WEICHAI

濰柴動力股份有限公司
WEICHAI POWER CO., LTD.

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

(Stock Code: 2338)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2014

FINANCIAL HIGHLIGHTS

- Revenue amounted to approximately RMB34,111 million, increased by approximately 10.3%.
- Net Profit Attributable to the Shareholders of the Parent amounted to approximately RMB3,765 million, increased by approximately 80.6%.
- Basic Earnings Per Share was approximately RMB1.88, increased by approximately 80.8%.

(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 Mainland Accounting Standards for the six months ended 30 June 2014 (the “Period”), together with comparative figures for the corresponding period of 2013 as follows:

CONSOLIDATED INCOME STATEMENT

January to June 2014 (Expressed in Renminbi Yuan)

	Notes	**January to June 2014 (unaudited)**	January to June 2013 (unaudited)
Revenue	*7*	**34,111,434,568.32**	30,921,619,033.95
Cost of sales	*7*	**27,143,799,729.80**	24,639,987,069.30
Taxes and surcharges	*8*	**146,790,621.00**	141,314,886.82
Distribution and selling expenses		**1,543,287,260.29**	1,535,460,534.86
General and administrative expenses		**2,078,454,681.26**	1,749,371,137.22
Financial expenses		**104,747,315.66**	63,849,988.00
Impairment loss of assets		**273,454,327.04**	225,290,766.47
Gain on fair value changes		**(150,137,868.78)**	132,974,506.91
Investment income		**1,743,670,915.56**	11,820,004.38
Incl: Share of profit of associates and jointly controlled enterprises		**94,884,597.49**	5,694,427.50
Operating profit		**4,414,433,680.05**	2,711,139,162.57
Add: Non-operating income		**74,116,130.10**	57,517,399.66
Less: Non-operating expenses		**12,397,585.18**	15,148,512.80
Incl: Loss on disposal of non-current assets		**6,156,044.70**	7,038,956.17
Total profit		**4,476,152,224.97**	2,753,508,049.43
Less: Income tax expense	*9*	**481,695,914.07**	464,046,511.72
Net profit		**3,994,456,310.90**	2,289,461,537.71
Net profit attributable to the shareholders of the parent		**3,764,836,231.86**	2,084,967,415.03
Minority interests		**229,620,079.04**	204,494,122.68
Earnings per share	*10*		
Basic earnings per share		**1.88**	1.04
Other comprehensive income	*11*	**(162,820,147.71)**	(72,157,503.72)
Total comprehensive income		**3,831,636,163.19**	2,217,304,033.99
Incl:			
Total comprehensive income attributable to the shareholders of the parent		**3,604,488,007.62**	2,002,770,768.89
Total comprehensive income attributable to minority owners		**227,148,155.57**	214,533,265.10

CONSOLIDATED BALANCE SHEET

30 June 2014 (Expressed in Renminbi Yuan)

ASSETS	*Notes*	**30 June 2014 (unaudited)**	31 December 2013 (audited)
Current assets			
Cash and cash equivalents		**19,841,947,842.96**	19,580,127,632.91
Financial assets at fair value through profit or loss		**16,814,383.80**	51,077,466.30
Notes receivable	*3*	**17,699,323,219.17**	14,126,950,813.40
Accounts receivable	*4*	**12,455,618,495.54**	4,440,534,339.82
Prepayments		**616,806,087.99**	405,481,103.37
Dividends receivable		**3,040,000.00**	3,040,000.00
Interests receivable		**1,040,845.68**	15,439,001.39
Other receivables		**888,740,446.10**	382,476,843.43
Inventories		**14,177,146,738.46**	8,573,263,068.43
Non-current assets due within one year		**1,529,815,114.80**	–
Other current assets		**1,376,528,607.49**	471,818,015.98
Total current assets		**68,606,821,781.99**	48,050,208,285.03
Non-current assets			
Available-for-sale financial assets		**396,764,208.11**	294,601,926.11
Held-to-maturity investments		**16,789.20**	–
Long-term receivables		**2,588,903,034.60**	–
Long-term equity investments		**1,532,121,207.19**	7,789,229,080.64
Investment property		**534,790,690.32**	547,396,551.63
Fixed assets		**23,091,233,727.99**	13,149,176,100.96
Construction in progress		**3,597,439,039.56**	3,284,090,409.80
Materials used in construction		**486,829.07**	16,914.51
Disposal of fixed assets		**2,205,706.95**	1,267,095.38
Intangible assets		**12,393,232,254.51**	2,273,431,309.49
Development expenditure		**2,558,953,134.19**	497,418,862.34
Goodwill		**9,308,350,005.23**	1,430,849,833.51
Long-term prepaid expenses		**157,068,123.26**	158,779,148.42
Deferred tax assets		**3,482,955,924.32**	785,535,351.82
Other non-current assets		**184,152,340.20**	259,807,862.57
Total non-current assets		**59,828,673,014.70**	30,471,600,447.18
Total assets		**128,435,494,796.69**	78,521,808,732.21

LIABILITIES AND EQUITY	*Notes*	**30 June 2014 (unaudited)**	31 December 2013 (audited)
Current liabilities			
Short-term loans		**3,303,332,520.65**	1,245,568,357.29
Financial liabilities held for trading		**42,535,438.20**	–
Notes payable	*5*	**7,142,960,118.99**	6,687,151,599.77
Accounts payable	*6*	**20,319,303,916.01**	13,472,675,550.89
Advances from customers		**1,907,214,186.34**	1,211,259,736.92
Payroll payable		**2,939,550,651.36**	1,175,313,751.59
Taxes payable		**1,414,763,287.45**	552,024,065.76
Interests payable		**310,929,540.49**	132,089,773.25
Dividends payable		**301,611,293.21**	43,101,211.76
Other payables		**4,668,432,934.01**	3,398,458,815.35
Non-current liabilities due within one year		**3,368,963,758.02**	352,375,772.74
Other current liabilities		**2,525,505,905.56**	1,028,305,788.79
Total current liabilities		**48,245,103,550.29**	29,298,324,424.11
Non-current liabilities			
Long-term borrowings		**13,594,594,951.98**	9,146,039,593.52
Bonds payable		**7,627,965,055.49**	3,493,858,837.76
Long-term payables		**5,471,375,162.80**	8,847,480.34
Special payables		**53,000,000.00**	53,000,000.00
Provisions		**502,859,373.31**	–
Long-term payroll payable		**6,251,076,229.26**	606,487,220.23
Deferred tax liabilities		**3,965,073,414.50**	146,119,914.93
Other non-current liabilities		**2,117,782,035.37**	1,441,819,889.93
Total non-current liabilities		**39,583,726,222.71**	14,896,172,936.71
Total liabilities		**87,828,829,773.00**	44,194,497,360.82
Shareholders' equity			
Share capital		**1,999,309,639.00**	1,999,309,639.00
Capital reserve		**1,114,853,808.13**	703,970,229.92
Special reserve		**46,818,762.07**	35,605,889.68
Surplus reserve		**2,683,223,334.61**	2,683,223,334.61
Retained earnings		**25,729,476,604.93**	22,264,536,818.92
Exchange differences on foreign currency translation		**1,082,433.01**	36,527,719.49
Total equity attributable to the shareholders of the parent		**31,574,764,581.75**	27,723,173,631.62
Minority interests		**9,031,900,441.94**	6,604,137,739.77
Total shareholders' equity		**40,606,665,023.69**	34,327,311,371.39
Total liabilities and shareholders' equity		**128,435,494,796.69**	78,521,808,732.21

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
30 June 2014

1. SIGNIFICANT ACCOUNTING POLICIES

a. Preparation basis of the financial statements

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

These interim financial statements include selected explanatory notes, which are provided for easy understanding of the Group's important events and transactions leading to its financial position and change of results of operations since the financial statements for the year ended 31 December 2013. These selected notes do not include all information and disclosures required under the Accounting Standards for Business Enterprises issued by MOF in 2006 for a full set of financial statements. As such, these statements shall be read in conjunction with the financial statements for the year ended 31 December 2013.

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

Other than certain financial instruments, these financial statements have been prepared at historical costs. If the assets are impaired, corresponding provisions for impairment shall be made according to relevant provisions.

b. Adoption of certain amended/new accounting standards

In January to March 2014, the MOF formulated the "Accounting Standard for Business Enterprises No. 39 – Fair Value Measurement", "Accounting Standard for Business Enterprises No. 40 – Joint Arrangements" and issued amendments to "Accounting Standard for Business Enterprises No. 30 – Presentation of Financial Statements", "Accounting Standard for Business Enterprises No. 9 – Employee Benefits", "Accounting Standard for Business Enterprises No. 33 – Consolidated Financial Statements", "Accounting Standard for Business Enterprises No. 2 – Long-term equity investments". The 6 accounting standards above will become effective from 1 July 2014, and early adoption is encouraged for entities listed overseas. As a locally and overseas listed company, the Company adopted the 6 accounting standards above in its preparation of the financial statements 2013, and transitional arrangements have been made where appropriate. For major impacts, please refer to the Group's financial statements for the year ended 31 December 2013.

c. Business combination

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

Business combinations involving entities under common control

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

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

Business combinations not involving entities under common control

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

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

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

For a business combination involving enterprises not under common control and achieved in stages, the Group remeasures its previously-held equity interest in the acquiree to its fair value at the acquisition date. The difference between the fair value and the carrying amount is recognized as investment income for the current period; the amount recognized in other comprehensive income relating to the previously-held equity interest in the acquiree is reclassified as investment income for the current period.

d. Consolidated financial statements

The consolidation scope of consolidated financial statements is determined on the basis of control, including the financial statements for the half year ended 30 June 2014 of the Company and all of its subsidiaries. A subsidiary is an enterprise or entity that is controlled by the Company.

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

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

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

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

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

2. SEGMENT REPORTING

Operating segments

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

The details of operating segments are as follows:

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

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

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

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

(e) Forklift trucks production and warehousing technology services ("Forklift trucks and warehouses technology services").

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

Other than Forklift trucks and warehouses technology services, segment assets exclude equity investments at fair value through profit or loss for the current period, derivative instruments, dividends receivable, interests receivable, available-for-sale financial assets, long-term equity investments, goodwill, deferred tax assets and other unallocated head office assets as these assets are managed on a group basis.

Other than Forklift trucks and warehouses technology services, segment liabilities exclude derivative instruments, borrowings, income tax payable, deferred tax liabilities and other unallocated head office liabilities as these liabilities are managed on a group basis.

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

January to June 2014 (unaudited)

	Diesel engines	Automobiles and other major automobile components	Other components	Import & export services	Total
Segment revenue:					
Sale to external customers	13,203,613,889.43	19,251,488,621.11	1,613,078,710.78	43,253,347.00	34,111,434,568.32
Inter-segment sale	3,178,851,188.45	1,392,064.54	69,218,609.66	24,413,603.15	3,273,875,465.80
Total	16,382,465,077.88	19,252,880,685.65	1,682,297,320.44	67,666,950.15	37,385,310,034.12
Adjustment:					
Elimination of inter-segment sale					(3,273,875,465.80)
Revenue					34,111,434,568.32
Segment results	2,661,945,257.80	490,599,913.38	(161,074,322.08)	(55,578,065.96)	2,935,892,783.14
Adjustment:					
Elimination of inter-segment results					(87,375,393.10)
Interest income					165,994,973.63
Dividend income and unallocated income					1,744,779,735.77
Corporate and other unallocated expenses					(12,397,585.18)
Finance expenses					(270,742,289.29)
Profit before tax					4,476,152,224.97

30 June 2014 (unaudited)

	Diesel engines	Automobiles and other major automobile components	Other components	Import & export services	Forklift trucks and warehouses technology services	Total
Segment assets	28,667,704,123.84	27,658,504,609.98	52,220,540,957.45	7,263,944,457.49	43,307,977,533.48	159,118,671,682.24
Adjustment:						
Elimination of inter-segment receivables						(53,203,936,399.16)
Corporate and other unallocated assets						22,520,759,513.61
Total assets						128,435,494,796.69
Segment liabilities	17,132,401,326.94	16,557,026,803.19	9,334,675,930.48	1,201,364,089.21	39,765,369,949.29	83,990,838,099.11
Adjustment:						
Elimination of inter-segment payables						(10,857,568,702.97)
Corporate and other unallocated liabilities						14,695,560,376.86
Total liabilities						87,828,829,773.00

January to June 2014 (unaudited)

	Diesel engines	Automobiles and other major automobile components	Other components	Import & export services	Forklift trucks and warehouses technology services	Total
Other segment information:						
Share of profit and loss from:						
Gain/(loss) from associates	**(5,250,690.81)**	**17,921,668.62**	**(107,568,664.45)**	**13,089.15**	**–**	**(94,884,597.49)**
Reversal of impairment of inventories	**8,725,278.57**	**26,270,358.93**	**6,635,781.20**	**–**	**–**	**41,631,418.70**
Reversal of impairment of accounts receivable and other receivables	**100,687,846.96**	**96,926,798.09**	**1,974,090.36**	**8,125.10**	**–**	**199,596,860.51**
Depreciation and amortization	**(461,588,347.75)**	**(462,261,821.96)**	**(129,154,504.45)**	**(12,021,406.23)**	**–**	**(1,065,026,080.39)**
Gain/(loss) from disposal of fixed assets	**(2,599,467.11)**	**(2,054,468.62)**	**(396,180.95)**	**6,021.02**	**–**	**(5,044,095.66)**
Investment in associates	**581,111,467.88**	**520,764,331.58**	**–**	**42,412,847.83**	**387,832,559.90**	**1,532,121,207.19**
Capital expenditure	**(349,865,446.51)**	**(496,083,134.66)**	**(119,743,554.51)**	**(12,824,754.48)**	**–**	**(978,516,890.16)**

January to June 2013 (unaudited)

	Diesel engines	Automobiles and other major automobile components	Other components	Import & export services	Total
Segment revenue:					
Sale to external customers	11,972,364,977.37	17,296,054,743.43	1,613,983,726.96	39,215,586.19	30,921,619,033.95
Inter-segment sale	2,594,759,838.62	–	58,925,998.45	19,716,980.61	2,673,402,817.68
Total	14,567,124,815.99	17,296,054,743.43	1,672,909,725.41	58,932,566.80	33,595,021,851.63
Adjustment:					
Elimination of inter-segment sale					(2,673,402,817.68)
Revenue					30,921,619,033.95
Segment results	2,198,084,985.11	493,016,069.75	63,819,224.03	(12,921,846.98)	2,741,998,431.91
Adjustment:					
Elimination of inter-segment results					32,990,718.66
Interest income					166,943,761.39
Dividend income and unallocated income					57,517,399.66
Corporate and other unallocated expenses					(15,148,512.80)
Finance expenses					(230,793,749.39)
Profit before tax					2,753,508,049.43

31 December 2013 (audited)

	Diesel engines	Automobiles and other major automobile components	Other components	Import & export services	Total
Segment assets	24,189,673,974.35	23,639,584,456.15	11,454,532,778.06	7,663,715,242.80	66,947,506,451.36
Adjustment:					
Elimination of inter-segment receivables					(9,085,962,629.99)
Corporate and other unallocated assets					20,660,264,910.84
Total assets					78,521,808,732.21
Segment liabilities	15,027,825,105.50	13,211,435,355.75	9,279,975,579.38	1,148,350,660.40	38,667,586,701.03
Adjustment:					
Elimination of inter-segment payables					(9,123,792,212.63)
Corporate and other unallocated liabilities					14,650,702,872.42
Total liabilities					44,194,497,360.82

January to June 2013 (unaudited)

	Diesel engines	Automobiles and other major automobile components	Other components	Import & export services	Total
Other segment information:					
Share of profit and loss from:					
Gain/(loss) from associates	7,910,723.39	(9,634,844.79)	11,101,720.00	(3,683,171.10)	5,694,427.50
Loss of impairment of inventories	(3,676,325.83)	(82,005,919.86)	(9,239,783.97)	–	(94,922,029.66)
Loss of impairment of accounts receivable and other receivables	(63,434,691.78)	(65,253,937.96)	(1,486,331.73)	(152,101.99)	(130,327,063.46)
Depreciation and amortization	(383,949,107.86)	(482,476,324.87)	(124,395,045.76)	(10,452,619.93)	(1,001,273,098.42)
Loss from disposal of fixed assets	(484,208.87)	(4,484,295.94)	(319,401.47)	–	(5,287,906.28)
Investment in associates	569,398,767.85	534,303,851.77	6,436,326,383.00	42,527,031.37	7,582,556,033.99
Capital expenditure	(1,083,637,578.70)	(665,886,388.32)	(57,352,065.99)	(10,845,793.85)	(1,817,721,826.86)

Group information

Information about products and services

Revenue from external transactions

	January to June 2014 (unaudited)	January to June 2013 (unaudited)
Complete vehicles and key components	**24,411,992,291.42**	23,375,559,155.13
Non-automobile engines	**3,472,829,719.34**	2,110,443,082.22
Other automobile components	**4,146,833,165.64**	3,936,632,350.60
Others	**2,079,779,391.92**	1,498,984,446.00
	34,111,434,568.32	30,921,619,033.95

Geographic information

Revenue from external transactions

	January to June 2014 (unaudited)	January to June 2013 (unaudited)
China	**32,913,935,988.38**	29,708,201,575.05
Other countries and regions	**1,197,498,579.94**	1,213,417,458.90
	34,111,434,568.32	30,921,619,033.95

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

Total non-current assets

	30 June 2014 (unaudited)	31 December 2013 (audited)
China	**19,318,924,109.49**	19,532,242,876.22
Other countries and regions	**34,041,125,738.18**	9,610,323,933.43
	53,360,049,847.67	29,142,566,809.65

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

Information about major customers

Revenue of RMB5,897,498,647.01 (January to June 2013: RMB3,349,655,861.41) was derived from sales by Diesel engines segment and Automobiles and other major automobile components segment to a single customer, including sales to a group of entities which are known to be under common control by that customer.

3. NOTES RECEIVABLE

	30 June 2014 (unaudited)	31 December 2013 (audited)
Bank acceptance bills	**17,668,455,219.17**	14,103,414,397.06
Commercial acceptance bills	**30,868,000.00**	23,536,416.34
	17,699,323,219.17	14,126,950,813.40

As at 30 June 2014, top 5 notes receivable that were pledged are presented as follows:

Issuer	Issuing date	Expiry date	Amount	Issued by
Anhui Hualing Automotive Co., Ltd	2014/5/30	2014/11/30	70,000,000.00	Everbright Bank
Dongfeng Liuzhou Motor Co., Ltd.	2014/4/1	2014/10/1	53,910,000.00	Everbright Bank
Anhui Hualing Automotive Co., Ltd	2014/3/31	2014/9/30	30,000,000.00	Everbright Bank
Xuzhou Xugong Excavator Machinery Co., Ltd.	2014/3/26	2014/9/26	25,000,000.00	Huaxia Bank
Anhui Hualing Automotive Co., Ltd	2013/3/31	2014/9/30	23,000,000.00	China Construction Bank
			201,910,000.00	

As at 31 December 2013, top 5 notes receivable that were pledged are presented as follows:

Issuer	Issuing date	Expiry date	Amount	Issued by
Shandong Lingong Construction Machinery Co., Ltd.	2013/9/27	2014/3/27	38,300,000.00	Everbright Bank
Anhui Hualing Automotive Co., Ltd	2013/9/26	2014/3/26	30,000,000.00	Huishang Bank
Shijiazhuang Chenyang Centrino Automobile Trading Co., Ltd	2013/11/29	2014/5/29	16,000,000.00	Guangdong Development Bank
Shanghai Hongzhao Investment Development Co., Ltd	2013/10/31	2014/4/30	15,000,000.00	Bank of Shanghai
Xuzhou Xugong Excavator Machinery Co., Ltd.	2013/9/30	2014/3/29	15,000,000.00	Bank of China
			114,300,000.00	

As at 30 June 2014 and 31 December 2013, the Group has not transferred any notes into accounts receivable due to issuers' failure in performance.

As at 30 June 2014, notes receivable already discounted to third parties but not yet expired amounted to RMB19,047,164.66. As at 30 June 2014, notes receivable in the amount of RMB13,177,155,172.19 which had been endorsed to other parties but not yet expired. The top 5 notes receivable outstanding are follows:

Issuer	Issuing date	Expiry date	Amount
Nanjing Xugong Automobile Co., Ltd	2014/5/8	2014/11/8	18,000,000.00
Zoomlion Heavy Industry Science and Technology Co., Ltd	2014/3/27	2014/9/27	18,000,000.00
Pang Da Brabus Auto Sales Service Limited	2014/5/15	2014/11/15	14,600,000.00
Shandong Liugong Concrete Equipments Co., Ltd	2014/6/12	2014/12/12	13,824,500.00
Zoomlion Heavy Industry Science and Technology Co., Ltd	2014/1/23	2014/7/21	10,000,000.00
			74,424,500.00

The top 5 notes receivable outstanding as at 31 December 2013 that had been endorsed to other parties are presented as follows:

Issuer	Issuing date	Expiry date	Amount
Dongfeng Motor Co., Ltd	2013/9/23	2014/3/23	50,000,000.00
Dongfeng Motor Co., Ltd	2013/9/23	2014/3/23	50,000,000.00
Dongfeng Motor Co., Ltd	2013/9/23	2014/3/23	50,000,000.00
Saic-iveco Hongyan Commercial Vehicle Co., Ltd.	2013/7/29	2014/1/29	20,000,000.00
Shanghai Hongzhao Investment Development Co., Ltd	2013/10/31	2014/4/30	15,000,000.00
			185,000,000.00

As at 30 June 2014, notes receivable amounting to RMB2,773,334,140.72 (31 December 2013: RMB2,162,362,220.85) was pledged to banks for establishment of bank acceptance bills. No notes receivable were pledged for short-term loans (31 December 2013: nil).

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 is generally one to six months, extending up to six months for major customers. Accounts receivable is non-interest bearing.

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

	30 June 2014 (unaudited)	31 December 2013 (audited)
Within 1 year	**12,413,979,489.00**	4,183,666,055.24
1 to 2 years	**212,065,785.64**	276,298,860.12
2 to 3 years	**121,157,668.75**	192,233,714.34
Over 3 years	**633,990,820.15**	517,257,771.77
	13,381,193,763.54	5,169,456,401.47
Less: provision for bad debt in respect of accounts receivable	**925,575,268.00**	728,922,061.65
	12,455,618,495.54	4,440,534,339.82

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

	30 June 2014 (unaudited)	31 December 2013 (audited)
Opening balance	**728,922,061.65**	671,668,964.81
Provision for the period/year	**214,357,208.64**	108,719,527.47
Adjustment for exchange differences	**(15,775.60)**	113,013.65
Decrease during the period/year:		
Reversal	**(16,781,923.92)**	(51,656,826.87)
Write-off	**(906,302.77)**	77,382.59
Closing balance	**925,575,268.00**	728,922,061.65

	30 June 2014 (unaudited)			
	Gross carrying amount	**Proportion (%)**	**Provision for bad debt**	**Percentage (%)**
Individually significant items for which provision for bad debt is recognized separately	**1,028,956,061.57**	**7.69**	**323,099,900.81**	**31.40**
Items for which provision for bad debt is recognized by group	**12,079,507,225.70**	**90.27**	**509,038,544.54**	**4.21**
Not individually significant items for which provision for bad debt is recognized separately	**272,730,476.27**	**2.04**	**93,436,822.65**	**34.26**
	13,381,193,763.54	**100.00**	**925,575,268.00**	

	31 December 2013 (audited)			
	Gross carrying amount	Proportion (%)	Provision for bad debt	Percentage (%)
Individually significant items for which provision for bad debt is recognized separately	1,678,212,894.61	32.47	385,259,234.36	22.96
Items for which provision for bad debt is recognized by group	3,073,350,608.67	59.45	248,249,743.32	8.08
Not individually significant items for which provision for bad debt is recognized separately	417,892,898.19	8.08	95,413,083.97	22.83
	5,169,456,401.47	100.00	728,922,061.65	

From January to June 2014, the reversal or recovery of significant accounts receivables are presented as follows:

	Reason for reversal or recovery	Basis for recognition of provision for original bad debts	Accumulated amount of provision for bad debts before the reversal or recovery	Amount reversed or recovered
Anhui Anyu Engineering Machinery Sales Co., Ltd	Partially or wholly recovery	Estimated recoverable amount	32,345,800.50	6,687,404.22
Shenyang Xin Jin Xing Car Sales Services Limited	Partially or wholly recovery	Estimated recoverable amount	5,987,103.22	2,209,848.72
Jining Shi Te Heavy Duty Vehicles Sales Co., Ltd	Partially or wholly recovery	Estimated recoverable amount	25,341,539.26	1,996,146.12
Weifang Haotai Machinery Co., Ltd	Partially or wholly recovery	Estimated recoverable amount	2,319,527.70	1,216,592.20
Sichuan Shuang Xia Automobile Co., Ltd	Partially or wholly recovery	Estimated recoverable amount	6,571,083.66	609,760.00
			72,565,054.34	12,719,751.26

In 2013, the reversal or recovery of significant accounts receivables are presented as follows:

	Reason for reversal or recovery	Basis for recognition of provision for original bad debts	Accumulated amount of provision for bad debts before the reversal or recovery	Amount reversed or recovered
Anhui Anyu Engineering Machinery Sales Co., Ltd	Partial or wholly recovery	Estimated recoverable amount	50,532,996.15	18,187,195.65
Datong City Yi Fu Commercial and Trading Co., Ltd	Partial or wholly recovery	Estimated recoverable amount	22,878,618.07	12,627,290.43
LLC PC ARGO (Russia)	Partial or wholly recovery	Estimated recoverable amount	6,347,690.76	4,357,891.41
Qingdao CAIEC Special Automobile Co., Ltd.	Partial or wholly recovery	Estimated recoverable amount	3,631,191.30	3,487,050.00
Dalian Shaanxi Automobile Sales Co., Ltd	Partial or wholly recovery	Estimated recoverable amount	24,972,976.55	1,084,860.00
			108,363,472.83	39,744,287.49

For the period from January to June 2014, accounts receivable written off amounted to RMB906,302.77 (2013: reversal of accounts receivable written off totally RMB77,382.59). Shaanxi Heavy-duty Motor Company Limited, a subsidiary of the Company, has approved writing off individual accounts receivable for which bad debt provision has been made. Such accounts receivable written off did not arise from related party transactions.

As at 30 June 2014, within the aforesaid balance of accounts receivable, there was no amount due from shareholders that held 5% or more of the Company's voting shares (31 December 2013: Nil). Balance of accounts receivable with other related parties are set out in Note VI.6 to the financial statements of the Company's 2014 Interim Report.

5. NOTES PAYABLE

	30 June 2014 (unaudited)	31 December 2013 (audited)
Bank acceptance bill	**6,828,055,638.72**	6,600,177,677.15
Commercial acceptance bills	**314,904,480.27**	86,973,922.62
Total	**7,142,960,118.99**	6,687,151,599.77

As at 30 June 2014, within the aforesaid balance of notes payable, there was no amount due to shareholders that held 5% or more of the Company's voting shares (31 December 2013: nil). Please refer to Note VI. 6 to the financial statements of the Company's 2014 Interim Report for the balance of notes payable between the Group and other related parties.

6. ACCOUNTS PAYABLE

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

	30 June 2014 (unaudited)	31 December 2013 (audited)
Accounts payable	**20,319,303,916.01**	13,472,675,550.89

As at 30 June 2014, the aging analysis of accounts payable based on the invoice date is presented as follows:

	30 June 2014 (unaudited)	31 December 2013 (audited)
Within 1 year	**19,749,769,823.10**	12,833,853,985.54
Over 1 year	**569,534,092.91**	638,821,565.35
Total	**20,319,303,916.01**	13,472,675,550.89

As at 30 June 2014, there was no material accounts payable which aged over one year (31 December 2013: nil).

As at 30 June 2014, within the aforesaid balance of accounts payable, there was no amount due to shareholders that held 5% or more of the Company's voting shares (31 December 2013: RMB12,869,820.50). Please refer to Note VI. 6 to the financial statements of the Company's 2014 Interim Report for the balance of accounts payable between the Group and other related parties.

7. REVENUE AND COST OF SALES

The revenue is listed as follows:

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

	January-June 2014 (unaudited)	January-June 2013 (unaudited)
Revenue from principal operations	**32,838,421,336.11**	29,813,363,870.79
Other revenue	**1,273,013,232.21**	1,108,255,163.16
	34,111,434,568.32	30,921,619,033.95

Cost of sales is listed as follows:

	January-June 2014 (unaudited)	January-June 2013 (unaudited)
Cost of sales for principal operations	**25,997,030,433.26**	23,622,091,754.99
Other cost of sales	**1,146,769,296.54**	1,017,895,314.31
	27,143,799,729.80	24,639,987,069.30

Information related to principal operations is listed by sector as follows:

	January-June 2014 (unaudited)		January-June 2013 (unaudited)	
	Revenue	**Cost**	Revenue	Cost
Manufacturing of transportation equipment	**32,632,991,977.07**	**25,789,421,684.85**	29,680,686,306.86	23,493,011,478.78
Others	**205,429,359.04**	**207,608,748.41**	132,677,563.93	129,080,276.21
	32,838,421,336.11	**25,997,030,433.26**	29,813,363,870.79	23,622,091,754.99

Information related to principal operations is listed by regions as follows:

	January-June 2014 (unaudited)		January-June 2013 (unaudited)	
	Revenue	**Cost**	Revenue	Cost
Domestic	**28,607,873,980.55**	**23,130,779,610.72**	27,434,549,908.98	21,452,057,848.29
Overseas	**4,230,547,355.56**	**2,866,250,822.54**	2,378,813,961.81	2,170,033,906.70
	32,838,421,336.11	**25,997,030,433.26**	29,813,363,870.79	23,622,091,754.99

Information related to principal operations is listed by product type as follows:

	January-June 2014 (unaudited)		January-June 2013 (unaudited)	
	Revenue	**Cost**	Revenue	Cost
Complete vehicles and key components	**24,411,992,291.42**	**18,793,332,736.10**	23,375,559,155.13	18,603,127,682.87
Non-automobile engines	**3,472,829,719.34**	**3,010,848,920.60**	2,110,443,082.22	1,657,755,129.46
Other automobile components	**4,146,833,165.64**	**3,569,556,734.37**	3,936,632,350.60	3,043,047,799.04
Others	**806,766,159.71**	**623,292,042.19**	390,729,282.84	318,161,143.62
	32,838,421,336.11	**25,997,030,433.26**	29,813,363,870.79	23,622,091,754.99

From January to June 2014, revenue from the top 5 customers is presented as follows:

	Amount	**Proportion of revenue (%)**	**Relationship with the Group**
Beijing Foton Daimler Automotive Co., Ltd	4,024,701,553.00	11.80	Non-related parties
Faw Jiefang Qingdao Automotive Co., Ltd	848,259,861.35	2.49	Non-related parties
Weichai Power Westport New Energy Engine Co., Ltd.	730,846,883.27	2.14	Related parties
Dongfeng Motor Co., Ltd (Commercial Vehicle Company)	679,045,019.58	1.99	Non-related parties
Saic-iveco Hongyan Commercial Vehicle Co., Ltd.	481,346,861.54	1.41	Non-related parties
	6,764,200,178.74	19.83	

From January to June 2013, revenue from the top 5 customers is presented as follows:

	Amount	**Proportion of revenue (%)**	**Relationship with the Group**
Beijing Foton Daimler Automotive Co., Ltd	3,349,655,861.41	10.83	Non-related parties
Weichai Power Westport New Energy Engine Co., Ltd.	820,595,494.69	2.65	Related parties
Faw Jiefang Qingdao Automotive Co., Ltd	704,660,784.04	2.28	Non-related parties
Saic-iveco Hongyan Commercial Vehicle Co., Ltd.	674,604,055.80	2.18	Non-related parties
Dongfeng Motor Co., Ltd (Commercial Vehicle Company)	630,645,652.37	2.04	Non-related parties
	6,180,161,848.31	19.98	

Revenue is listed as follows:

	January-June 2014 (unaudited)	January-June 2013 (unaudited)
Revenue from principal operations		
Sales of goods and others	**32,838,421,336.11**	29,813,363,870.79
Other revenue		
Sales of materials	**848,565,475.14**	848,606,774.34
Sales of power	**21,072,928.41**	15,896,641.61
Lease income	**36,084,272.17**	28,636,276.75
Others	**367,290,556.49**	215,115,470.46
	1,273,013,232.21	1,108,255,163.16
	34,111,434,568.32	30,921,619,033.95

8. TAXES AND SURCHARGES

	January-June 2014 (unaudited)	January-June 2013 (unaudited)
Business tax	**2,949,300.74**	4,890,729.00
City construction tax	**79,590,724.88**	74,900,726.18
Educational surtax	**57,348,818.39**	52,244,505.71
Others	**6,901,776.99**	9,278,925.93
	146,790,621.00	141,314,886.82

Please refer to Note III. Taxes to the financial statements of the Company's 2014 Interim Report for tax rates.

9. INCOME TAX EXPENSES

	January-June 2014 (unaudited)	January-June 2013 (unaudited)
Current tax expenses	**647,381,202.89**	459,804,018.09
Deferred tax expenses	**(165,685,288.82)**	4,242,493.63
	481,695,914.07	464,046,511.72

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

		January-June 2014 (unaudited)	January-June 2013 (unaudited)
Total profit		**4,476,152,224.97**	2,753,508,049.43
Tax at statutory tax rate	*Note*	**1,119,038,056.24**	691,682,698.78
Effect of different tax rates applicable to parent company and some subsidiaries		**(220,018,010.26)**	(283,740,576.27)
Adjustments to current tax of previous periods		**(3,810,824.42)**	(461,397.39)
Profits and losses attributable to associates		**(29,525,646.08)**	(2,432,828.71)
Income not subject to tax		**(448,390,211.92)**	(1,200,000.00)
Expenses not deductible for tax		**12,369,837.85**	12,434,401.93
Tax incentives on eligible expenditures		**(31,019,033.49)**	(26,408,191.36)
Utilization of deductible losses from prior years		**(25,168,138.07)**	(18,399,676.45)
Unrecognized deductible losses		**91,400,421.96**	88,547,106.86
Effect of unrecognized deductible temporary difference		**16,819,462.26**	4,024,974.33
Tax expense at the Group's effective tax rate		**481,695,914.07**	464,046,511.72

Note: The 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.

10. EARNINGS PER SHARE (EPS)

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

The calculation of basic EPS is detailed as follows:

	January-June 2014 (unaudited)	January-June 2013 (unaudited)
Earnings		
Net profit of the current period attributable to ordinary shareholders of the Company	**3,764,836,231.86**	2,084,967,415.03
Shares		
Weighted average number of the ordinary shares outstanding of the Company	**1,999,309,639.00**	1,999,309,639.00
EPS (RMB/share)	**1.88**	1.04

The Company holds no potential shares that are dilutive.

11. OTHER COMPREHENSIVE INCOME

	January–June 2014 (unaudited)	January–June 2013 (unaudited)
Those other comprehensive income not to be reclassified into profit or loss in subsequent periods		
Share of investee's other comprehensive income not to be reclassified into profit or loss in subsequent periods using the equity method		
Included in other comprehensive income	**(162,692,384.76)**	42,281,400.00
	(162,692,384.76)	42,281,400.00
Those other comprehensive income not to be reclassified into profit or loss in subsequent periods		
Share of investee's other comprehensive income to be reclassified into profit or loss after meeting certain criteria in subsequent periods using the equity method	**(3,074,941.98)**	(22,090,580.00)
Less: current profit/loss transferred out for those originally taken to other comprehensive income	**40,864,388.98**	(6,377,070.56)
Tax effect	**–**	–
	37,789,447.00	(28,467,650.56)
Gain or loss arising from change of fair value of available-for-sale financial assets taken to other comprehensive income	**–**	(65,200,000.00)
Less: Tax effect	**–**	9,780,000.00
	–	(55,420,000.00)
Exchange differences on foreign currency translation	**–**	–
Taken to other comprehensive income	**(37,917,209.95)**	(30,551,253.16)
Less: current profit/loss transferred out for those originally taken to other comprehensive income	**–**	–
	(37,917,209.95)	(30,551,253.16)
Others	**–**	–
	(162,820,147.71)	(72,157,503.72)

12. DIVIDEND

The Board proposed on 29 August 2014 to distribute a 2014 interim cash dividend of RMB1.00 (including tax) for every 10 shares based on the total share capital of 1,999,309,639 shares of the Company (six months ended 30 June 2013: cash dividend of RMB1.00 for every 10 shares (including tax)). 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 2014 interim dividend.

Pursuant to an annual general meeting of shareholders of the Company held on 30 June 2014, a mandate has been given to the Board for the payment of the 2014 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 ended 30 June 2014.

I. Review of Operations

In the first half of 2014, amidst the complex and changing macroeconomic conditions, the Central Committee of the Communist Party of China and the State Council firmly grasped its control over the development process and adhered to the notion of providing drive for reform and renovation and providing assistance to structural adjustments. Market forces played an even more important role and targeted austerity measures were further emphasized. The national economy demonstrated a generally stable trend, making progress and growing while maintaining stability. In general, the economy was generally stable, structural adjustment and fine-tuning attained steady progress, and economic transformation demonstrated sound momentum. In the first half of the year, gross domestic product reached RMB26.9 trillion, representing a year-on-year growth of 7.4%. On a quarter-to-quarter basis, it grew by 7.4% in the first quarter and 7.5% in the second quarter.

During the Period, benefiting from the factors including the increased consumption demand under more stringent laws and regulations on emission, the flourishing development of electronic commerce, and the strong upward momentum of the logistics industry under China's national policies, the heavy-duty truck industry continued to attain a year-on-year growth, delivering sales of 429,000 units, representing a year-on-year increase of 6.5%. Under such influence, during the Period, the Company reported sales of 168,300 units of heavy-duty truck engines, representing an increase of 8.5% year-on-year. The Company's share of the auxiliary market for heavy-duty trucks with a gross weight of above 14 tonnes reached 39.2%, representing a year-on-year increase of 0.7 percentage points. Shaanxi Heavy-duty Motor Company Limited (陝西重型汽車有限公司), a controlling subsidiary of the Company, reported an aggregate sales of 49,500 units of heavy-duty trucks for the first half of the year, representing a year-on-year increase of 5.3%, ranking the fifth in the domestic heavy-duty truck industry in the PRC. Shaanxi Fast Gear Co., Ltd. (陝西法士特齒輪有限責任公司), a controlling subsidiary of the Company, has further consolidated its leading position in the industry with its aggregate sales of 390,000 units of gear boxes, representing a year-on-year increase of 21.8%.

In the first half of 2014, fixed-asset investments of China reached RMB21.28 trillion, representing a year-on-year growth of 17.3%, a drop of 2.8 percentage points year-on-year. The total planned investments for newly-commenced construction projects reached RMB19.68 trillion, representing a year-on-year growth of 13.6%, a drop of 1.5 percentage points year-on-year. Investments in property development reached RMB4.2 trillion, representing a year-on-year growth of 14.1%, a drop of 6.2 percentage points year-on-year. With the decelerated pace of growth in fixed-asset investments and property development investments, the industry of construction machinery was still in depression. Other than the forklift truck market, other market segments reported varying degrees of decline. During the Period, the construction machinery industry in the PRC reported sales of approximately 389,000 units, representing a year-on-year decrease of 1.8%, and among which, the sales volume of wheel loaders with a load capacity of 5 tonnes was 57,000 units, representing a year-on-year decrease of 9.0%. The Company sold a total of 33,500 units of engines for wheel loaders with a load capacity of 5 tonnes, representing a year-on-year decrease of 19.3%. The Company continued to maintain a leading position in the market of wheel loaders with a load capacity of 5 tonnes, with its market share of nearly 60%.

During the Period, the passenger vehicle market achieved growth while maintaining stability. Benefiting from favorable factors including the accelerated urbanization, China's passenger vehicle market reported an aggregate sales figure of 279,000 units (including non-complete passenger vehicles), representing a year-on-year growth of 4.3%. Among others, the light passenger vehicle market continued to maintain its fast growth momentum, and became the major force in driving the growth of the passenger vehicle market. Passenger vehicles using new energy modes reported good performance and played a clear role in driving the growth of the public-transport vehicle market. With the continuous strengthening of support and promotional efforts by the Chinese government on policies concerning new-energy vehicles, the new-energy public-transport sector is expected to attain further growth in the second half of the year. On the other hand, with a share of the transportation market having been taken up by China's national express rail, the restricted consumption on official receptions, vehicles and overseas trips (三公消費), and the increasingly stringent regulatory regime on the grant of approvals for and the supervision of passenger lines, the highway passenger transportation market showed noticeable drop. During the Period, the Company's aggregate sales of engines for use in passenger vehicles amounted to 10,100 units, representing a year-on-year increase of 11.3%, and accounting for 14.2% of the market share of the large-sized and medium-sized passenger vehicles, representing a year-on-year increase of 2.6 percentage points.

During the Period, the Company worked around the needs of the market in fostering structural adjustments of its products. Equipped with innovation, the Company led the trend of industrial development and continued to maintain a trend of sound and stable development. In the first half of 2014, the Company reported a sales figure of 213,500 units of 10L, 12L and 13L engines, maintaining the stable leading position of heavy-duty engine products in the heavy-duty truck market, large passenger vehicle market and the market of wheel loaders with a load capacity of 5 tonnes. Meanwhile, the Company's self-researched and self-developed "Landking" WP5 and WP7 engines, to which it owns intellectual property rights, further expanded the scope of auxiliary uses. For the first half of the year, it generated total sales of 7,246 units, representing a year-on-year growth of 72.3%. In particular, 5,719 units were used in passenger vehicles, representing a year-on-year growth of 61.5%. This demonstrated the prominent competitive advantages of our integrated engine product and the wider prospects of the Group's development. With the upgrading of the nationwide emission standards, many cities and districts have already implemented the China IV Emission Standards. Driven by such development, in the first half of the year, the Company sold 46,200 units of China IV Emission Standards products, representing 20.9% of the total engine sales. The Company continued to lead the industry in the upgrading of emission standards.

During the Period, X3000 driving chamber of Shaanxi Heavy-duty Motor Company Limited, a controlling subsidiary of the Company, successfully passed the collision test conducted under European standard, signifying that the safety standard of such driving chamber had attained an advanced level under national or even European standard, thereby laying solid foundation for the overseas promotion of the HX products. The passenger-vehicle-series gearboxes of Shaanxi Fast Gear Co., Ltd. continued to find its auxiliary uses in 12-metre long public transport products, and the AT gearboxes achieved breakthrough in the auxiliary market of emerging products, posting a growth of nearly 300%.

During the Period, the Company remained committed to the main theme of reforms and innovations. It adhered to the scientific approach of development under the notion of "Grow organically and driven by innovation", expedited the adjustment of its model of transformation, uplifted the all-round quality of development, and attained sound and stable development. Firstly, the Company renovated the performance management applicable to all staff members. Through strategic decoding and the signing of personal performance contracts throughout the hierarchy, the Company managed to distinguish the corporate goal of each level strategically with the relevant pressure passing down from level to level. The performance targets of staff members were also identified, thereby raising their job motivation. Secondly, by benchmarking against leading industry standards, and focusing on creating products with the "Three Core Competitiveness" in terms of cost, technology and quality, the Company successfully attained differentiated competitive strengths and steadily-rising market competitiveness. Thirdly, based on the notion of reforms encompassing "inventory protection payment and guided production", the Company successfully introduced its model of safety stock management within the scope of the entire team. The model complements with the order-based management model, thereby markedly raising the timeliness of the fulfilment of product orders. Fourthly, the Company's international development was further expedited. The Company released its new brand image on a global basis to embark upon a new journey of its international development. By mergers and acquisitions, construction of its own factories and licensed-based manufacturing, the Company's model of overseas engine businesses were starting to deliver results. The strategic cooperation with Eaton Corporation plc was further intensified, creating room for the development of the Company's hydraulics business. Fifthly, the Company's level of fundamental management was further uplifted. The successful pilot run of the operation delicacy management project contributed to the holistic supervisions, appraisal, analysis and illustration of how the production lines are operated. The three years of betterment production have delivered remarkable results, significantly raising the betterment management level of the Company, and instilling into people the betterment notion of continual enhancement and ongoing improvements.

During the Period, the Company's revenue increased by 10.3% over the same period of 2013 to approximately RMB34,111 million. The net profit attributable to shareholders of the Parent was approximately RMB3,765 million, representing an increase of approximately 80.6% over the same period of 2013. The basic earnings per share was RMB1.88, representing an increase of approximately 80.8% over the same period in 2013.

II. Dividends and Transfer of Capital Reserve

On 30 June 2014, the 2013 profit distribution scheme was reviewed and approved at the 2013 annual general meeting of the Company. Based on the 1,999,309,639 shares, representing the total share capital of the Company, all shareholders were entitled to cash dividend of RMB1.50 (incl. tax) for every 10 shares held.

On 29 August 2014, pursuant to the authority granted by the shareholders of the Company, the Board reviewed and approved the distribution of cash dividend of RMB1.00 (incl. tax) for every 10 shares held, based on the total number of shares of 1,999,309,639 shares, without any transfer of capital reserve to capital. For details on the closure of registers of members in determining the shareholders who are eligible for the 2014 interim dividend, please refer to the further announcement to be issued by the Company.

III. Acquisition and Consolidation

At the beginning of the year, the Company increased its shareholding in KION from 30% to 33.3% by exercising the Superlift 3.3% call option. On 12 June, the Company became the largest shareholder of KION following the decrease of the shareholding held by Superlift, the original largest shareholder of KION, from 34.5% to 26.9%. At present, consolidation of KION's accounts have been completed and the operating results of the Company have been further enhanced.

IV. Outlook and Prospects

In the second half of 2014, the macroeconomic conditions are still expected to be complicated. On a global perspective, the world economy is anticipated to revitalize gradually. It is expected that the pace of economic growth will be slightly higher than the first half of the year to attain approximately 3.6% on an annual basis. Major developed economies including Europe, the U.S. and Japan are steadily recovering and will become the key drivers of the global economic growth, despite existence of uncertainties. In China, the economy is undergoing a key stage of transformation and structural adjustments. The main theme of "stabilizing growth, adjusting structure, promoting reforms and maintaining steady economic development" still holds true. In the long run, with the ongoing release of reform benefit, there is still ample room for economic growth in the future. Generally speaking, economic growth of China in the second half of the year is not expected to experience significant fluctuation. On the whole, the economy will demonstrate a rising trend while maintaining stability. It is expected that the full-year GDP will grow at about 7.5%.

The Company is cautiously optimistic about the development trend of its related industries. In the second half of 2014, the heavy-duty truck market will encounter more difficulties. It is anticipated that the accumulated growth of the market will further narrow down, but the level of year-on-year growth could be maintained, primarily attributable to the following: Firstly, the confirmation of the implementation timeline of China IV Emission Standards will stimulate the advanced spending in regions where China IV Emission Standards are still not in force. Secondly, the energy-saving development initiatives launched by the Chinese Government have stated that 6 million yellow-label (i.e. highly polluting) vehicles and old vehicles will need to be eliminated gradually, which policy will be beneficial to the heavy-duty truck market. Thirdly, the replacement of municipal slag-carrying vehicles and the sound development of the logistics industry will further stimulate the release of demand in the industry.

With the launch of the plan for the "new model" of China's urbanization, construction of infrastructure facilities including railways, highways and hydraulic works will be further expedited, providing a new round of development opportunities for the construction machinery industry. In the second half of the year, the series of "minor stimulus" policies introduced by the Chinese government will gradually provide positive driving force for the development of the industry. Firstly, the construction of municipal rail transports have become widely popular, and plans for such constructions have been approved and construction works have already commenced in 36 cities in China. In total, an aggregate amount of RMB260 billion is expected to be invested throughout the year. Secondly, while the Silk Road economic rim has been brought on agenda, significant capital has been spent in Xinjiang to build a "New Silk Road" transportation system, and it is expected that more than RMB800 billion will be spent on infrastructure construction during the year. Thirdly, the further stepped-up efforts in railway construction will be exemplified by the increase in total investments to RMB800 billion, close to the record high in 2010 in the history of railway investment. Additionally, the favorable news including large-scale renovation of shack areas and the construction of affordable housings will also bring forth sound opportunities for the growth of the industry. Nevertheless, in view of over-capacity in the industry, excessively high inventory holding in the market (of more than 6 million units) and difficulties faced by downstream customers in their financing, it is anticipated that sales volume of the industry in the second half of the year will be comparable to last year.

According to the notice issued by the Ministry of Industry and Information Technology of China, China IV Emission Standards will be fully implemented on diesel-driven vehicles in China on 1 January 2015. Approval of catalogues of new vehicles under China III Standards and the sale of vehicles under China III Standards will be cut off on 31 December 2014. As such, some segments of the market will experience a new round of shuffling. At present, leveraging upon its advanced technology, large-scale production of high-quality products, synergy presented by the availability of global resources and strong base of loyal customers, the Company has successfully tapped the China-IV compliant market and captured a leading position, and done all the preparation work for switching to China IV Emission Standards. It will be well-positioned and poised to maintain its leading position in the market of high-power engines, heavy-duty gear boxes and complete heavy-duty vehicles. The Board has full confidence in the development prospect of the Company.

In 2014, the Company pinpointed nine battles that it must win, covering various aspects of business operations such as cultural construction, management enhancement, formation of core product competence, cost saving and efficiency enhancement, and international corporate development, and setting a new pole to direct the Company's next round of reforms and innovations. In the second half of the year, the Company will work strenuously on the following:

Firstly, based on the notion of making ourselves an outstanding market player, and focusing on building the Three Core Competitiveness in terms of cost, technology and quality, we will adhere to producing good products and forming differentiated competitive strengths in the market to ensure that the Company will maintain its leading position in the market amidst the increasingly fierce market competition. Secondly, the Company will foster reforms of organizations and renovation of workflows and streamline the control over its subsidiaries. It will build up an organizational structure and system which is process-oriented, has clearly-defined scopes, well-segregated and has clear responsibilities, create a scientific position management system, and optimize and enhance its remuneration and incentive system, in order to ensure that the organization will run under effective control and at high efficiency. Thirdly, the Company will effectively consolidate its resources on research and development, optimize and enhance its incentive mechanism, create a clear channel allowing dialogues between the IT system and the sales and marketing system, thereby gradually building up a mega R&D system which is market-oriented and which will uplift its capability in self-researches and innovations. Fourthly, the Company will carry on with its innovative business model. It will follow the notion of "Factory-Vendor Values Integration" for its after-sales market business. Extensive efforts will be made to work on its activities under the theme of "Red Flag 400 (紅旗400)", continually enhance its service network system, foster the implementation of its business model of after-sales market business, expand its profit channels, raise its profitability, thereby gradually migrating from production-based manufacturing to service-based manufacturing. R&D efforts on X3000 new-generation heavy-duty truck products will be expedited in the heavy-duty truck segment. The Company will continue to explore the integration potentials of the existing products of tractors and self-unloading vehicles, seeking to expand the market share of the natural-gas-driven vehicles and doing full preparation work for subsequent growth. Companies producing gear boxes will continue to focus on producing products which are light-weighted, automated and multi-gear, in order to enhance the platform of the S-gearbox products. For the components segment, we will intensify our research and innovation, enhance core competence of our products and make good use of the synergy between the component business segment and the engine business segment.

At the same time, with the implementation of its strategy of international development, the Company will encounter differences in areas such as economic conditions, legal systems, governance regimes and cultural concepts across different countries and regions. We will follow the notion of international development. Under the principle of "Unified Strategy, Independent Operation, Resources Sharing", we will gradually streamline the mechanism for the control over overseas branches and subsidiaries, coordinate the needs for expanding the domestic and international markets and international business development, accelerate the coordinated development of our business in complete vehicles, powertrains, hydraulics controlling parts, automobile components and after-sales market business segment, in order to fully utilize the synergetic advantage of the brands, technology, manufacturing, market and management of the domestic and overseas companies, continue to enhance the quality and image of the Company's development, and boost the overall capability to manage risks.

V. Appreciation

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

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 Period as follows:

I. Industry Analysis

The Company is one of the vehicles and equipments manufacturing conglomerate in China with the best comprehensive strengths. It is a leading company in the market of powertrain, complete vehicles and machines, hydraulic controlling parts and automotive electronics parts and components. It is equipped with the most comprehensive supply chain of engines, gear boxes and axles and offers the related after-sales market services.

1. Heavy-duty Vehicle Industry

The first half of the year witnessed steady development in the national economy, which showed sound momentum for growth while maintaining stability. In the first half of the year, gross domestic product reached RMB26.9 trillion, representing a year-on-year growth of 7.4%, or a growth of 7.4% for the first quarter and 7.5% for the second quarter.

Influenced by the favorable factors including the implementation of upgraded emission standards in China, the flourishing development of electronic commerce, and the strong upward momentum of the logistics industry under China's national policies, the heavy-duty truck industry continued to attain growth. During the Period, the aggregate sales of heavy-duty trucks in the PRC were 429,000 units, representing a year-on-year increase of 6.5%.

2. Construction Machinery

During the Period, fixed-asset investments of China reached RMB21.28 trillion, representing a year-on-year growth of 17.3%, a drop of 2.8 percentage points year-on-year. Both the total planned investments for newly-commenced construction projects and investments in property development grew at lower rates of varying degrees compared to the same period in last year. Under the prevailing market conditions, the industry of construction machinery was still in depression. During the Period, the aggregate sales in China's construction machinery market were approximately 389,000 units, representing a year-on-year drop of 1.8%. In particular, 57,000 units of wheel loaders with a load capacity of 5 tonnes were sold, representing a substantial year-on-year decrease of 9.0%.

3. Passenger Vehicle Market

During the Period, with the accelerated urbanization in China and the government's support and promotion of policies concerning new-energy vehicles, China's passenger vehicle market demonstrated growth while maintaining stability. In the first half of the year, China's passenger vehicle market recorded sales of 279,000 units (including non-complete passenger vehicles), growing by 4.3% year-on-year.

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 are the highlights of the operation conditions of the major products of the Group:

1. Sale of Diesel Engines

For use in Heavy-duty Trucks

With the continual growth of the heavy-duty truck market, the Company's aggregate sales of heavy-duty truck engines amounted to approximately 168,300 units during the Period, representing a year-on-year increase of approximately 8.5%. The Company's market share in the heavy-duty truck with a gross weight of above 14 tonnes reached 39.2%, maintaining the Company's absolute advantageous position in the industry.

For use in Construction Machinery

The Group is also the largest supplier of diesel engines to major manufacturers of construction machinery (mainly wheel loaders) with a load capacity of 5 tonnes in the PRC. During the Period, the Group's sales of engines for wheel loader with a load capacity of 5 tonnes were approximately 33,500 units, representing a year-on-year decrease of 19.3%. According to the information published on the website of China Construction Machinery Network (中國工程機械信息網), the Company's market share in the market of wheel loader with a load capacity of 5 tonnes was approximately 60%, maintaining the Company's leading position in the market.

For use in Complete Passenger Vehicles

During the Period, the Company's aggregate sales of engines for use in passenger vehicles amounted to approximately 10,100 units, representing a year-on-year increase of 11.3%, and accounting for approximately 14.2% of the market share of the large-sized and medium-sized passenger vehicles, representing a year-on-year increase of 2.6 percentage points.

2. *Sale of Heavy-duty Trucks*

During the Period, the Group reported an aggregate sales of approximately 49,500 units of heavy-duty trucks for the Period, representing an increase of 5.3% from approximately 47,000 units sold during the corresponding period of 2013. Shaanxi Heavy-duty Motor Company Limited, a controlling subsidiary of the Company, was ranked No. 5 among the heavy-duty truck enterprises in China. Before elimination of intra-group sales, the heavy-duty trucks business contributed sales revenue of approximately RMB13,968 million to the Group during the Period.

3. *Sale of Heavy-duty Gear Boxes*

During the Period, the Group sold approximately 390,000 units of heavy-duty gear boxes, representing an increase of approximately 21.8% compared to approximately 320,000 units sold in the corresponding period of 2013, and further consolidating its leading position in the industry. Before elimination of intra-group sales, the gear boxes business contributed sales revenue of approximately RMB5,655 million to the Group during the Period.

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

Apart from the production and sale of diesel engines for trucks and construction machinery, heavy-duty trucks and heavy-duty gear boxes, the Group is also engaged in the production and sales of engine parts and components and other truck parts and components such as: spark plugs, axles, chassis, air-conditioner compressors, hydraulics controlling parts etc. During the Period, the Group's sales of parts and components of engines and trucks and hydraulics controlling parts were approximately RMB3,100 million, representing a year-on-year increase of approximately 48.3% or an increase of approximately RMB1,009 million, compared to the sales revenue of RMB2,091 million in the corresponding period in last year.

III. Financial Review

1. *The Group's Results of Operations*

a. *Revenue*

The Group's revenue increased by approximately RMB3,189 million or approximately 10.3% from approximately RMB30,922 million in the corresponding period of 2013 to approximately RMB34,111 million for the Period. In particular, the revenue from principal operations increased by approximately 10.1%, from approximately RMB29,813 million in the corresponding period of 2013 to approximately RMB32,838 million for the Period, which was mainly attributable to the continual growth of the heavy-duty truck market in China and the continual uplift of the competitiveness of products sold. During the Period, the Group's sales of heavy-duty truck engines, gear boxes and heavy-duty trucks were 168,300 units, 390,000 units and 49,500 units, representing a year-on-year increase of 8.5%, 21.8% and

5.3%, respectively. Other revenue increased by approximately 14.9%, from approximately RMB1,108 million in the corresponding period of last year to approximately RMB1,273 million for the Period, which was primarily attributable to the increase in income from claims received.

b. *Profit from Principal Operations*

During the Period, the Group generated gross profit from principal operations in the amount of approximately RMB6,841 million, representing an increase of approximately RMB650 million or 10.5% as compared to approximately RMB6,191 million recorded in the corresponding period of 2013. The increase in profit from principal operations was primarily attributable to the increase in sales amount and maintenance of stable profit margin for principal operations.

c. *Distribution and Selling Expenses*

Distribution and selling expenses increased slightly by approximately 0.5% to approximately RMB1,543 million in the Period from approximately RMB1,535 million in the corresponding period of 2013. With rising cost of sales staff and the increasing market development expenses, the Company stepped up its effort in controlling transportation expenses, after-sales expenses and product return expenses, grasping effective management of its selling expenses. As a percentage of revenue, distribution and selling expenses decreased from approximately 5.0% in the corresponding period of last year to approximately 4.5% in the Period.

d. *General and Administrative Expenses*

General and administrative expenses increased by approximately 18.8% from approximately RMB1,749 million in the corresponding period of 2013 to approximately RMB2,078 million in the Period, which was mainly due to the increase in staff costs and the increase of external support expenses in relation to the internationalization of the Group.

e. *Total Profit before Finance and Income Tax Expenses*

During the Period, the Group's total profit before finance and income tax expenses increased by approximately RMB1,764 million or a substantial increase of approximately 62.6% to approximately RMB4,581 million in the Period from approximately RMB2,817 million in the corresponding period of the last year. It was primarily attributable to the one-off gain of approximately RMB1,671 million in the acquisition of KION during the Period, causing the Group's operating margin to substantially rise to approximately 13.4% from approximately 9.1% for the corresponding period of 2013.

f. *Finance Expenses*

Finance expenses increased by approximately 64.1% to approximately RMB105 million in the Period from approximately RMB64 million in the corresponding period of 2013. It was mainly attributable to the increase in interest expenses and bank handling fees arising from an increase in the Euro-denominated long-term borrowings used for the investments in KION Group AG ("KION") and Linde Hydraulics GmbH & Co. KG as well as an issue of RMB800 million medium-term notes by Shaanxi Heavy-duty Motor Company Limited in mid-2013.

g. *Income Tax Expenses*

The Group's corporate income tax expenses increased by 3.8% from approximately RMB464 million in the corresponding period of 2013 to approximately RMB482 million in the Period. During the Period, the Group's average effective tax rate was approximately 10.8%, representing a substantial decrease as compared to approximately 16.9% in the corresponding period of last year, which was primarily attributable to the one-off gain during the course of acquisition of KION.

h. *Net Profit and Net Profit Margin*

The Group's net profit for the Period increased by approximately 74.5% from approximately RMB2,289 million in the corresponding period of 2013 to approximately RMB3,994 million in the Period. Net profit margin for the Period was approximately 11.7%, a substantial increase of 4.3 percentage points from approximately 7.4% in the corresponding period of last year. This was primarily attributable to the increase in revenue, effective control over costs and expenses and the one-off gain incurred during the course of acquisition of KION.

i. *Liquidity and Cash Flow*

During the Period, the Group generated operating cash flows of approximately RMB688 million and financing cash flows of approximately RMB270 million. A portion of such proceeds was applied as investment monies for acquiring 3,263,700 KION shares by exercising the Superlift call option, and for paying for the acquisition of property, plant and equipment for the expansion of the Group's business. As at 30 June 2014, the gearing ratio of the Group was 68.4% (as at 31 December 2013: N/A). As at 31 December 2013, the Group's cash and cash equivalents, net of interest-bearing debts, amounted to a net cash position, therefore, the gearing ratio is not applicable.

2. *Financial Position*

a. Pursuant to the Consultation Conclusions on Acceptance of Mainland Accounting and Auditing Standards and Mainland Audit Firms for Mainland Incorporated Companies Listed in Hong Kong published by the Hong Kong Stock Exchange in December 2010, Mainland-incorporated issuers listed in Hong Kong shall be allowed to prepare their financial statements using Accounting Standards for Business Enterprises. As such, on the annual general meeting 2010 of the Company held on 18 May 2011, it was resolved that with effect from 2011, the Company would only adopt Mainland accounting standards in its preparation of financial statements and would no longer use Hong Kong accounting standards at the same time in preparing financial statements.

b. *Assets and Liabilities*

As at 30 June 2014, the Group had total assets of approximately RMB128,435 million, of which approximately RMB68,607 million were current assets. As at 30 June 2014, the Group had cash and cash equivalents of approximately RMB19,842 million (as at 31 December 2013: RMB19,580 million). On the same date, the Group's total liabilities amounted to approximately RMB87,829 million, of which approximately RMB48,245 million were current liabilities. The current ratio was approximately 1.42 (as at 31 December 2013: 1.64).

c. *Capital Structure*

As at 30 June 2014, the Group had total equity of approximately RMB40,607 million, of which approximately RMB31,575 million was attributable to equity holders of the Company and the balance was minority equity holders' interests. The Group currently does not rely heavily on borrowings. The borrowings of the Group as at 30 June 2014 amounted to approximately RMB24,836 million, including debenture of approximately RMB7,628 million and bank borrowings of approximately RMB17,208 million. The Group's borrowings maturing within one year from 30 June 2014 amounted to approximately RMB3,613 million and borrowings maturing in more than one year from 30 June 2014 amounted to approximately RMB21,223 million. As at 30 June 2014, the Group's borrowings mainly comprised Renminbi-denominated borrowings and Euro-denominated borrowings. The Group's revenue was mainly Renminbi-denominated, while the revenue generated by KION, a subsidiary of the Group, was mainly denominated in Euro. The Group, therefore, does not consider its foreign exchange risk significant. However, the management will monitor its foreign exchange risk and consider to hedge against any material foreign exchange risk as and when necessary. As a policy, the Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debts and equity balance. The Group's overall strategy remains unchanged from prior years.

d. Pledge of Assets

As at 30 June 2014, bank deposits and notes receivables of approximately RMB5,525 million (as at 31 December 2013: RMB5,146 million) were pledged to banks to secure the Group's notes payables and notes receivables 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 at the settlement date is approximately the same as the carrying amount.

e. Contingencies

As at 30 June 2014, the Group provided to certain distributors and agents bank guarantee amounting to approximately RMB2,549 million (as at 31 December 2013: approximately RMB732 million) to secure their obtaining and use of banking facilities. As at 30 June 2014, the Group provided guarantee for joint liabilities in respect of failure of the leasee under finance lease to settle instalment payments plus interest. Risk exposure in respect of possible guarantee for joint liabilities amounted to approximately RMB1,154 million (as at 31 December 2013: approximately RMB1,193 million). Details are set out in Note VIII to the financial statements of the Company's 2014 Interim Report.

f. Commitments

As at 30 June 2014, the Group had approximately RMB1,862 million capital commitments (as at 31 December 2013: approximately RMB933 million), all of which are contracted capital commitments and principally for the capital expenditure in respect of acquisition of property, plant and equipment. All the above capital expenditures are expected to be funded from the Group's internal resources.

As at 30 June 2014, the Group had no investment commitments (as at 31 December 2013: nil).

3. Other Financial Information

a. Employees

As at 30 June 2014, the Group had approximately 64 thousand employees (including approximately 22 thousand employees of KION). During the Period, the Group had paid remuneration of approximately RMB2,507 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

During the Period, Weichai Power (Luxembourg) Holding S.à r.l. ("Weichai Lux"), a wholly-owned subsidiary of the Company, has exercised the Superlift call option in full and acquired 3,263,700 KION shares from Superlift Holding, S.à r.l. ("Superlift") at a total consideration of EUR95,333,723, representing 3.3% of the issued share capital of KION, and thereafter Weichai Lux became the holder of 32,933,700 KION shares, representing 33.3% of the issued share capital of KION.

KION is the largest manufacturer of industrial forklift trucks in Europe and operates its business in more than 100 countries globally under six brands, namely Linde, STILL, Fenwick, OM STILL, Baoli and Voltas. KION's shares are listed on the Frankfurt Stock Exchange.

The global market for industrial forklift trucks, driven primarily by recovery in Western Europe and China, improved considerably for the Period. Benefiting from the growth of the western European market and by strengthening its position in key emerging markets such as China, KION outperformed the market as a whole in the second quarter of 2014 in terms of sales unit. For the Period, KION posted a sales revenue and net profit of approximately EUR2,233 million and EUR60.6 million respectively. As at 30 June 2014, KION had total assets with a book value of approximately EUR6,108 million, including current assets of approximately EUR1,667 million. On the same date, KION had total liabilities with a book value of approximately EUR4,524 million, including current liabilities of approximately EUR1,714 million.

KION continues to expand its research and development operations and to increase investments in capital expenditures in order to improve its capability and efficiency. Given its good performance in the first half of 2014, KION is forecasting profitable growth for 2014 as a whole.

c. Major Acquisition and Disposal

As at 30 June 2014, the Company, through its wholly-owned subsidiary, Weichai Lux, was interested in approximately 33.3% of the issued shares of KION.

KION was previously treated as an associated company of the Company and was accounted for by the Company using equity method of accounting in the consolidated financial statements of the Company. Superlift informed the Company that Superlift had completed its disposal of approximately 7.6% of the shares of KION (the "**Disposal**") on 12 June 2014. Following the Disposal, Superlift's shareholding interest in KION has dropped from approximately 34.5% to approximately 26.9%. Thus, the Company (through Weichai Lux), being the holder of 33.3% of the issued shares of KION, held more KION shares than Superlift did after the Disposal and, accordingly, Weichai Lux became the largest shareholder of KION. Accordingly, under the voting arrangements contained in the KION Shareholders' Agreement, subject to Superlift's and Weichai Lux's respective nomination rights of the shareholder representatives of the supervisory board under the KION Shareholders' Agreement, Superlift would vote at the general meetings of KION in accordance with the voting decision of Weichai Lux in respect of certain specified important matters, namely, the appropriation of profits, the discharge of members of the management board and the supervisory board of KION, the approval of management matters as required by the management board of KION (to the extent that such matter is not a reserved matter requiring unanimous consent of Weichai Lux and Superlift under the KION Shareholders' Agreement), the approval of management matters which have been previously rejected by the supervisory board of KION, and the election of the members of the supervisory board of KION.

Having then consulted with the auditors of the Company, the Company considered that since Superlift would have to vote at the general meetings of KION in accordance with the voting decisions made by Weichai Lux in respect of the said matters following the Disposal, the Company would have control over approximately 60.2% of the voting rights of KION in the said respects, the Company had obtained effective control over KION on 12 June 2014. Pursuant to the "Accounting Standards for Enterprises No. 33 – Consolidated Financial Statements" (《企業會計準則第33 號 – 合併財務報表》), following the Disposal, KION would be accounted for and consolidated into the consolidated financial statements of the Company as a subsidiary.

Save as disclosed above, the Group did not make any other major acquisition or disposal during the Period.

OTHER INFORMATION

Directors' and Supervisors' Interests in Shares and Underlying Shares

As at 30 June 2014, the interests and short position (if any) of the directors, the chief executive and the supervisors in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code"), were as follows:

Name of Director	Capacity	Number of "A" shares held	Number of "H" shares held	Percentage of the issued share capital of the Company
Tan Xuguang	Beneficial owner	16,512,000 *(Note 1)*	–	0.83%
Xu Xinyu	Beneficial owner	3,840,000 *(Note 1)*	–	0.19%
Sun Shaojun	Beneficial owner	3,840,000 *(Note 1)*	–	0.19%
Zhang Quan	Beneficial owner	3,840,000 *(Note 1)*	–	0.19%
Yeung Sai Hong *(Note 3)*	Held by controlled corporation	56,114,584 *(Note 2)*	–	2.81%
Julius G. Kiss *(Note 4)*	Held by controlled corporation	41,080,000 *(Note 2)*	–	2.06%
Zhang Zhenhua *(Note 5)*	Interest held by spouse	25,300	–	0.001%

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. These were previously foreign shares of the Company. The foreign 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 a currency other than Renminbi. These shares became "A" shares of the Company upon the "A" share listing of the Company on the Shenzhen Stock Exchange.

3. Yeung Sai Hong, a non-executive Director, was directly and indirectly interested in the issued share capital of Peterson Holdings Company Limited ("Peterson"), which in turn held 56,114,584 "A" shares in the Company.

4. Julius G. Kiss, a non-executive Director, was indirectly interested in the entire issued share capital of IVM Technical Consultants Wien Gesellschaft m.b.H. ("IVM"), which in turn held 41,080,000 "A" shares in the Company.

5. Zhang Zhenhua, an independent non-executive Director, was deemed to be interested in 25,300 "A" shares in the Company which were beneficially held by his wife, Ms. Wu Miaodi.

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

Interests in the shares of associated corporations of the Company

Name of Director	Name of associated corporation	Nature of interest	Class and number of securities interested or deemed to be interested	Approximate percentage interest in the entire issued share capital of associated corporations
Gordon Riske *(Note)*	KION Group AG	Beneficial owner	365,250 ordinary shares	0.37%
		Interest held by spouse	3,000 ordinary shares	0.003%

Note: Gordon Riske, a non-executive Director, was the beneficial owner of 365,250 shares in KION Group AG and he was also deemed to be interested in 3,000 shares in KION Group AG which were beneficially held by his wife, Ms. Benita Riske.

Save as disclosed above, as at 30 June 2014, 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 2014)

	Before the movement		Increase/decrease in the movement (+, –)					After the movement	
	No. of shares	Percentage (%)	New shares issued	Bonus issue	Transfer of surplus to capital	Others	Sub-total	No. of shares	Percentage (%)
I. Restricted circulating shares	542,500,464	27.13%	–	–	–	–	–	542,500,464	27.13%
1. State-owned shares	–	–	–	–	–	–	–	–	–
2. State-owned legal person shares	427,876,464	21.40%	–	–	–	–	–	427,876,464	21.40%
3. Shares held by other domestic entities	114,624,000	5.73%	–	–	–	–	–	114,624,000	5.73%
including: Shares held by domestic non-state-owned legal persons	57,792,000	2.89%	–	–	–	–	–	57,792,000	2.89%
Shares held by domestic natural persons	56,832,000	2.84%	–	–	–	–	–	56,832,000	2.84%
4. Shares held by foreign entities	–	–	–	–	–	–	–	–	–
including: Shares held by overseas legal persons	–	–	–	–	–	–	–	–	–
Shares held by overseas natural persons	–	–	–	–	–	–	–	–	–
II. Non-restricted circulating shares	1,456,809,175	72.87%	–	–	–	–	–	1,456,809,175	72.87%
1. RMB ordinary shares	971,049,175	48.57%	–	–	–	–	–	971,049,175	48.57%
2. Domestic listed foreign shares	–	–	–	–	–	–	–	–	–
3. Overseas listed foreign shares	485,760,000	24.30%	–	–	–	–	–	485,760,000	24.30%
4. Others	–	–						–	–
III. Total number of shares	1,999,309,639	100%	–	–	–	–	–	1,999,309,639	100%

Note: As at 30 June 2014, moratorium period for 75,035,712 restricted circulating shares of the Company (accounting for 3.75%) had ended. Those shares are still listed as restricted circulating shares because the relevant procedures had not yet been completed.

(II) Shareholdings of the Substantial Shareholders (as at 30 June 2014)

Total number of Shareholders The number of shareholders is 149,754 among which 149,468 are shareholders of "A" shares and 286 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	24.22%	484,242,794	–	N/A
Weichai Group Holdings Limited	State-owned legal person	16.83%	336,476,400	336,476,400	–
Weifang Investment Company	State-owned legal person	3.71%	74,156,352	74,156,352	–
Fujian Longyan Construction Machinery (Group) Company Limited	Domestic non-state-owned legal person	3.26%	65,100,240	57,792,000	–
Peterson Holdings Company Limited	Overseas legal person	2.81%	56,114,584	–	–
IVM Technical Consultants Wien Gesellschaft m.b.H	Overseas legal person	2.05%	41,080,000	–	–
Shenzhen Chuangxin Investment Group Co., Ltd	Domestic non-state-owned legal person	1.75%	35,030,043	–	–
Shandong Enterprise Trust Operation Company Limited	Domestic non-state-owned legal person	1.35%	26,600,000	–	–
Guangxi Liugong Company Limited	State-owned legal person	0.86%	17,243,712	17,243,712	–
Tan Xuguang	Domestic natural person	0.83%	16,512,000	16,512,000	–

Shareholdings of the top ten non-restricted shareholders

Name of shareholder	Number of the non-restricted shares held	Types of shares
HKSCC Nominees Limited	484,242,794	Overseas listed foreign shares
Peterson Holdings Company Limited	56,114,584	RMB ordinary shares
IVM Technical Consultants Wien Gesellschaft m.b.H	41,080,000	RMB ordinary shares
Shenzhen Chuangxin Investment Group Co., Ltd	35,030,043	RMB ordinary shares
Shandong Enterprise Trust Operation Company Limited	26,600,000	RMB ordinary shares
Zhuzhou State-owned Assets Investment Holding Group Co., Ltd	11,903,049	RMB ordinary shares
China Minsheng Banking Corp., Ltd.－銀華深證100指數分級證券投資基金	11,691,591	RMB ordinary shares
UBS AG	11,251,450	RMB ordinary shares
高華－滙豐－GOLDMAN, SACHS & CO.	9,641,305	RMB ordinary shares
DEUTSCHE BANK AKTIENGESELLSCHAFT	8,271,795	RMB ordinary shares

Note:

1. It is not certain whether there is any connected relationship among the top ten shareholders and the other top ten non-restricted shareholder or whether there is any acting in concert relationship among them.

2. Among the shareholders, Zhuzhou State-owned Assets Investment Holding Group Co., Ltd held 3,049 shares through general account and 11,900,000 shares through client account of collateral securities for margin trading at Guotai Junan Securities Company Limited, totaling 11,903,049 shares.

3. Zhuzhou State-owned Assets Investment Holding Group Co., Ltd, a shareholder of the Company, conducted earmarked repurchase transaction through Guotai Junan Securities Company Limited. No new initial transaction or repurchase transaction was conducted during the reporting period. At the end of the reporting period, the volume earmarked for repurchase amounted to 8,090,000 shares, accounting for 0.4% of the total shares of the Company.

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 2014, 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	336,476,400	22.23%	–	–	16.83%
Shandong Heavy Industry Group Co., Ltd. *(Note 1)*	Held by controlled corporation	Long	336,476,400	22.23%	–	–	16.83%
State-owned Assets Supervision and Administration Commission of Shandong Province ("Shandong SASAC") *(Note 1)*	Held by controlled corporation	Long	336,476,400	22.23%	–	–	16.83%
Brandes Investment Partners, LP	Investment manager	Long	–	–	78,578,612	16.18%	3.93%
Lazard Asset Management LLC	Investment manager	Long	–	–	62,668,076	12.90%	3.13%
JPMorgan Chase & Co.	Beneficial owner	Long	–	–	2,406,648	0.49%	0.12%
	Investment manager	Long	–	–	20,387,520	4.20%	1.02%
	Custodian (except bare trustee)	Long	–	–	720	0.00%	0.00%
	Custodian – Corporation/ approved lending agent	Long	–	–	60,267,579	12.41%	3.01%
					83,062,467	17.10%	4.15%
	Beneficial owner	Short	–	–	371,600	0.08%	0.02%
Schroders Plc	Investment manager	Long	–	–	39,498,430	8.13%	1.98%
The Capital Group Companies, Inc. *(Note 2)*	Interest of corporation controlled by the substantial shareholders	Long	–	–	27,669,400	6.84%	1.66%
Lazard Emerging Markets Equity Portfolio *(Note 2)*	Investment manager	Long	–	–	23,707,500	5.86%	1.42%
Barclays PLC	Person having a security interest in shares	Long	–	–	525,552	0.11%	0.03%
	Interest of corporation controlled by the substantial shareholders	Long	–	–	25,453,050	5.24%	1.27%
					25,978,602	5.35%	1.30%

Name	Capacity	Long/ Short position	Number of A shares	Percentage of share capital comprising only A shares	Number of H shares	Percentage of share capital comprising only H shares	Percentage of total issued share capital
	Interest of corporation controlled by the substantial shareholders	Short	–	–	24,102,475	4.96%	1.21%
Deutsche Bank Aktiengesellschaft	Beneficial owner	Long	–	–	25,447,376	5.24%	1.27%
	Interest of corporation controlled by the substantial shareholders	Long	–	–	155,380	0.03%	0.01%
	Custodian– Corporation/ approved lending agent	Long	–	–	4,917,240	1.01%	0.25%
					30,519,996	6.28%	1.53%
	Beneficial owner	Short	–	–	24,737,412	5.09%	1.23%
	Interest of corporation controlled by the substantial shareholders	Short	–	–	100,000	0.02%	0.01%
					24,837,412	5.11%	1.24%
The Bank of New York Mellon Corporation	Interest of corporation controlled by the substantial shareholders	Long	–	–	24,827,262	5.11%	1.24%
Black Rock, Inc.	Interest of corporation controlled by the substantial shareholders	Long	–	–	24,548,923	5.05%	1.23%
	Interest of corporation controlled by the substantial shareholders	Short	–	–	1,875,200	0.39%	0.09%

Notes:

1. State-owned Assets Supervision and Administration Commission of Shandong Province ("Shandong SASAC") held the entire capital of Shandong Heavy Industry Group Co., Ltd., which in turn held the entire capital of Weichai Group Holdings Limited (formerly known as Weifang Diesel Engine Works).

2. The number of H shares reported above held by the relevant substantial shareholder does not take into consideration the Company's bonus share issuance on 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 2014.

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 regarded 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 six Independent Non-executive Directors of the Company. The Chairman of the Audit Committee is Mr. Wang Gongyong, an Independent Non-executive Director. Mr. Wang has appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules for the purpose of this appointment. During the Period, the Audit Committee discharged its responsibilities, reviewed and discussed the financial results and internal control matters of the Company. In accordance with the requirements of Appendix 16 to the Listing Rules, the Audit Committee has reviewed the reviewed consolidated financial statements for the Period.

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

Throughout the Period, other than the roles of the Chairman and the Chief Executive Officer being performed by Mr. Tan Xuguang ("Mr. Tan"), and that the directors of the Company did not attend each of the Company's annual general meeting and extraordinary general meeting during the Period due to other essential business engagements, the Company has complied with all the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

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

COMPLIANCE WITH THE MODEL CODE

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

SUFFICIENCY OF PUBLIC FLOAT

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

APPROVAL OF THE FINANCIAL STATEMENTS

The reviewed consolidated financial statements for the Period were approved by the Board on 29 August 2014.

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

The 2014 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, 29 August 2014

As at the date of this announcement, the executive Directors of the Company are Mr. Tan Xuguang, Mr. Xu Xinyu, Mr. Li Dakai, Mr. Fang Hongwei, Mr. Sun Shaojun and Mr. Zhang Quan; the non-executive Directors of the Company are Mr. Wang Yuepu, Mr. Yeung Sai Hong, Mr. Julius G. Kiss, Ms. Han Xiaoqun, Mr. Jiang Kui and Mr. Gordon Riske; and the independent non-executive Directors of the Company are Mr. Loh Yih, Mr. Chu, Howard Ho Hwa, Mr. Zhang Zhenhua, Mr. Zhang Zhong, Mr. Wang Gongyong and Mr. Ning Xiangdong.