of 2019. Basic earnings per share was RMB0.59, representing a decrease of approximately 11.5% compared with that in the corresponding period of 2019.

1. Power System Business

The Company upheld an innovation-driven approach and accelerated the escalation of products mix to high-end. To create a new generation high-end platform “N+H+M”, sales amount of new products such as WP3N, WP8 and WP10H increased rapidly; we have completed the upgrade and development of the full series of road-going China VI and non-road-going China IV products to firmly secure our leading position amidst the new round of emission standards upgrade, and achieved simultaneous growth in both traditional products and emerging strategic products. Leveraging the globally coordinated research and development (R&D) platform, we made strenuous efforts in achieving breakthroughs in core technologies, and our product competitiveness was significantly strengthened by continuously optimising engines and performance strengths of parts and components, lowering costs and fuel consumption and light-weighting. The

Company adhered to the customer-oriented approach and focused precisely on various segment markets. We achieved all-round breakthroughs in strategic markets such as energy and electric power, industrial equipment and excavators, and continuously developed advantageous markets such as heavy-duty trucks, passenger vehicles and construction machineries to strengthen our competitive advantages in the industry. The Company was committed to creating synergy by combining its resources and speeding up the integration of the industrial chain. With engines as our principal axis, the Company achieved rapid breakthroughs in core technology of three major powertrain systems, namely, commercial vehicles, construction machineries and agricultural equipment, and took full advantage of systematic matching of its products, thereby creating competitive advantage of differentiation. The wholesale market testing phase for the second generation of AMT powertrain products has been completed, and “WP6H+Linde Hydraulics” powertrain became the first domestic self-developed powertrain solution for excavators.

During the Period, the Company’s powertrain business hit another record high. Sales volume of engines increased year-on-year by 19.2% to 470,000 units; sales volume of gear boxes increased year-on-year by 4.0% to 605,000; sales volume of axles increased year-on-year by 16.5% to 534,000. In addition, our strategic high-end products continued to develop, with sales revenue of large-diameter engines of RMB420 million, representing a year-on-year growth of 30.4%; and sales revenue of high-end hydraulic products of RMB230 million, representing a year-on-year growth of 30.3%.

2. Complete Vehicles and Machineries Business

Upholding a strategy driven by complete vehicles and machineries, the Company sped up the innovation-driven strategy and industrial chain structural upgrade, and further enhanced its comprehensive competitiveness. Shaanxi Heavy-duty Motor Company Limited (陝西重型汽車有限公司), a controlling subsidiary, made efforts in production and operation, market breakthrough and products innovation, and achieved stable growth with a total heavy-duty trucks sales of 88,000 units, representing a year-on-year growth of 2.1%. We seized the market share with full understanding of the needs of the industry. In the tractor economic market, port tractor market, and sand and gravel transportation market, we continued to rank the top. We overcame the impact of COVID-19 overseas effectively and recorded a year-on-year growth in cooperative export as well as a rapid expansion in high-end markets such as Central and South America and the Asia-Pacific. By effectively combining innovation chain and industrial chain, we gained a leading advantage. We accelerated the exploration of effective combination of management of customers’ demand with the internet throughout the life cycle of trucks, and introduced innovative models of cooperation with major customers and platform customers on an ongoing basis, proactively forming a new business format. Following the completion of the development of model M3000S vehicles and technological reserves of model M5000 vehicles and further upgrade of complete vehicles in terms of smoothness and braking performance, the core performance indicators of our new-generation products led the industry.

3. Intelligent Logistics Business

KION Group AG (“KION”), an overseas controlling subsidiary, is a globally leading supplier in the area of intralogistics which assists factories, warehouses and distribution centres to optimise their resources flow and information flow through the design, establishment and improvement of logistics solutions in over a hundred countries and regions around the world. Dematic Group is a globally leading automated logistics expert, with its products meeting the comprehensive needs in areas of intelligent supply chain and automated solutions. Under the influence of COVID-19, sales revenue of the intelligent logistics segment was EUR3.93 billion in the first half of 2020, representing a decrease of 10.0% as compared to the corresponding period last year. Nevertheless, total order value amounted to EUR4.40 billion, representing an increase of 4.8% as compared to the corresponding period last year. In particular, order value of supply chain solutions amounted to EUR1.74 billion, representing an increase of 57.3% as compared to the corresponding period last year.

4. New Business Format, New Energy and New Technology

Guided by future-oriented strategies, the Company actively facilitated the promotion of re-engineering of industrial chain and upgrade of value chain as well as new business format, new energy and new technology. The Company focused on key technologies to take lead in the development of the industry. Strategic restructure of Germany-based ARADEX AG and Austria-based VDS allowed the Company to effectively overcome the weakness in key technologies of motor control system of new energy powertrain and CVT power system in agricultural equipment in China. The Company established the world’s largest manufacturing base of engines powered by hydrogen-fueled batteries, and the production line with production capacity of 20,000 units/sets of fuel-battery powered engines and stack has commenced formal operation. With the support of the new generation of information technology, the Company sped up the pace of digital transformation. With customers as the centre and digital technology as the medium, the Company served and empowered our business and sped up the pace of digital transformation. We accelerated the construction of Concentric Cloud and provided uniform infrastructure facilities of cloud-based information services to respond to business needs quickly. We have been continuously optimising our supply chain business and empowering upstream and downstream suppliers and customers, so as to achieve highly-efficient synergy in the industry chain and enhance the consistency in product quality.

2. DIVIDENDS AND CAPITALISATION OF RESERVE

On 29 June 2020, the Company's 2019 profit distribution proposal was considered and approved at the Company's 2019 annual general meeting. Based on the 7,933,873,895 shares eligible for distribution as at 31 December 2019, the Company distributed to all shareholders a cash dividend of RMB1.36 (including tax) for every 10 shares held, without any capitalisation of reserve.

On 27 August 2020, 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 RMB1.50 (including tax) for every 10 shares held, based on the total number of shares of the Company of 7,933,873,895 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 2020 interim dividend.

3. DEVELOPMENT OUTLOOK AND PROSPECTS

Looking to the second half of 2020, under the impact of COVID-19 outbreak around the globe, uncertainties arise due to the hindered industry and supply chain cycles, shrinking international trading and investment, and severely restricted export, resulting in severe global economic downturn. Considering both domestic and international situation, it is generally believed that the economy of China in the second half of 2020 will still have to face a greater downward pressure. Nevertheless, with the impact of a new "dual circulation" development model comprising both new and traditional infrastructure projects, greater effort in environmental governance, more stringent policies against overloading as well as acceleration of elimination and replacement of China III trucks, it is estimated that there is still a large room for growth in the industry, which will bring opportunities for the high-quality development of the Company's domestic business. Meanwhile, as automated logistics becomes a new trend and market demands for forklift trucks recovered, the Company's intelligent logistics business is expected to see a restorative growth.

By adhering to the principle of aiming at customer satisfaction, focusing on segment markets, speeding up the pace of technology innovation and optimising the operating eco-system, the Company is determined to accomplish its full-year goals.

Focusing on the sales target of million units of engines, the Company will seize opportunities in market expansion. Adhering to the customer demand-oriented approach, the Company will seize the development opportunity in the post-pandemic era, make great efforts to improve product offerings, steadfastly capture the market and secure the orders. We will focus on road-going and non-road-going segment markets and the development pattern of the industry, make a good planning of products for the "14th Five-Year Plan" and build a precise and scientific product structure. Leveraging the terminal digital analysis platform, we will conduct data-mining analysis of the growing markets and key markets, push ahead with the enhancement of marketing capability during all processes, along the entire value chain and throughout the lifecycle, with an aim to develop key customers and products and achieve breakthroughs in segment

markets precisely. The Company will continue the innovation-driven approach, and speed up the transformation and upgrade of products. Through coordinating global R&D resources, and optimising a new four-in-one innovation system consisting of “self-developed innovation+ open innovation+ professional innovation+ basic-research innovation”, the Company will expedite the construction of a new energy complete vehicle platform and a power system platform in order to bring highly-efficient synergy in the new energy business. We will speed up our efforts in achieving breakthroughs in key technologies of high-end hydraulic pumps and motor, and advanced hydraulic powertrain control in order to systematically upgrade the performance of our products. We will also optimise a forward engineering process for automatic electric control system, accelerate research on common key technologies of engine electric control, new energy electric control, powertrain electric control and smart network, to develop products with our own self-developed core technologies and market competitiveness. Furthermore, we will strengthen the R&D, production and supply of core components including fuel system, pressure charging system and post-processing system while maintaining the stability of the supply chain. We will step up on constructing an ecosystem for innovation and achieve a new height in business and entrepreneurship. On the basis of new landscape, new technologies and new demands, the Company will strive to do our best in the top-level design for the management of an innovation eco-system and enhance the integration of industry-university-research innovation chain to build a pool for innovative resources. We will step up the organisational reform of the R&D system and establish a multi-level incentive system with results-sharing and upfront incentives to encourage innovation. We will strengthen the talent-pool building, create innovative culture and atmosphere, introduce high-level talents domestically and abroad to build a team of international talents with a reasonable mix of different age groups and a scientific medium-to-high level hierarchy. We will also improve the honour system for employees to achieve mutual growth and development of our employees and of the Company, thereby fully enhancing the core competitiveness of the Company.

4. APPRECIATION

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

MANAGEMENT DISCUSSION AND ANALYSIS

The Directors are pleased to present a management discussion and analysis of the results of operations of the Group for the six months ended 30 June 2020 as follows:

I. Industry Analysis

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

1. *Commercial Vehicles and Construction Machinery Industries*

In the first half of 2020, facing the severe situation of the COVID-19 pandemic, the industry and supply chain cycles have been significantly affected, and international trading has been shrinking, resulting in an unprecedented hit on the global economy. The Chinese government implemented effective measures to prevent and control the spread of COVID-19 and to resume economic development. With the rapid resumption of operation and production, the domestic economic growth turned from negative to positive in the second quarter, indicating a steady recovery in the economy. In the first half of the year, the gross domestic product of the PRC reached RMB45.7 trillion, representing a year-on-year decrease of approximately 1.6%. From a quarterly perspective, the gross domestic product decreased by 6.8% in the first quarter and grew by 3.2% in the second quarter compared to the corresponding periods last year.

Benefitting from the favourable factors such as continuous progress made in containing COVID-19, there have been signs of recovery in the domestic economy. Affected by factors including the advancement of fixed assets investment and new infrastructure projects, upgrade of emission standards and rising demand for vehicle replacement, the domestic commercial vehicles and construction machinery industries operated at a high level.

2. *Forklift Truck and Supply Chain Solutions Industry*

During the Period, the International Monetary Fund estimated a contraction of 4.9% in global economy in the year 2020 due to the restrictive measures implemented by countries in response to COVID-19, which also caused a direct impact on the demand for industrial forklift trucks. Orders for industrial forklift trucks in the first half of 2020 decreased to approximately 706,400 units from approximately 759,500 units in the same period last year, representing a year-on-year decrease of approximately 7.0%. In particular, Central and South America, Middle East

and Africa, West Europe and East Europe saw a relatively significant drop of approximately 20.7%, 18.9% 16.9% and 12.9%, respectively, as compared with the corresponding period last year, while Asia Pacific was the only region which recorded a slight growth. The supply chain solutions industry was affected by the global economic downturn, resulting in weak investment market sentiment.

II. The Group's Business

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

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

The Group has the most comprehensive powertrain system covering engines, gear boxes and axles. With the advantages of the globally coordinated R&D platform, the Company enhanced its core technologies and capitalised on the synergistic effect of the industry chain. In the first half of 2020, the Company sold a total of approximately 470,000 units of engines and approximately 605,000 units of gear boxes, representing a year-on-year increase of 19.2% and 4.0% as compared with approximately 394,000 units and approximately 582,000 units, respectively, in the corresponding period last year. The engines segment contributed approximately RMB22,372 million to the Group's sales revenue during the Period, representing an increase of approximately 18.0% from approximately RMB18,963 million for the corresponding period last year.

During the Period, Shaanxi Heavy-duty Motor Company Limited (陝西重型汽車有限公司), a controlling subsidiary of the Group, effectively mitigated the impacts of COVID-19, took advantage of the economic recovery, and seized the market share with full understanding of the needs of the industry. During the Period, the Group's aggregate sales of heavy-duty truck engines amounted to approximately 88,000 units, representing a year-on-year growth of approximately 2.1%.

2. *Intelligent Logistics*

During the Period, the industrial forklift trucks key markets of the Group were severely affected by the COVID-19 outbreak. Sales order for forklift trucks decreased from approximately 109,000 units in the corresponding period last year to approximately 89,000 units, representing a year-on-year decrease of approximately 18.5%. The total value of order intake for the first half of the year decreased by approximately 13.9% to EUR2,655 million, and the total value of order intake of supply chain solutions recorded a year-on-year increase of approximately 57.3% to EUR1,744 million due to big-ticket orders received from e-commerce customers. Intelligent logistics services contributed approximately RMB30,082 million to the Group's sales revenue during the Period, representing a year-on-year decrease of approximately 8.2%.

III. Financial Review

1. *The Group's Results of Operations*

a. *Revenue*

In the first half of 2020, the Group's revenue amounted to approximately RMB94,495 million, representing an increase of approximately RMB3,633 million or approximately 4.0% from approximately RMB90,862 million in the corresponding period in 2019. Largely benefitting from the effective prevention and control against the spread of COVID-19 across the country, there have been signs of gradual recovery of the economy. With favourable government policies, the domestic commercial vehicles and construction machinery industries maintained positive growth and revenue from the provision of intelligent logistics supply chain solutions remained stable. Revenue from principal operations increased by approximately 2.2% from approximately RMB89,130 million in the corresponding period last year to approximately RMB91,070 million for the Period.

b. *Profit from Principal Operations*

During the Period, the Group generated profit from principal operations in the amount of approximately RMB18,231 million, representing a decrease of approximately RMB1,335 million or 6.8% from approximately RMB19,566 million recorded in the corresponding period in 2019. This was mainly attributable to the restrictive measures adopted by various countries in Europe and the United States to control the spread of COVID-19 which led to a decrease in the revenue from intelligent logistics business. The Group strictly controlled the costs during the Period to maintain a stable profit margin from principal operations at approximately 20.0%.

c. *Distribution and Selling Expenses*

During the Period, the distribution and selling expenses amounted to approximately RMB5,313 million, representing a decrease of approximately RMB57 million or 1.1% from approximately RMB5,370 million in the corresponding period of 2019. The decrease of distribution and selling expenses was primarily attributable to a decrease in both the after-sales and repair fees and the costs of freight and packaging. With the effective control over the total expenses, the distribution and selling expenses as a percentage of revenue decreased to approximately 5.6% during the Period from approximately 5.9% during the corresponding period last year.

d. *General and Administrative Expenses*

General and administrative expenses increased by approximately RMB116 million or 3.5% from approximately RMB3,281 million in the corresponding period of 2019 to approximately RMB3,397 million in the Period. During the Period, the overall expenses were under effective control. The general and administrative expenses as a percentage of revenue was maintained at the same level as in the corresponding period last year at approximately 3.6%.

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

During the Period, the Group's EBIT was approximately RMB7,293 million, representing a decrease of approximately RMB1,655 million or 18.5% from approximately RMB8,948 million in the corresponding period last year. The decrease in EBIT was primarily attributable to the influence of COVID-19, leading to a decrease in the profit contributed by the intelligent logistics business during the Period. However, the Group maintained an optimistic outlook for the future prospects and increased its investment in research and development, bringing down EBIT margin of the Group from approximately 9.8% in the corresponding period of 2019 to approximately 7.7% in the Period.

f. *Finance Expenses*

Finance expenses increased by approximately 17.6% to approximately RMB166 million in the Period from approximately RMB141 million in the corresponding period of 2019. This was mainly attributable to exchange gains and losses and the increase in handling fees on bank loans.

g. *Income Tax Expenses*

The Group's income tax expenses decreased by 31.2% from approximately RMB1,458 million in the corresponding period in 2019 to approximately RMB1,003 million in the Period, which was mainly attributable to the decrease in offshore profits. During the Period, the Group's average effective tax rate was at approximately 15.0%, representing a decrease of 2.5 percentage points from approximately 17.5% in the corresponding period last year.

h. *Net Profit and Net Profit Margin*

The Group's net profit for the Period was approximately RMB5,702 million, representing a decrease of approximately RMB1,191 million or 17.3% from approximately RMB6,893 million in the corresponding period of last year. Net profit margin for the Period was approximately 6.0%, which decreased by 1.6 percentage points from approximately 7.6% in the corresponding period of last year. This was primarily attributable to the influence of COVID-19 on the revenue from the intelligent logistics business, the decrease in profit contribution and the increase in research and development expenses.

i. *Liquidity and Cash Flow*

During the Period, the Group generated net operating cash flows of approximately RMB4,036 million and cash inflow from financing activities of approximately RMB18,912 million. A portion of such proceeds was applied to repaying debts, acquiring 100% equity interest in Digital Application International Limited (total consideration amounting to approximately EUR 110 million) and paying for the acquisition of property, plant and equipment for the expansion of the Group's business. As of 30 June 2020, the Group's gearing ratio (interest-bearing debts/(interest-bearing debts + shareholders' equity)) was approximately 30.5% (31 December 2019: approximately 29.9%).

2. *Financial Position*

a. *Assets and Liabilities*

As at 30 June 2020, the Group had total assets of approximately RMB260,978 million, of which approximately RMB145,162 million were current assets. As at 30 June 2020, the Group had cash and cash equivalents of approximately RMB45,769 million (as at 31 December 2019: approximately RMB48,818 million). On the same date, the Group's total liabilities amounted to approximately RMB186,919 million, of which approximately RMB123,926 million were current liabilities. The current ratio was approximately 1.17x (as at 31 December 2019: 1.20x).

b. *Capital Structure*

As at 30 June 2020, the Group had total equity of approximately RMB74,059 million, of which approximately RMB48,707 million was attributable to equity holders of the Company and the balance was minority interests. Interest attributable to minority interest holders included the perpetual capital securities in the principal amount of US\$775 million issued in September 2017. The borrowings of the Group as at 30 June 2020 amounted to approximately RMB32,506 million, which included bonds of approximately RMB13,331 million and bank borrowings of approximately RMB19,175 million. The bank borrowings included approximately RMB4,977 million of fixed interest rate bank borrowings and approximately RMB14,198 million of floating interest rate bank borrowings. Borrowings repayable on demand or within a period not exceeding one year were approximately RMB8,882 million; borrowings repayable within a period of more than one year but not exceeding two years were approximately RMB3,052 million; borrowings repayable within a period of more than two years but not exceeding five years were approximately RMB6,668 million; and borrowings repayable within a period of more than five years were approximately RMB573 million. Other than Euro denominated borrowings, USD-denominated borrowings and GBP-denominated borrowings equivalent to approximately RMB14,057 million, RMB1,635 million and RMB242 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 maximising the return to shareholders through the optimisation of the debts and equity balance. The Group's overall strategy remains unchanged from prior years.

c. *Pledge of Assets*

As at 30 June 2020, cash and cash equivalents, notes receivable, receivable financing and accounts receivable of approximately RMB20,915 million (as at 31 December 2019: RMB22,897 million) were pledged to banks to secure the Group's notes payable, letter of guarantee and letter of credit, etc. issued by banks. The pledged bank deposits carry prevailing bank interest

rates. The pledge will be released upon the settlement of the relevant bank borrowings. The fair value of the bank deposits as at the balance sheet date was approximately the same as the carrying amount. Certain other assets were also pledged by the Group to secure the Group's borrowings.

d. Contingencies

As at 30 June 2020, the Group provided certain distributors and agents bank guarantee amounting to approximately RMB3,853 million (as at 31 December 2019: approximately RMB2,643 million) to secure their obtaining and use of banking facilities.

As at 30 June 2020, 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 RMB3,377 million (as at 31 December 2019: approximately RMB2,734 million).

e. Commitments

As at 30 June 2020, the Group had capital commitments of approximately RMB3,369 million (as at 31 December 2019: approximately RMB3,088 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 2020, the Group had approximately 82,900 employees (including approximately 35,600 employees of KION). During the Period, the Group had paid remuneration of approximately RMB13,292 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.

b. Major Investment, Acquisition and Disposal

The Group did not have any major investment, acquisition or disposal during the Period.

c. Subsequent Events

On 27 August 2020, under the authority granted by the shareholders of the Company, the Board considered and approved the distribution to all shareholders of cash dividend of RMB1.50 (including tax) for every 10 shares held, based on the total number of shares of the Company of 7,933,873,895 shares, without any capitalisation of reserve.

OTHER INFORMATION

Directors' and Supervisors' Interests in Shares and Underlying Shares

As at 30 June 2020, 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 Stock Exchange of Hong Kong Limited (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 <i>(Note 1)</i> | – | 0.74% |
| Zhang Quan | Beneficial owner | 13,684,324 <i>(Note 1)</i> | – | 0.17% |
| Xu Xinyu | Beneficial owner | 13,684,324 <i>(Note 1)</i> | – | 0.17% |
| Sun Shaojun | Beneficial owner | 13,684,324 <i>(Note 1)</i> | – | 0.17% |
| Yuan Hongming | Beneficial owner | 1,000,440 | – | 0.013% |
| | Interest held by spouse | 444 | – | 0.000006% |
| | | <hr/> | | <hr/> |
| | | 1,000,884 | – | 0.013% |
| Yan Jianbo | Beneficial owner | 1,097,904 | – | 0.014% |
| Wen Daocai | Beneficial owner | 21,940 | – | 0.0003% |

| Name of Supervisor | Capacity | Number of “A” shares held | Number of “H” shares held | Percentage of the issued share capital of the Company |
|--------------------|------------------|---------------------------|---------------------------|---|
| Lu Wenwu | Beneficial owner | 600,000 | – | 0.0076% |
| Wu Hongwei | Beneficial owner | 4,789,516 | – | 0.06% |

Notes:

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 7,933,873,895 issued shares of the Company as at 30 June 2020 (comprising 5,990,833,895 “A” shares and 1,943,040,000 “H” shares).

Interests in the shares of associated corporations of the Company

| Name of Director | Name of associated corporation | Nature of interest | Class and number of securities interested or deemed to be interested | Approximate percentage interest in the entire issued share capital of associated corporation |
|---------------------------------|--------------------------------|-------------------------|--|--|
| Gordon Riske (<i>Note</i>) | KION Group AG (“KION”) | Beneficial owner | 144,060 ordinary shares | 0.12% |
| | | Interest held by spouse | 93,940 ordinary shares | 0.08% |
| | | | 238,000 ordinary shares | 0.20% |

Note: Gordon Riske, a non-executive Director, was the beneficial owner of 144,060 ordinary 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 2020, 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 2020)

| | Before the movement | | New shares issued | Increase/decrease in the movement (+,-) | | | | After the movement | |
|--|---------------------|----------------|-------------------|---|---------------------------|-----------|-----------|--------------------|----------------|
| | No. of shares | Percentage (%) | | Bonus issue | Capitalisation of reserve | Others | Sub-total | No. of shares | Percentage (%) |
| I. Restricted circulating shares | 1,745,832,270 | 22.00% | - | - | - | 685,800 | 685,800 | 1,746,518,070 | 22.01% |
| 1. State-owned shares | - | - | - | - | - | - | - | - | - |
| 2. State-owned legal person shares | 1,642,531,008 | 20.70% | - | - | - | - | - | 1,642,531,008 | 20.70% |
| 3. Shares held by other domestic entities | 103,301,262 | 1.30% | - | - | - | 685,800 | 685,800 | 103,987,062 | 1.31% |
| including: Shares held by domestic non-state-owned legal persons | - | - | - | - | - | - | - | - | - |
| Shares held by domestic natural persons | 103,301,262 | 1.30% | - | - | - | 685,800 | 685,800 | 103,987,062 | 1.31% |
| 4. Shares held by foreign entities | - | - | - | - | - | - | - | - | - |
| including: Shares held by overseas legal persons | - | - | - | - | - | - | - | - | - |
| Shares held by overseas natural persons | - | - | - | - | - | - | - | - | - |
| II. Non-restricted circulating shares | 6,188,041,625 | 78.00% | - | - | - | (685,800) | (685,800) | 6,187,355,825 | 77.99% |
| 1. RMB ordinary shares | 4,245,001,625 | 53.51% | - | - | - | (685,800) | (685,800) | 4,244,315,825 | 53.50% |
| 2. Domestic listed foreign shares | - | - | - | - | - | - | - | - | - |
| 3. Overseas listed foreign shares | 1,943,040,000 | 24.49% | - | - | - | - | - | 1,943,040,000 | 24.49% |
| 4. Others | - | - | - | - | - | - | - | - | - |
| III. Total number of shares | 7,933,873,895 | 100% | - | - | - | - | - | 7,933,873,895 | 100% |

(II) Shareholdings of the Substantial Shareholders (as at 30 June 2020)

Total number of Shareholders The number of shareholders is 183,187 among which 182,936 are shareholders of “A” shares and 251 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 | 24.43% | 1,938,424,316 | | N/A |
| Weichai Group Holdings Limited | State-owned legal person | 17.72% | 1,406,100,000 | 1,345,905,600 | – |
| Hong Kong Securities Clearing Company Limited | Overseas legal person | 7.71% | 611,939,409 | | – |
| Weifang Investment Group Company Limited | State-owned legal person | 3.74% | 296,625,408 | 296,625,408 | – |
| China Securities Finance Corporation Limited | Domestic non-state-owned legal person | 2.06% | 163,608,906 | | – |
| IVM Technical Consultants Wien Gesellschaft m.b.H. | Overseas legal person | 1.51% | 119,618,700 | | – |
| Central Huijin Assets Management Company Limited | State-owned legal person | 1.37% | 108,492,800 | | – |
| Shandong Enterprise Trust Operation Company Limited | Domestic non-state-owned legal person | 0.85% | 67,211,460 | | – |
| Tan Xuguang | Domestic natural person | 0.74% | 58,842,596 | 44,131,947 | – |
| Bank of Communications – Rongtong Industry Prosperous Securities Investment Fund | Funds and wealth management products etc. | 0.61% | 48,677,878 | | – |

Shareholdings of the top ten non-restricted shareholders

| Name of shareholder | Number of the non-restricted shares held | Types of shares |
|--|---|--------------------------------|
| HKSCC Nominees Limited | 1,938,424,316 | Overseas listed foreign shares |
| Hong Kong Securities Clearing Company Limited | 611,939,409 | RMB ordinary shares |
| China Securities Finance Corporation Limited | 163,608,906 | RMB ordinary shares |
| IVM Technical Consultants Wien Gesellschaft m.b.H. | 119,618,700 | RMB ordinary shares |
| Central Huijin Assets Management Company Limited | 108,492,800 | RMB ordinary shares |
| Shandong Enterprise Trust Operation Company Limited | 67,211,460 | RMB ordinary shares |
| Weichai Group Holdings Limited | 60,194,400 | RMB ordinary shares |
| Bank of Communications – Rongtong Industry Prosperous Securities Investment Fund | 48,677,878 | RMB ordinary shares |
| Hu Zhongxiang | 44,466,545 | RMB ordinary shares |
| China AMC – Agricultural Bank of China – China AMC China Securities and Financial Assets Management Plan | 33,002,800 | 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 2020, 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 | 1,406,100,000 | 23.47% | – | – | 17.72% |
| Shandong Heavy Industry Group Co., Ltd. (Note 1) | Interest of corporation controlled by you | Long | 1,406,100,000 | 23.47% | – | – | 17.72% |
| Brandes Investment Partners, LP (Note 3) | Investment manager | Long | – | – | 78,578,612 | 16.18% | 3.96% |
| Lazard Emerging Markets Equity Portfolio (Note 4) | Investment manager | Long | – | – | 23,707,500 | 5.86% | 1.43% |
| Barclays PLC (Note 3) | Person having a security interest in shares | Long | – | – | 525,552 | 0.11% | 0.03% |
| | Interest of corporation controlled by you | Long | – | – | 25,453,050 | 5.24% | 1.28% |
| | | | | | <u>25,978,602</u> | <u>5.35%</u> | <u>1.31%</u> |
| | Interest of corporation controlled by you | Short | – | – | 24,102,475 | 4.96% | 1.22% |
| Morgan Stanley (Note 2) | Interest of corporation controlled by you | Long | – | – | 49,335,508 | 5.08% | 1.24% |
| | Interest of corporation controlled by you | Short | – | – | 42,078,545 | 4.33% | 1.06% |
| Lazard Asset Management LLC | Investment manager | Long | – | – | 328,810,940 | 16.92% | 4.14% |
| BlackRock, Inc. | Interest of corporation controlled by you | Long | – | – | 100,958,902 | 5.20% | 1.27% |
| | Interest of corporation controlled by you | Short | – | – | 2,357,000 | 0.12% | 0.03% |
| Citigroup Inc. | Interest of corporation controlled by you | Long | – | – | 2,317,299 | 0.12% | 0.03% |

| 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 |
|---|---|----------------------------|-----------------------|---|-----------------------|---|---|
| | Person having a security interest in shares | Long | - | - | 484,844 | 0.02% | 0.00% |
| | Approved lending agent | Long | - | - | 133,206,006 | 6.85% | 1.68% |
| | | | | | <u>136,008,149</u> | <u>6.99%</u> | <u>1.71%</u> |
| | Interest of corporation controlled by you | Short | - | - | 17,156 | 0.00% | 0.00% |
| Brown Brothers Harriman & Co. | Agent | Long | - | - | 116,949,106 | 6.02% | 1.47% |
| The Bank of New York Mellon Corporation | Interest of corporation controlled by you | Long | - | - | 66,693,372 | 3.43% | 0.84% |
| | Approved lending agent | Long | - | - | 48,814,334 | 2.51% | 0.62% |
| | | | | | <u>115,507,706</u> | <u>5.94%</u> | <u>1.46%</u> |
| | Interest of corporation controlled by you | Short | - | - | 64,595,640 | 3.32% | 0.81% |

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 2020.

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 Ms. Jiang Yan, an independent non-executive Director. Ms. Jiang has appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules for the purpose of this appointment. 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 with the Company's auditors 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 and the aforementioned code of conduct of the Company 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 27 August 2020.

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

The 2020 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, 27 August 2020

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