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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 2016

FINANCIAL HIGHLIGHTS

- Revenue amounted to approximately RMB42,287 million, increased by approximately 16.0%.
- Net Profit Attributable to the Shareholders of the Parent amounted to approximately RMB1,052 million, increased by approximately 8.5%.
- Basic Earnings Per Share was approximately RMB0.26, increased by approximately 8.3%.

(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 2016 (the "Period"), together with comparative figures for the corresponding period of 2015 as follows:

CONSOLIDATED INCOME STATEMENT

January to June 2016 (Expressed in Renminbi Yuan)

	Notes	**January to June 2016 (unaudited)**	January to June 2015 (unaudited)
Revenue	*7*	**42,286,511,209.18**	36,455,259,868.68
Less: Cost of sales	*7*	**32,625,101,923.75**	28,028,944,784.66
Taxes and surcharges	*8*	**142,817,120.98**	96,052,633.89
Distribution and selling expenses		**3,477,832,967.81**	2,870,010,696.32
General and administrative expenses		**3,738,511,698.49**	3,556,548,533.74
Financial expenses		**89,253,779.49**	183,034,068.43
Impairment loss of assets		**349,230,571.66**	192,603,210.24
Add: Gain or loss on fair value changes		**(86,225,051.26)**	(9,163,435.00)
Investment income		**82,977,065.51**	100,744,461.39
Incl: Investment income from associates and jointly controlled enterprises		**68,609,558.56**	66,804,707.15
Operating profit		**1,860,515,161.25**	1,619,646,967.79
Add: Non-operating income		**259,937,620.78**	219,634,183.48
Incl: Gain on disposal of non-current assets		**12,753,501.42**	26,139,266.14
Less: Non-operating expenses		**41,821,985.85**	96,963,421.27
Incl: Loss on disposal of non-current assets		**7,311,992.07**	14,763,360.50
Total profit		**2,078,630,796.18**	1,742,317,730.00
Less: Income tax expense	*9*	**477,116,621.27**	436,181,443.41
Net profit		**1,601,514,174.91**	1,306,136,286.59
Net profit attributable to the shareholders of the parent		**1,051,516,016.05**	969,149,138.37
Minority interests		**549,998,158.86**	336,987,148.22

	Notes	January to June 2016 (unaudited)	January to June 2015 (unaudited)
Net other comprehensive income after tax	*11*		
Net other comprehensive income attributable to shareholders of the parent after tax		**(457,546,329.36)**	(62,863,128.95)
Incl: Those other comprehensive income not to be reclassified into profit or loss in subsequent periods			
Changes arising from re-measuring net assets or net liabilities of defined benefit plan		**(408,163,272.19)**	70,669,720.12
Share of investee's other comprehensive income not to be reclassified into profit or loss using the equity method		**(28,209.38)**	–
Those other comprehensive income to be reclassified into profit or loss in subsequent periods			
Share of investee's other comprehensive income to be reclassified into profit or loss using the equity method		**(1,891,425.81)**	(87,328.44)
Change of fair value of available-for-sale financial assets		**(27,540,000.00)**	87,380,000.00
Effective portion of cashflow from hedging instrument		**(189,002.81)**	(15,796,243.61)
Exchange differences on foreign currency translation		**(19,734,419.17)**	(205,029,277.02)
Net other comprehensive income attributable to minority owners after tax		**(666,490,783.15)**	120,048,918.54
Total comprehensive income		**477,477,062.40**	1,363,322,076.18
Incl:			
Total comprehensive income attributable to the shareholders of the parent		**593,969,686.69**	906,286,009.42
Total comprehensive income attributable to minority interest		**(116,492,624.29)**	457,036,066.76
Earnings per share	*10*		
Basic earnings per share		**0.26**	0.24
Diluted earnings per share		**0.26**	0.24

CONSOLIDATED BALANCE SHEET

30 June 2016 (Expressed in Renminbi Yuan)

ASSETS	*Notes*	**30 June 2016 (unaudited)**	31 December 2015 (audited)
Current assets			
Cash and cash equivalents		**25,554,740,578.75**	24,601,345,959.52
Financial assets at fair value through profit or loss		**103,611,375.00**	37,867,082.40
Notes receivable	*3*	**12,884,312,465.23**	8,927,939,101.91
Accounts receivable	*4*	**10,549,283,716.88**	8,976,615,257.47
Prepayments		**432,497,183.43**	401,642,433.45
Interests receivable		**93,601,195.56**	53,906,611.07
Dividends receivable		**13,947,625.00**	6,480,000.00
Other receivables		**936,076,329.67**	645,771,489.45
Inventories		**13,138,886,596.58**	11,841,614,673.51
Non-current assets due within one year		**1,385,238,875.00**	1,289,424,886.40
Other current assets		**1,567,304,215.16**	970,236,409.05
Total current assets		**66,659,500,156.26**	57,752,843,904.23
Non-current assets			
Available-for-sale financial assets		**482,354,426.11**	650,293,280.51
Long-term receivables		**3,594,176,750.00**	3,348,884,733.60
Long-term equity investments		**1,486,165,407.45**	1,447,150,166.18
Investment property		**589,417,609.37**	588,890,842.52
Fixed assets		**24,430,433,567.85**	23,665,762,793.11
Construction in progress		**1,960,960,285.60**	2,589,410,278.91
Materials used in construction		**–**	1,200.00
Disposal of fixed assets		**1,697,275.16**	1,846,883.91
Intangible assets		**13,303,267,384.33**	12,860,379,962.34
Development expenditure		**495,180,708.23**	466,068,766.97
Goodwill		**8,284,725,153.76**	7,786,251,491.45
Long-term prepaid expenses		**323,006,155.58**	314,381,969.58
Deferred tax assets		**3,586,200,387.84**	3,152,666,737.05
Other non-current assets		**131,746,316.45**	248,554,796.59
Total non-current assets		**58,669,331,427.73**	57,120,543,902.72
Total assets		**125,328,831,583.99**	114,873,387,806.95

LIABILITIES AND EQUITY	*Notes*	**30 June 2016 (unaudited)**	31 December 2015 (audited)
Current liabilities			
Short-term loans		**6,142,494,637.40**	2,961,108,213.46
Financial liabilities at fair value through profit or loss		**236,466,063.57**	92,014,803.10
Notes payable	*5*	**5,315,686,832.34**	5,283,915,078.21
Accounts payable	*6*	**17,963,845,622.82**	14,264,753,447.71
Advances from customers		**1,373,017,730.57**	1,637,474,054.56
Payroll payable		**3,099,909,679.51**	3,129,536,423.85
Taxes payable		**1,407,339,383.37**	1,235,566,698.13
Interests payable		**147,685,755.83**	208,738,518.56
Dividends payable		**402,051,241.32**	5,129,313.52
Other payables		**4,474,510,069.40**	3,786,905,225.80
Non-current liabilities due within one year		**4,570,359,788.71**	5,246,338,509.59
Other current liabilities		**2,176,663,052.60**	2,018,326,655.18
Total current liabilities		**47,310,029,857.44**	39,869,806,941.67
Non-current liabilities			
Long-term borrowings		**11,494,312,602.49**	7,283,743,346.45
Bonds payable		**2,632,371,949.11**	5,985,529,194.60
Long-term payables		**7,183,152,375.00**	6,604,099,856.80
Long-term payroll payable		**8,602,514,170.85**	6,928,175,204.92
Special payables		**43,000,000.00**	43,000,000.00
Accruals and provisions		**266,916,000.00**	286,177,796.80
Deferred income		**2,468,960,107.77**	2,279,402,483.75
Deferred tax liabilities		**3,832,490,377.02**	3,825,631,719.50
Other non-current liabilities		**40,010,239.21**	41,337,675.89
Total non-current liabilities		**36,563,727,821.45**	33,277,097,278.71
Total liabilities		**83,873,757,678.89**	73,146,904,220.38
Shareholders' equity			
Share capital		**3,998,619,278.00**	3,998,619,278.00
Capital reserve		**46,378,117.17**	27,883,109.16
Other comprehensive income	*11*	**(960,055,003.14)**	(502,508,673.78)
Special reserve		**91,803,520.46**	78,839,437.56
Surplus reserve		**1,207,988,900.22**	1,207,988,900.22
Retained earnings		**27,570,287,708.20**	26,918,633,619.95
Total equity attributable to the shareholders of the parent		**31,955,022,520.91**	31,729,455,671.11
Minority interests		**9,500,051,384.19**	9,997,027,915.46
Total shareholders' equity		**41,455,073,905.10**	41,726,483,586.57
Total liabilities and shareholders' equity		**125,328,831,583.99**	114,873,387,806.95

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

30 June 2016

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 2015. These selected notes do not include all information and disclosures required under the Accounting Standards for Business Enterprises for a full set of financial statements. As such, these statements shall be read in conjunction with the financial statements for the year 2015.

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

Other than certain financial instruments and held-for-sale assets, these financial statements have been prepared at historical costs. Non-current assets classified as held-for-sale and assets under disposal group classified as held-to-sale are carried at the lower of fair value less foreseeable expenses or original carrying amount upon satisfying conditions for held-for-sale. If the assets are impaired, corresponding provisions for impairment shall be made according to relevant provisions.

b. Business combination

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

Business combinations involving entities under common control

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

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

Business combinations not involving entities under common control

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

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

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

For a business combination involving enterprises not under common control and achieved in stages, the Group remeasures its previously-held 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 using the equity method and relating to the previously-held equity interest in the acquiree shall be accounted for in accordance with the same accounting treatment for direct disposal of relevant asset or liability by investee. Movement of other owners' equity (excluding net profit or loss, other comprehensive income and profit distribution) shall be transferred to profit or loss for the current period to which the acquisition date belongs.

c. Consolidated financial statements

The consolidation scope of consolidated financial statements is determined on the basis of control, including the financial statements for the half year ended 30 June 2016 of the Company and all of its subsidiaries. A subsidiary is an entity that is controlled by the Company, including separable parts of an enterprise or investee and structured entities controlled by the Company, etc.

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

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

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

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

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

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

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 ("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, investment income, dividend income, gains from changes in fair value of financial instruments as well as head office expenses are excluded from such measurement.

Segment assets exclude equity investments at fair value through profit or loss for the current period, derivative instruments, dividends receivable, interests receivable, 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.

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.

	Diesel engines	Automobiles and other major automobile components	Other components	Import & export services	Forklift trucks and warehouses technology services	Total
January to June 2016						
Segment revenue:						
Sale to external customers	**8,092,893,088.86**	**14,457,309,394.17**	**1,008,422,281.14**	**56,329,694.08**	**18,671,556,750.93**	**42,286,511,209.18**
Inter-segment sale	**2,657,096,485.71**	**5,213.68**	**554,480,616.37**	**16,109,740.08**	**–**	**3,227,692,055.84**
Total	**10,749,989,574.57**	**14,457,314,607.85**	**1,562,902,897.51**	**72,439,434.16**	**18,671,556,750.93**	**45,514,203,265.02**
Adjustment:						
Elimination of inter-segment sale						**(3,227,692,055.84)**
Revenue						**42,286,511,209.18**
Segment results	**1,183,286,206.39**	**(103,392,331.31)**	**23,169,220.52**	**(37,132,396.69)**	**887,881,445.33**	**1,953,812,144.24**
Adjustment:						
Elimination of inter-segment results						**(87,020,269.01)**
Interest income						**404,578,928.28**
Dividend income and unallocated income						**342,914,686.29**
Corporate and other unallocated expenses						**(41,821,985.85)**
Finance expenses						**(493,832,707.77)**
Profit before tax						**2,078,630,796.18**
30 June 2016						
Segment assets	**24,184,678,521.96**	**23,405,728,682.90**	**12,278,184,753.12**	**5,607,891,690.50**	**39,779,477,011.46**	**105,255,960,659.94**
Adjustment:						
Elimination of inter-segment assets						**(9,550,424,468.73)**
Corporate and other unallocated assets						**29,623,295,392.78**
Total assets						**125,328,831,583.99**
Segment liabilities	**11,962,211,994.95**	**17,305,205,432.04**	**6,772,049,713.99**	**642,508,279.92**	**25,921,229,625.00**	**62,603,205,405.90**
Adjustment:						
Elimination of inter-segment liabilities						**(8,056,763,107.96)**
Corporate and other unallocated liabilities						**29,327,315,740.95**
Total liabilities						**83,873,757,678.89**
January to June 2016						
Other segment information:						
Share of profit and loss from:						
Loss/(gain) from associates and jointly controlled enterprises	**(18,250,618.86)**	**20,486,099.11**	**–**	**(50,905.80)**	**(70,794,133.01)**	**(68,609,558.56)**
Loss of impairment of inventories	**10,422,134.23**	**106,237,432.60**	**1,129,620.05**	**–**	**57,114,893.70**	**174,904,080.58**
Loss/(reversal) of impairment of accounts receivable and other receivables	**48,464,159.64**	**80,159,807.71**	**2,992,360.38**	**(78,042.07)**	**42,739,433.43**	**174,277,719.09**
Depreciation and amortization	**(424,591,780.07)**	**(501,807,126.33)**	**(95,935,507.75)**	**(12,636,219.91)**	**(1,816,311,466.72)**	**(2,851,282,100.78)**
Gain/(loss) from disposal of fixed assets	**7,194,963.29**	**1,492,401.69**	**(205,225.87)**	**–**	**(3,226,243.73)**	**5,255,895.38**
Gain from disposal of intangible assets	**–**	**–**	**–**	**–**	**–**	**–**
Investment in associates and jointly controlled enterprises	**544,729,370.86**	**474,716,865.91**	**–**	**35,555,554.92**	**431,163,615.76**	**1,486,165,407.45**
Capital expenditure	**(281,986,904.02)**	**(359,940,232.83)**	**(183,202,799.87)**	**(2,039,780.78)**	**(2,710,908,115.60)**	**(3,538,077,833.10)**

	Diesel engines	Automobiles and other major automobile components	Other components	Import & export services	Forklift trucks and warehouses technology services	Total
January to June 2015						
Segment revenue:						
Sale to external customers	7,066,459,211.86	11,524,123,359.10	1,027,929,113.35	54,369,966.77	16,782,378,217.60	36,455,259,868.68
Inter-segment sale	1,691,508,415.01	–	469,415,049.50	16,415,093.88	–	2,177,338,558.39
Total	8,757,967,626.87	11,524,123,359.10	1,497,344,162.85	70,785,060.65	16,782,378,217.60	38,632,598,427.07
Adjustment:						
Elimination of inter-segment sale						(2,177,338,558.39)
Revenue						36,455,259,868.68
Segment results	816,195,214.32	(38,231,462.51)	(678,926.43)	(25,814,790.40)	812,661,826.40	1,564,131,861.38
Adjustment:						
Elimination of inter-segment results						137,804,713.45
Interest income						394,565,439.62
Dividend income and unallocated income						320,378,644.87
Corporate and other unallocated expenses						(96,963,421.27)
Finance expenses						(577,599,508.05)
Profit before tax						1,742,317,730.00
31 December 2015						
Segment assets	20,144,034,231.81	21,676,364,487.36	11,614,982,630.41	6,591,253,116.32	36,464,314,470.54	96,490,948,936.44
Adjustment:						
Elimination of inter-segment receivables						(10,021,867,106.57)
Corporate and other unallocated assets						28,404,305,977.08
Total assets						114,873,387,806.95
Segment liabilities	9,503,905,610.43	15,581,716,794.59	7,657,624,815.18	674,649,449.64	22,685,780,958.40	56,103,677,628.24
Adjustment:						
Elimination of inter-segment payables						(8,864,846,861.18)
Corporate and other unallocated liabilities						25,908,073,453.32
Total liabilities						73,146,904,220.38
January to June 2015						
Other segment information:						
Share of profit and loss from:						
Loss/(gain) from associates and jointly controlled enterprises	(15,070,318.27)	11,128,114.25	–	(277,656.57)	(62,584,846.56)	(66,804,707.15)
Loss of impairment of inventories	20,189,442.31	29,163,185.12	547,527.14	–	15,643,539.60	65,543,694.17
Loss/(reversal) of impairment of accounts receivable and other receivables	17,327,956.24	76,661,800.37	1,671,887.58	(46,471.79)	24,806,974.60	120,422,147.00
Depreciation and amortization	(382,753,524.31)	(462,678,948.63)	(89,766,923.86)	(12,345,129.98)	(1,634,390,266.60)	(2,581,934,793.38)
Gain/(loss) from disposal of fixed assets	4,360,395.65	1,836,863.61	(76,248.55)	167.78	3,948,921.80	10,070,100.29
Gain from disposal of intangible assets	–	1,252,463.67	–	–	–	1,252,463.67
Investment in associates and jointly controlled enterprises	581,648,245.67	508,820,378.51	–	33,203,155.73	368,022,450.67	1,491,694,230.58
Capital expenditure	(329,893,839.20)	(555,052,698.70)	(127,783,869.82)	(4,823,097.93)	(2,096,580,096.40)	(3,114,133,602.05)

Group information

Information about products and services

Revenues from external transactions

	January to June 2016	January to June 2015
Complete vehicles and key components	**19,868,731,956.77**	16,296,279,893.77
Non-automobile engines	**2,384,556,577.98**	1,955,345,833.05
Other automobile components	**113,077,738.66**	141,541,273.44
Forklift trucks and warehouses technology services	**18,155,321,109.68**	16,782,378,217.60
Others	**1,764,823,826.09**	1,279,714,650.82
	42,286,511,209.18	36,455,259,868.68

Geographic information

Revenues from external transactions

	January to June 2016	January to June 2015
China	**22,124,375,440.19**	18,432,760,865.91
Other countries and regions	**20,162,135,768.99**	18,022,499,002.77
	42,286,511,209.18	36,455,259,868.68

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

Total non-current assets

	30 June 2016	31 December 2015
China	**18,519,003,932.98**	18,602,442,914.02
Other countries and regions	**32,400,735,950.80**	31,347,383,005.54
	50,919,739,883.78	49,949,825,919.56

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 RMB1,412,115,993.95 (January to June 2015: RMB1,224,041,441.90) was derived from sales by Diesel engines segment and Automobiles and other major automobile components segment to a single customer, including sales to a group of entities which is known to be under common control by that customer.

3. NOTES RECEIVABLE

	30 June 2016	31 December 2015
Bank acceptance bills	**12,863,908,188.23**	8,889,644,101.91
Commercial acceptance bills	**20,404,277.00**	38,295,000.00
	12,884,312,465.23	8,927,939,101.91

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

	30 June 2016	31 December 2015
Bank acceptance bills	**2,260,982,737.36**	2,511,424,512.27

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

	30 June 2016		31 December 2015	
	Derecognized	**Not derecognized**	Derecognized	Not derecognized
Bank acceptance bills	**3,650,664,800.61**	**–**	2,818,049,462.43	–
Commercial acceptance bills	**–**	**10,000,000.00**	–	6,893,000.00
	3,650,664,800.61	**10,000,000.00**	2,818,049,462.43	6,893,000.00

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

	30 June 2016		31 December 2015	
	Derecognized	**Not derecognized**	Derecognized	Not derecognized
Bank acceptance bills	**2,706,634.94**	**–**	44,487,805.36	–

As at 30 June 2016 and 31 December 2015, the Group has not transferred any notes into accounts receivable due to issuers' failure in performance.

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 2016	31 December 2015
Within 1 year	**10,257,044,148.58**	8,370,914,431.92
1 to 2 years	**304,348,683.44**	696,424,083.66
2 to 3 years	**413,622,706.29**	230,497,732.65
Over 3 years	**689,140,518.84**	614,417,642.49
	11,664,156,057.15	9,912,253,890.72
Less: provision for bad debt in respect of accounts receivable	**1,114,872,340.27**	935,638,633.25
	10,549,283,716.88	8,976,615,257.47

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

	30 June 2016	31 December 2015
Opening balance	**935,638,633.25**	822,420,507.83
Provision for the period/year	**224,321,490.31**	203,708,335.20
Decrease during the period/year:		
Reversal	**(48,091,509.59)**	(50,608,404.25)
Write-off	**(102,697.46)**	(21,585,116.22)
Decrease upon disposal of subsidiary(ies)	**–**	(15,135,439.48)
Exchange gains and losses	**3,106,423.76**	(3,161,249.83)
Closing balance	**1,114,872,340.27**	935,638,633.25

	30 June 2016			
	Gross carrying amount	**Proportion (%)**	**Provision for bad debt**	**Percentage (%)**
Individually significant items for which provision for bad debt is recognized separately	**913,068,232.72**	**7.83**	**391,565,139.83**	**42.88**
Items for which provision for bad debt is recognized by group with distinctive credit risk characteristics	**10,559,316,508.30**	**90.53**	**630,120,375.32**	**5.97**
Not individually significant items for which provision for bad debt is recognized separately	**191,771,316.13**	**1.64**	**93,186,825.12**	**48.59**
	11,664,156,057.15	**100.00**	**1,114,872,340.27**	

	31 December 2015			
	Gross carrying amount	Proportion (%)	Provision for bad debt	Percentage (%)
Individually significant items for which provision for bad debt is recognized separately	560,344,327.43	5.65	348,742,189.60	62.24
Items for which provision for bad debt is recognized by group with distinctive credit risk characteristics	9,118,579,029.38	91.99	481,566,211.39	5.28
Not individually significant items for which provision for bad debt is recognized separately	233,330,533.91	2.36	105,330,232.26	45.14
	9,912,253,890.72	100.00	935,638,633.25	

As at 30 June 2016, individually significant items for which provision for bad debt is recognized separately are presented as follows:

	Gross carrying amount	Provision for bad debt	Percentage	Reasons
EURL GM TRADE (ALGERIA)	**239,998,279.78**	**–**	–	Insured by Sinosure, not provided for
Xuzhou XCMG Schwing Machinery Co,, Ltd.	**115,767,881.00**	**23,153,576.20**	20%	Bad repayment ability
Shanxi Tong Tai Automobile Sales Services Co., Ltd	**56,927,140.00**	**51,234,426.00**	90%	Long credit age
Guangzhou Jinqi Trading Company Limited	**49,159,575.31**	**49,159,575.31**	100%	Bad repayment ability
Shaanxi Rong Chang Yuan Trading Co., Ltd	**43,173,316.66**	**38,855,984.99**	90%	Not full coverage of preservation
Anhui Anyu Engineering Machinery Sales Co., Ltd	**42,763,993.80**	**17,105,597.52**	40%	Bad repayment ability
Hubei Aoma Special Automobile Co., Ltd.	**42,228,752.49**	**16,891,501.00**	40%	Legal actions in progress
Dalian Shaanxi Automobile Sales Co., Ltd	**40,516,068.59**	**32,412,854.87**	80%	Long credit age
Global Haulage Company Limited (Ghana)	**37,956,394.85**	**379,563.95**	1%	Provision for bad debts not covered by insurance
Hubei Space Shuanglong Special Purpose Vehicle Co., Ltd.	**35,611,768.86**	**24,928,238.20**	70%	Company dissolved
Others	**208,965,061.38**	**137,443,821.79**	66%	Cessation of business etc.
	913,068,232.72	**391,565,139.83**		

As at 31 December 2015, individually significant items for which provision for bad debt is recognized separately are presented as follows:

	Gross carrying amount	Provision for bad debt	Percentage	Reasons
Shanxi Tong Tai Automobile Sales Services Co., Ltd	56,927,140.00	51,234,426.00	90%	Long credit age
OOO SHANKSIRUS	50,219,167.38	12,554,791.85	25%	Long credit age
Guangzhou Jinqi Trading Company Limited	49,159,575.31	49,159,575.31	100%	Bad repayment ability
Shaanxi Rong Chang Yuan Trading Co., Ltd	43,173,316.66	38,855,984.99	90%	Not full coverage of preservation
Anhui Anyu Engineering Machinery Sales Co., Ltd	42,763,993.80	17,105,597.52	40%	Bad repayment ability
Hubei Aoma Special Automobile Co., Ltd.	42,054,011.99	8,410,802.40	20%	Legal actions in progress
Dalian Shaanxi Automobile Sales Co., Ltd	40,513,268.59	32,410,614.87	80%	Bad repayment ability
RITA VO CO., LTD (Vietnam)	38,124,056.16	190,620.28	1%	No recourse by banks, account receivable transferred
Hubei Space Shuanglong Special Purpose Vehicle Co., Ltd.	35,611,768.86	24,928,238.20	70%	Company dissolved
Nanjing Lerong Trading Company Limited	33,443,140.43	30,098,826.39	90%	Assets have been preserved
Others	128,354,888.25	83,792,711.79	65%	Cessation of business etc.
	560,344,327.43	348,742,189.60		

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

	30 June 2016				31 December 2015			
	Gross carrying amount	**Proportion (%)**	**Provision for bad debt**	**Percentage (%)**	Gross carrying amount	Proportion (%)	Provision for bad debt	Percentage (%)
Within 1 year	**4,543,852,765.62**	**86.86**	**217,569,517.76**	**4.79**	3,546,476,131.73	82.11	162,932,787.49	4.59
1 to 2 years	**207,255,752.83**	**3.96**	**32,318,488.38**	**15.59**	461,362,586.78	10.68	66,345,372.22	14.38
2 to 3 years	**212,838,272.47**	**4.07**	**64,597,925.86**	**30.35**	141,481,172.05	3.28	42,454,296.62	30.01
3 to 4 years	**87,434,042.91**	**1.67**	**43,592,183.19**	**49.86**	16,179,303.99	0.38	8,081,230.12	49.95
4 to 5 years	**29,253,821.74**	**0.56**	**23,400,657.39**	**79.99**	24,292,305.44	0.56	19,433,844.35	80.00
Over 5 years	**150,605,727.73**	**2.88**	**150,605,727.73**	**100.00**	129,282,060.59	2.99	129,282,060.59	100.00
	5,231,240,383.30	**100.00**	**532,084,500.31**	**10.17**	4,319,073,560.58	100.00	428,529,591.39	9.92

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

	30 June 2016			31 December 2015		
	Gross carrying amount	**Provision for bad debt**	**Percentage (%)**	Gross carrying amount	Provision for bad debt	Percentage (%)
An overseas segment combination	**5,328,076,125.00**	**98,035,875.01**	**1.84**	4,799,505,468.80	53,036,620.00	1.11

As at 30 June 2016, the top five balances in respect of accounts receivable had a sum of closing balance of RMB585,696,222.69 (31 December 2015: RMB570,645,024.37), accounting for 5.02% (31 December 2015: 5.76%) of the total of closing balance of accounts receivable. The closing balance in respect of bad debt provided for the top five amounted to RMB79,427,067.70 (31 December 2015: RMB37,960,889.31).

As at 30 June 2016, no accounts receivable was pledged for securing bank borrowings (31 December 2015: RMB1,625,574,176.80).

5. NOTES PAYABLE

	30 June 2016	31 December 2015
Bank acceptance bills	**5,207,467,916.10**	5,134,597,401.53
Commercial acceptance bills	**108,218,916.24**	149,317,676.68
Total	**5,315,686,832.34**	5,283,915,078.21

As at 30 June 2016, the Group has no outstanding notes payable which were due (31 December 2015: Nil).

6. ACCOUNTS PAYABLE

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

	30 June 2016	31 December 2015
Accounts payable	**17,963,845,622.82**	14,264,753,447.71

As at 30 June 2016, the aging analysis of accounts payable based on the invoice date is presented as follows:

	30 June 2016	31 December 2015
Within 1 year	**17,139,336,731.50**	13,493,299,323.69
Over 1 year	**824,508,891.32**	771,454,124.02
Total	**17,963,845,622.82**	14,264,753,447.71

As at 30 June 2016, there was no payable which was individually significant and aged over one year (31 December 2015: nil).

7. REVENUE AND COST OF SALES

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

	January-June 2016		January-June 2015	
	Revenue	**Cost**	Revenue	Cost
Revenue from principal operations	**41,339,236,381.32**	**31,745,863,655.75**	35,652,402,920.85	27,314,875,631.89
Other revenue	**947,274,827.86**	**879,238,268.00**	802,856,947.83	714,069,152.77
	42,286,511,209.18	**32,625,101,923.75**	36,455,259,868.68	28,028,944,784.66

The revenue is listed as follows:

	January-June 2016	January-June 2015
Revenue from principal operations		
Sales of goods and others	**32,665,539,622.84**	28,019,213,155.25
Forklift trucks services	**8,673,696,758.48**	7,633,189,765.60
	41,339,236,381.32	35,652,402,920.85
Other revenue		
Sales of materials	**670,034,345.87**	465,039,233.16
Sales of power	**19,115,944.79**	17,780,467.40
Lease income	**42,168,902.46**	77,932,128.14
Others	**215,955,634.74**	242,105,119.13
	947,274,827.86	802,856,947.83
	42,286,511,209.18	36,455,259,868.68

8. TAXES AND SURCHARGES

	January-June 2016	January-June 2015
Business tax	**2,847,627.04**	3,403,665.60
City construction tax	**68,932,891.45**	47,038,265.07
Educational surtax	**49,537,321.70**	33,323,736.07
Others	**21,499,280.79**	12,286,967.15
	142,817,120.98	96,052,633.89

9. INCOME TAX EXPENSES

	January-June 2016	January-June 2015
Current tax expenses	**593,462,242.72**	496,543,757.39
Deferred tax expenses	**(116,345,621.45)**	(60,362,313.98)
	477,116,621.27	436,181,443.41

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

		January-June 2016	January-June 2015
Total profit		**2,078,630,796.18**	1,742,317,730.00
Tax at statutory tax rate	*Note 1*	**519,657,699.05**	435,579,432.50
Effect of different tax rates applicable to parent company and some subsidiaries	*Note 2*	**(82,270,054.07)**	(139,498,940.77)
Adjustments to current tax of previous periods		**21,410,388.74**	(12,123,212.98)
Profits and losses attributable to associates		**(22,048,285.55)**	(14,228,711.64)
Income not subject to tax		**(82,020,123.70)**	(30,383,582.60)
Expenses not deductible for tax		**35,976,465.08**	48,719,130.40
Tax incentives on eligible expenditures		**(26,889,450.84)**	(25,149,261.49)
Utilization of deductible losses from prior years		**(16,242,008.00)**	(3,020,004.24)
Unrecognized deductible losses		**105,979,951.32**	162,020,156.39
Effect of unrecognized deductible temporary difference		**2,745,984.62**	1,753,494.82
Others		**20,816,054.62**	12,512,943.02
Tax expense at the Group's effective tax rate		**477,116,621.27**	436,181,443.41

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

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

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

10. EARNINGS PER SHARE (EPS)

The basic EPS is calculated by dividing the net profit of the current period attribute 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 2016	January-June 2015
Earnings		
Net profit of the current period attribute to ordinary shareholders of the Company	**1,051,516,016.05**	969,149,138.37
Shares		
Weighted average number of the ordinary shares outstanding of the Company	**3,998,619,278.00**	3,998,619,278.00
Basic EPS (RMB/share)	**0.26**	0.24

The Group holds no potential shares that are significantly dilutive.

11. OTHER COMPREHENSIVE INCOME

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

	1 January 2015	Increase/Decrease	31 December 2015	Increase/Decrease	**30 June 2016**
Changes arising from re-measuring net assets or net liabilities of defined benefit plan	(399,400,214.14)	23,664,201.02	(375,736,013.12)	(525,481,120.55)	**(901,217,133.67)**
Share of investee's other comprehensive income not to be reclassified into profit or loss using the equity method	(169,889,140.76)	5,240,567.93	(164,648,572.83)	(28,209.38)	**(164,676,782.21)**
Share of investee's other comprehensive income to be reclassified into profit or loss using the equity method	26,376,302.58	7,779,405.56	34,155,708.14	(1,891,425.81)	**32,264,282.33**
Change of fair value of available-for-sale financial assets	56,400,000.00	2,800,000.00	59,200,000.00	(32,400,000.00)	**26,800,000.00**
Effective portion of cashflow from hedging	(6,420,300.47)	13,089,207.22	6,668,906.75	8,349,975.00	**15,018,881.75**
Exchange differences on foreign currency translation	12,563,549.71	(158,998,330.14)	(146,434,780.43)	(19,734,419.17)	**(166,169,199.60)**
Relevant income tax effect	91,883,900.39	(7,597,822.68)	84,286,077.71	113,638,870.55	**197,924,948.26**
	(388,485,902.69)	(114,022,771.09)	(502,508,673.78)	(457,546,329.36)	**(960,055,003.14)**

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

January to June 2016

	Incurred pre-tax	Less: Amount recognised in other comprehensive income in previous period and recognised in profit or loss in current period	Less: income tax	Attributable to parent company	Attributable to minority interests
Those other comprehensive income not to be reclassified into profit or loss in subsequent periods					
Changes arising from re-measuring net assets or net liabilities of defined benefit plan	(1,495,868,300.00)	–	(429,748,625.00)	(408,163,272.19)	(657,956,402.81)
Share of investee's other comprehensive income not to be reclassified into profit or loss using the equity method	(73,750.00)	–	–	(28,209.38)	(45,540.62)
Those other comprehensive income to be reclassified into profit or loss in subsequent periods					
Share of investee's other comprehensive income to be reclassified into profit or loss using the equity method	5,051,875.00	–	–	(1,891,425.81)	6,943,300.81
Change of fair value of available-for-sale financial assets	(32,400,000.00)	–	(4,860,000.00)	(27,540,000.00)	–
Effective portion of cashflow from hedging instrument	50,371,250.00	28,541,250.00	22,324,125.00	(189,002.81)	(305,122.19)
Exchange differences on foreign currency translation	(34,861,437.51)	–	–	(19,734,419.17)	(15,127,018.34)
	(1,507,780,362.51)	28,541,250.00	(412,284,500.00)	(457,546,329.36)	(666,490,783.15)

January to June 2015

	Incurred pre-tax	Less: Amount recognised in other comprehensive income in previous period and recognised in profit or loss in current period	Less: income tax	Attributable to parent company	Attributable to minority interests
Those other comprehensive income not to be reclassified into profit or loss in subsequent periods					
Changes arising from re-measuring net assets or net liabilities of defined benefit plan	200,862,208.84	–	30,807,088.10	70,669,720.12	99,385,400.62
Share of investee's other comprehensive income not to be reclassified into profit or loss using the equity method	–	–	–	–	–
Those other comprehensive income to be reclassified into profit or loss in subsequent periods					
Share of investee's other comprehensive income to be reclassified into profit or loss using the equity method	(87,328.44)	–	–	(87,328.44)	–
Change of fair value of available-for-sale financial assets	102,800,000.00	–	15,420,000.00	87,380,000.00	–
Effective portion of cashflow from hedging instrument	(77,111,964.78)	(32,162,927.55)	(3,653,150.32)	(15,796,243.61)	(25,499,643.30)
Exchange differences on foreign currency translation	(158,866,115.80)	–	–	(205,029,277.02)	46,163,161.22
	67,596,799.82	(32,162,927.55)	42,573,937.78	(62,863,128.95)	120,048,918.54

12. DIVIDEND

The Board proposed on 30 August 2016 to distribute to all shareholders a 2016 interim cash dividend of RMB1.00 (including tax) for every 10 shares based on the total share capital of 3,998,619,278 shares of the Company (six months ended 30 June 2015: cash dividend of RMB1.00 (including tax) for every 10 shares). 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 2016 interim dividend.

Pursuant to the annual general meeting of shareholders of the Company held on 7 June 2016, a mandate has been given to the Board for the payment of the 2016 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 2016.

I. Review of Operations

In the first half of 2016, amidst the complex domestic and overseas conditions as well as the persistently high downside economic pressure, the Chinese government stood firmly by the main theme of making steady work progress in their work, thoroughly implementing the five development concepts, namely, "innovative, coordinated, green, open and shared development". While seeking to appropriately expand total demand, efforts were made to fortify the supply-side structural reform, by rigorously promoting business startups and creativity by the public (大眾創業、萬眾創新). The national economy continued to maintain a stable trend of development in general, making progress while maintaining stability. In the first half of the year, the gross domestic product reached RMB34.06 trillion, representing a year-on-year growth of 6.7%. On a quarter-to-quarter basis, it grew by 6.7% in the first quarter and 6.7% in the second quarter.

During the reporting period, with the marginal growth of the highway logistics market and increase in fixed-asset investments in the property sector, the heavy-duty truck market gradually demonstrated a trend of recovery with substantial growth in sales volume and delivering sales of 340,300 units in total, representing a year-on-year increase of 15.2%. Under such influence, during the reporting period, the Company reported sales of 83,800 units of heavy-duty truck engines, representing a year-on-year increase of 29.2% and a market share of 24.6%, representing an increase of 3.2 percentage points from 2015, maintaining its leading position in the industry. Shaanxi Heavy-duty Motor Company Limited (陝西重型汽車有限公司), a controlling subsidiary of the Company, reported an aggregate sales of 37,700 units of heavy-duty trucks for the first half of the year, representing a year-on-year increase of 35.1%, with market share of 11.1% and ranking No. 4 in the domestic heavy-duty truck industry in the PRC, further increasing its competitiveness. Shaanxi Fast Gear Co., Ltd. (陝西法士特齒輪有限責任公司), a controlling subsidiary of the Company, has maintained its leading position in the industry with its aggregate sales of 245,900 units of gear boxes, representing a year-on-year increase of 7.2%.

In the first half of 2016, fixed-asset investments in the PRC (excluding agricultural households) reached RMB25.84 trillion, representing a year-on-year growth of 9.0% and a drop of 2.4 percentage points in growth rate year-on-year. The total planned investments for newly-commenced construction projects reached RMB24.02 trillion, representing a year-on-year growth of 25.1% and an increase of 23.5 percentage points in growth rate year-on-year. Investments in property development reached RMB4.66 trillion, representing a year-on-year growth of 6.1% and an increase of 1.5 percentage points in growth rate year-on-year. Generally speaking, the pace of growth of fixed-asset investments in the PRC decreased in the first half of the year, but some leading indicators performed well. As such, the construction machinery industry gradually demonstrated a trend of recovery, with positive growth in sales volume of various major categories of construction machinery. During the reporting period, the construction machinery market in the PRC reported sales of 209,000 units, representing a year-on-year decrease of 30.1%, and among which, the sales volume of wheel loaders with a load capacity of 5 tonnes was 23,400 units, representing a year-on-year decrease of 5.8%. The Company sold a total of 15,600 units of engines for wheel loaders with a load capacity of 5 tonnes, representing a year-on-year decrease of 9.0% and accounting for more than 60% market share in the market of wheel loaders with a load capacity of 5 tonnes, while maintaining its leading position in this sector.

During the reporting period, affected by the state's macroeconomic policies, the passenger vehicles market of the PRC continued to drop, with accumulated sales of 254,000 units, representing a drop of 9.5% year-on-year. Among such, the market of large-sized and medium-sized passenger vehicles reported accumulated sales of 73,200 units, representing a 13.78% growth and became the major force in driving the growth of the passenger vehicle market. The light passenger vehicle market, which commanded larger market share, suffered a serious drop in sales, with accumulated sales of 181,000 units which represented a year-on-year decrease of 16.4%. Affected by the aforesaid, during the reporting period, the Company's aggregate sales of engines for use in passenger vehicles amounted to 7,900 units, representing a year-on-year decrease of 15.5%, and accounted for 10.8% of the market share of the large-sized and medium-sized passenger vehicles, representing a decrease of 3.7 percentage points year-on-year.

During the reporting period, the Company adhered to the market-oriented approach, being driven by innovation, with expedited structural adjustment and continuously increasing its overall capability to resist risks, thereby maintaining its trend of stable development. In the first half of 2016, the Company reported a sales figure of 107,800 units of 10L, 12L and 13L engines, representing a 17.5% growth year-on-year, and maintaining the stable leading position of heavy-duty engine products in the heavy-duty truck market, the market of wheel loaders with a load capacity of 5 tonnes and the market of passenger vehicles with a span of over 11 metres. Meanwhile, sales of strategic products grew substantially, increasing by 30.9% year-on-year to 33,800 units of Yangchai 2/4L engines, by 17.6 times to 5,368 units of WP13 engines, by 20.6 times to 367 units of new-energy power system, by 51.6 times to 10,800 units of Off-road Phase III Emission Standards engines, and by double to 1,129 units of engines for use in forklift trucks. During the same period, Shaanxi Heavy-duty Motor Company Limited, a controlling subsidiary of the Company, explored the heavy-duty truck segment market and went beyond cold-chain, hazardous chemicals, express delivery and environmental and hygiene-related segments to achieve rapid growth in truck market and tractor market. The business of 6DS-series gear boxes for use in passenger vehicles of Shaanxi Fast Gear Co., Ltd. grew against the adversities faced by the market by leveraging its light-weight design in aluminum-alloy shells, reporting monthly sales volume of approximately 5,000 units, becoming a new highlight in fostering the steady growth of the production and operation of the enterprise.

During the reporting period, the Company adhered to the notion of "Endogenous growth and driven by innovation", and responded positively to the external environment and industry competition through a series of measures including structural adjustment, cost reduction and loss mitigation, thereby achieving stable and healthy development. Firstly, we upheld our market-oriented approach and took the initiative in leading the trend of market development. Our success in launching new models of engines namely WP9H and WP10H has set the highest standard of the lifespan of high-speed heavy-duty engines and interpreted the core user requirements of "reliability and durability". Secondly, we placed great emphasis on technological innovations and stepped up our investments in research and development. We established five key technology special projects in 2016, kick-started the R&D projects on WP13, WP17 and D-series engines and fostered the high-end development of our products. Thirdly, by driving the establishment of a target-oriented technological innovation system, we comprehensively implemented the 10 items of advice on improving the innovative environment and releasing the passion for innovation, to create a fervent and innovative atmosphere, fully incentivized energy for innovation of the entire team, and continually uplifted the level of technological innovation of the enterprise. Fourthly, we achieved new breakthroughs in our overseas business development. KION Group AG ("KION"), running with a stable development, entered into an agreement to acquire the entire interests in Dematic at a consideration of US$2.1 billion to become a global leader in the intralogistics solution sector. For Linde Hydraulics, its integration plan has made good progress. The new German plants have been completed and commenced operation. The production capacity, the research and development and the application capability of Linde Hydraulics were substantially uplifted. Fifthly, by steadfastly fostering management innovation, continuing to upgrade its WOS management operation system, and continuously speeding up the intensive integration of informatization and industrialization, we facilitated corporate reform and renovation of business processes, and enhanced the overall operational efficiency.

During the reporting period, the Company's revenue increased by approximately 16.0% compared with that in the corresponding period of 2015 to approximately RMB42,287 million. The net profit attributable to shareholders of the listed company was approximately RMB1,052 million, representing an increase of approximately 8.5% compared with that in the corresponding period of 2015. The basic earnings per share was RMB0.26, representing an increase of approximately 8.3% compared with that in the corresponding period of 2015.

II. Dividends and Capitalisation of Reserve

On 7 June 2016, the 2015 profit distribution scheme was considered and approved at the 2015 annual general meeting of the Company. Based on the total share capital of the Company of 3,998,619,278 shares, the Company distributed to all shareholders a cash dividend of RMB1.00 (including tax) for every 10 shares held.

On 30 August 2016, under the authority granted by the shareholders of the Company, the Board considered and approved the distribution to all shareholders of cash dividend of RMB1.00 (including tax) for every 10 shares held, based on the total share capital of the Company of 3,998,619,278 shares, without any capitalisation of reserve. For details on the closure of registers of members in determining the shareholders who are eligible for the 2016 interim dividend, please refer to the further announcement to be issued by the Company.

III. Acquisition and Consolidation

During the first half of the year, KION Group AG, a subsidiary of the Company running with a stable development, entered into an agreement to acquire the entire interests in Dematic, a globally leading logistics transportation supplier, at a consideration of US$2.1 billion, thereby becoming a global leader in the intralogistics solution sector. This acquisition by KION Group AG is in line with the Company's overall strategic goal and its global development strategy. It will extend the Company's global reach in its business deployment, especially in the North American market, and further enhance its capability to resist risks.

IV. Outlook and Prospects

In the second half of 2016, the world economy will remain on a weak note. The economic recovery in the U.S. will slow down and the economic recovery in Europe is broadening out. Although the economic recovery in emerging economies will witness a rebound, the economy will remain relatively weak from a global perspective. Affected by external factors including the move by the United States Federal Reserve Board to raise interest rate, the U.S. presidential election, the Brexit, geopolitical conflicts and the revival of terrorism, etc., the global economy is expected to grow at about 3.2%. Domestically, China is now under a key stage of "transfer mode and adjust structure", seeking to achieve the dual goals of maintaining its minimum growth rate and carrying out supply-side structural reforms, and connecting to upgrade overall economy under quality improvement and transformation. With the increase of newly-commenced construction projects in the PRC, investments in infrastructure facilities will grow at a more rapid rate. Eliminating excessive inventories contributes to fostering development of the property market. While emerging industries and new consumption patterns are rapidly developing, the change in economic structure will be significantly expedited. Nonetheless, affected by factors including the diminished effect from previous easing policies, the normalization of property market, the persistently low private investments and the uncertain global macro environment, etc., the GDP growth rate in the PRC is expected to further decline in the third and fourth quarters, with the economic growth maintaining at about 6.6% on an annual basis.

The Company is cautiously optimistic about the development trend of its related industries. In the second half of 2016, the heavy-duty truck market is expected to grow steadily, develop sustainably and attain truck sales of approximately 600,000 on a yearly basis. Implementation of projects including the "One Belt and One Road" project development, the strengthening of international cooperation in production capacity, implementing the outline in relation to the coordinated development of Beijing, Tianjin and Hebei, the accelerated development of Yangtze River Economic Zone, the revitalizing strategy of old industrial bases in northeast region of China, and the renovation of shack areas, inland waterways and underground pipe networks will be favorable to the development of the heavy-duty truck market.

In the second half of 2016, the market condition does not bode well for the construction machinery industry. Challenges include the decline in market growth rate, excessive capacity of the industry and the increasingly stringent safety and environmental regulations. Nevertheless, there are a number of factors which favour industrial development: with regard to the domestic market, the "Three-Year Action Plan of Major Construction Projects in Transportation Infrastructure" indicates a focus on implementing 303 projects in respect of railways, highways, waterways, airports and urban rail transit from 2016 to 2018, and the total investment will reach about RMB4.7 trillion. Investment opportunities in new transportation infrastructure in the PRC will continue to emerge. Regarding the international market, the continuous implementation of the strategy of "One Belt and One Road" and international cooperation on production capacity will bestow new opportunities for the construction machinery industry on the basis of economic corridors with the breakthrough in transportation infrastructure development, bringing in an upsurge in countries along the route. It is expected that the overall infrastructure investment will exceed US$8 trillion.

At present, regulations on emissions are increasingly tightened and the upgrade of technology development is accelerating. Starting from 1 December 2016, Off-road Phase III Emission Standards will be implemented on all the agricultural machinery nationwide. Starting from 1 January 2017, China V Emission Standards will be implemented on diesel-driven heavy-duty vehicles (passenger vehicles and public transportation, hygiene and environment, and postal use) and starting from 1 July 2017, China V Emission Standards will be implemented on all diesel-driven heavy-duty vehicles. As such, some segments of the market will experience a round of reshuffling and backward production capacities will be further eliminated. Leveraging upon the synergy presented by its globally coordinated R&D, advanced technology in smart manufacturing, product and service diversity and its strong base of loyal customers, the Company has started its preparation work in advance and made positive progress, capturing a leading position in the new round of upgrade and will be poised to maintain its leading position in the market of high-power engines, heavy-duty gear boxes and complete heavy-duty trucks. The Board has full confidence in the development prospect of the Company.

In the second half of 2016, by the three major means of "Cost reduction, loss elimination and fostering innovation", the Company will work strenuously on the following for the thirteen battles that it must win this year:

Firstly, to be persistently driven by innovations, to strengthen fundamental technology research and further push forward the high-end engine projects, continue to implement the 10 items of advice on fostering an innovative environment and releasing the passion to create a fervent and innovative atmosphere. Secondly, to persist in remaining market-driven, enhancing the profit model of its products, and continuing to uplift its competitive edge in terms of the distinctive reliability and durability of its products in active response to the trend of vertical integration of the industry. Thirdly, to insist on the integration of informatization and industrialization with breakthroughs in smart manufacturing base infrastructure, realizing the five major smart business areas, which include R&D technology, supply chain, marketing services, functions management and control and infrastructure, in a comprehensive way and promoting corporate agile manufacturing capabilities with "low cost, high efficiency and high quality". Fourthly, to keep on strengthening the coordinated business development of its domestic and foreign subsidiaries, step up its efforts in exploring new overseas markets and establish a sound system of global sales and services network, and actively participate in global competition. Fifthly, to persist on cost saving and efficiency enhancement along the entire industry chain, and throughout all business processes with the involvement of all staff members. It will innovate upon new thoughts and methods on cost saving and improve the mechanism for narrowing and stopping loss, saving cost and eliminating loss for subsidiaries. Sixthly, to insist on management reform, enhancing management operation systems of subsidiaries and carrying out the reform of systems and mechanisms of pilot subsidiaries, achieving optimization of resource allocation of the Company; to promote its WOS management operation system and engage in organizational reforms, and continually uplift the operational efficiency of the enterprise. Our heavy-duty truck segment will continue to implement service-based manufacturing strategies, switching from product-oriented to customer-oriented in response to the concerns over the full product life cycle and full process in customer management to provide an overall solution with maximised value for customers. Strategic direction "5221" will guide gear box companies the way to promote structural adjustments, transformation and upgrade, to foster the development of traditional and mechanical gear boxes (represented by S gear boxes) towards being more high-powered, high-end and light-weighted, and intensify efforts on the R&D of the four-in-one hydraulic-controlled mechatronic smart products. We will make good use of the synergy among the component segment, the engine segment and the complete vehicles segment.

At the same time, the Company will remain committed to its development goal of "developing a full series and whole range of comprehensive products while going high-end and seeking the challenge to become number one in the world". Under the principle of "Unified Strategy, Independent Operation, Resources Sharing", we will accelerate the coordinated development among the business segments of vehicles, construction machinery, powertrains and automobile components, in order to fully utilize the synergetic advantage of our resources in the domestic and overseas companies, to continually enhance the quality and image of the Company's development, and boost the overall capability to resist 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 six months ended 30 June 2016 ("the Period") as follows:

I. Industry Analysis

The Company is one of the vehicles and equipments manufacturing conglomerates 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 related after-sales market services.

1. Heavy-duty Vehicle Industry

In the first half of 2016, the macroeconomic conditions in the PRC were exposed to considerable and continuous downward pressure, but the overall economy remained fairly stable. In the first half of the year, the gross domestic product reached RMB34.06 trillion, representing a year-on-year growth of 6.7%. Influenced by an increase in investments in real estate development and moderate growth in highway logistics, there were signs of recovery for the heavy-duty truck market which reported a substantial increase in sales volume. During the Period, the heavy-duty truck market in the PRC delivered sales of approximately 340,300 units, representing a year-on-year increase of 15.2%.

2. Construction Machinery

During the Period, fixed-asset investments of China reached RMB25.84 trillion, representing a year-on-year growth of 9.0% and a drop in the growth rate of approximately 2.4 percentage points year-on-year. As such, the construction machinery market in the PRC reported sales of approximately 209,000 units, representing a year-on-year decrease of 30.1%, amongst which, the sales of wheel loaders with a load capacity of 5 tonnes was approximately 23,400 units, representing a year-on-year decrease of 5.8%. However, some leading indicators performed well. For instance, the total planned investments for newly-commenced construction projects amounted to RMB24.02 trillion, representing a year-on-year growth of 25.1%, and an increase of 23.5 percentage points in growth rate year-on-year. All these represented signs of recovery for the construction machinery industry.

3. Passenger Vehicle Market

During the Period, under the influence of a number of factors, such as a share of the transportation market having been taken up by China's national express rail, and the increasingly stringent regulatory regime on the supervision of passenger transportation etc., there was ongoing downturn in the passenger vehicle market in the PRC. In the first half of 2016, China's passenger vehicle market reported an aggregate sales figure of 254,000 units, representing a year-on-year decrease of 9.5%.

4. Forklift Truck Industry

In the first half of 2016, driven by domestic demand, the economy of the Eurozone continued to recover, particularly in Germany and France. As such, the global order for forklift trucks increased from approximately 575,400 units in the corresponding period last year to approximately 591,000 units, representing an increase of 2.7% 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

During the Period, the heavy-duty truck market in the PRC has gradually shown signs of recovery. The Company's aggregate sales of heavy-duty truck engines amounted to approximately 83,800 units, representing a year-on-year growth of approximately 29.2% from approximately 64,900 units in the corresponding period last year. The Company's market share in the heavy-duty truck auxiliary market reached 24.6%, maintaining the Company's leading 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, under a drop in overall sales volume of the construction machinery market, the Company's sales of engines for wheel loader with a load capacity of 5 tonnes was approximately 15,600 units, representing a year-on-year decrease of 9.0%. The Company's market share in the market of wheel loader with a load capacity of 5 tonnes was more than 60.0%, maintaining the Company's leading position in the market.

For use in Passenger Vehicles

During the Period, the domestic passenger vehicle market continued to drop. The light passenger vehicle market, which commanded larger market share, suffered a serious decrease. As such, during the first half of 2016, the Company's aggregate sales of engines for use in passenger vehicles amounted to approximately 7,900 units, representing a year-on-year decrease of approximately 15.5%, and accounting for approximately 10.8% of the market share of the large-sized and medium-sized passenger vehicles, representing a year-on-year decrease of 3.7 percentage points from the corresponding period last year.

2. ***Forklift Trucks Production and Warehousing Technology Services***

During the Period, KION actively pushed forward the "2020 Strategy", and continued to record growth in sales volume of forklift trucks in the European and North American markets. The Group recorded a better growth of sales orders for forklift trucks than the overall market performance, achieving an increase in volume of sales orders for forklift trucks to approximately 89,200 units in the first half of 2016, representing an increase of 4.4% year-on-year. Orders on hand amounted to EUR2,724 million, representing an increase of 6.2% year-on-year. Before elimination of intra-group sales, the forklift trucks production and warehousing technology services business contributed sales revenue of approximately RMB18,672 million to the Group during the Period.

3. ***Sale of Heavy-duty Trucks***

During the Period, the Group reported an aggregate sales of approximately 37,700 units of heavy-duty trucks, representing an increase of approximately 35.1% from approximately 27,900 units sold during the corresponding period of 2015. Shaanxi Heavy-duty Motor Company Limited, a controlling subsidiary of the Company, maintained its ranking within the top four in the domestic heavy-duty truck industry in the PRC. Before elimination of intra-group sales, the heavy-duty trucks business contributed sales revenue of approximately RMB10,901 million to the Group during the Period.

4. ***Sale of Heavy-duty Gear Boxes***

During the Period, the Group sold approximately 245,900 units of heavy-duty gear boxes, representing an increase of approximately 7.2% compared to approximately 229,300 units sold in the corresponding period of 2015, and maintaining its leading position in the industry. Before elimination of intra-group sales, the gear boxes business contributed sales revenue of approximately RMB3,620 million to the Group during the Period.

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

Apart from the production and sales of diesel engines for trucks and construction machinery, heavy-duty trucks and heavy-duty gear boxes, the Group is also engaged in the production and sales of engine parts and components and other truck parts and components such as: spark plugs, axles, chassis, air-conditioner compressors, hydraulics controlling parts etc. During the Period, the Group's sales of parts and components of engines and trucks and hydraulics controlling parts decreased from approximately RMB2,634 million in the corresponding period in last year to approximately RMB1,858 million, representing a year-on-year decrease of approximately RMB776 million or 29.5%.

III. Financial Review

1. The Group's Results of Operations

a. Revenue

The Group's revenue increased by approximately RMB5,832 million or approximately 16.0% from approximately RMB36,455 million in the corresponding period of 2015 to approximately RMB42,287 million for the Period. This was primarily attributable to the substantial increase in sales volume under the recovery of the heavy-duty truck market in China, and the sustained growth of the forklift truck business in Europe and North America. In particular, the revenue from principal operations increased by approximately 16.0%, from approximately RMB35,652 million in the corresponding period of 2015 to approximately RMB41,339 million for the Period. Other revenue increased by approximately 18.0%, from approximately RMB803 million in the corresponding period of last year to approximately RMB947 million for the Period.

b. Profit from Principal Operations

The Group's focus on product research and development and the ongoing enhancement in product mix has given advantages to its products in terms of cost competitiveness, core technology and quality. The Group's effective cost control and its efforts in managing the low-efficiency business units in recent years have resulted in an increase in the profit of its principal operations. During the Period, the Group generated profit from principal operations in the amount of approximately RMB9,593 million, representing an increase of approximately RMB1,255 million or 15.1% as compared to approximately RMB8,338 million recorded in the corresponding period of 2015. The profit margin of principal operations remained stable at approximately 23.2%.

c. Distribution and Selling Expenses

Distribution and selling expenses increased by approximately RMB608 million or 21.2% to approximately RMB3,478 million in the Period from approximately RMB2,870 million in the corresponding period of 2015. The increase of distribution and selling expenses was primarily attributable to the increase in after-sales expenses and product return fee resulting from the increase in sales volume. At the same time, the Company capitalized on the opportunities presented by market recovery by stepping up its efforts and manpower in market expansion. As such, the distribution and selling expenses as a percentage of revenue increased from approximately 7.9% in the corresponding period of 2015 to approximately 8.2% in the Period.

d. *General and Administrative Expenses*

General and administrative expenses increased by approximately RMB182 million or 5.1% from approximately RMB3,557 million in the corresponding period of 2015 to approximately RMB3,739 million in the Period, which was mainly due to the increase in staff costs and expenses on external support in the course of the international development of the Group. Further, KION incurred additional expenses on professional fees paid in connection with its preparation for the acquisition of the business of the advanced material handling automation solutions business operated by DH Services Luxembourg Holding S.à r.l. through its subsidiaries which operate mainly under the "Dematic" trade name.

e. *Operating Profit before Finance Expenses*

During the Period, the Group's total profit before finance expenses and income tax expenses increased by approximately RMB243 million or approximately 12.6% to approximately RMB2,168 million in the Period from approximately RMB1,925 million in the corresponding period of last year. This was primarily attributable to the increase in sales during the Period. With higher proportional increase in expenses, the Group's operating margin dropped slightly to approximately 5.1% from approximately 5.3% for the corresponding period of 2015.

f. *Finance Expenses*

Finance expenses decreased by approximately 51.2% to approximately RMB89 million in the Period from approximately RMB183 million in the corresponding period of 2015. This was mainly attributable to the one-off recognition of the difference between the carrying amount and the settlement consideration in the amount of approximately RMB260 million in profit or loss for the Period, as KION completed its refinancing arrangement during the Period and repaid the medium-term notes in the amount of EUR450 million in advance.

g. *Income Tax Expenses*

The Group's income tax expenses increased by 9.4% from approximately RMB436 million in the corresponding period of 2015 to approximately RMB477 million in the Period. During the Period, the Group's average effective tax rate was approximately 23.0%, representing a decrease of 2 percentage points as compared to approximately 25.0% in the corresponding period of last year, which was primarily because of the increase in profit of business in China, where the average effective tax rate is lower than overseas regions.

h. Net Profit and Net Profit Margin

The Group's net profit for the Period increased by approximately RMB296 million or 22.6% from approximately RMB1,306 million in the corresponding period of 2015 to approximately RMB1,602 million in the Period. Net profit margin for the Period was approximately 3.8%, an increase of 0.2 percentage points from approximately 3.6% in the corresponding period of last year. This was primarily attributable to the increase in revenue in China and the increase in the proportion of profit derived from China, under the recovery of the heavy-duty truck industry.

i. Liquidity and Cash Flow

During the Period, the Group generated operating cash flows of approximately RMB2,024 million. A portion of such proceeds was applied to acquiring the U.S.-based Retrotech Inc. (at a consideration of approximately EUR25 million, equivalent to approximately RMB177.8 million), and paying for the acquisition of property, plant and equipment for the expansion of the Group's business. As at 30 June 2016, the Group had a net cash (cash and cash equivalents net of interest-bearing debts) of approximately RMB142 million (31 December 2015: net cash (cash and cash equivalents net of interest-bearing debts) of approximately RMB2,130 million). Based on the calculation above, the debt to equity ratio was not applicable to the Group as the Group was in a net cash position (as at 31 December 2015: N/A).

2. Financial Position

a. Assets and Liabilities

As at 30 June 2016, the Group had total assets of approximately RMB125,329 million, of which approximately RMB66,660 million were current assets. As at 30 June 2016, the Group had cash and cash equivalents of approximately RMB25,555 million (as at 31 December 2015: RMB24,601 million). On the same date, the Group's total liabilities amounted to approximately RMB83,874 million, of which approximately RMB47,310 million were current liabilities. The current ratio was approximately 1.41 (as at 31 December 2015: 1.45).

b. Capital Structure

As at 30 June 2016, the Group had total equity of approximately RMB41,455 million, of which approximately RMB31,955 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 2016 amounted to approximately RMB21,979 million, including debenture of approximately RMB4,032 million and bank borrowings of approximately RMB17,947 million. The bank borrowings included approximately RMB2,159 million of fixed interest rate bank borrowings and approximately RMB15,788 million of floating interest rate bank borrowings. The Group's borrowings maturing within one year from 30 June 2016 amounted to approximately RMB7,852 million and borrowings maturing in more than one year from 30 June 2016 amounted to approximately RMB14,127 million. Other than Euro-denominated borrowings and USD-denominated borrowings equivalent to approximately RMB15,776 million and RMB2,632 million respectively, the borrowings are Renminbi-denominated borrowings. The revenue of the Group is mainly in Renminbi and Euro. To prevent exchange rate risk arising from the fluctuation of the USD exchange rate, contracts have been entered into with financial institutions to swap the USD-denominated bonds issued in September 2015 to Euro, and the Group does not consider its currency 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.

c. *Pledge of Assets*

As at 30 June 2016, bank deposits, notes receivable and accounts receivable of approximately RMB5,485 million (as at 31 December 2015: RMB7,724 million) were pledged to banks to secure the Group's notes payable and notes receivable issued by banks. The pledged bank deposits carry interest at 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 balance sheet date was approximately the same as the carrying amount. Certain other assets were also pledged by the Group to secure the Group's borrowings.

d. *Contingencies*

As at 30 June 2016, the Group had guaranteed the repayment of the shortfall between the invoiced amounts and security deposits in the amount of approximately RMB1,710 million (as at 31 December 2015: approximately RMB1,014 million) for certain distributors and agents.

As at 30 June 2016, the Group had 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 RMB728 million (as at 31 December 2015: approximately RMB728 million).

As at 30 June 2016, the Group's borrowings and other guarantee amounted to approximately RMB159 million (as at 31 December 2015: approximately RMB167 million).

e. *Commitments*

As at 30 June 2016, the Group had approximately RMB1,174 million capital commitments (as at 31 December 2015: approximately RMB1,734 million), among which contracted capital commitments amounted to approximately RMB1,174 million, principally for the capital expenditure in respect of acquisition of property, plant and equipment. The capital expenditure will be financed by internal resources.

3. Other Financial Information

a. *Employees*

As at 30 June 2016, the Group had approximately 62 thousand employees (including approximately 24 thousand employees of KION). During the Period, the Group had paid remuneration of approximately RMB7,256 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*

Save as the major acquisition disclosed below, the Group did not have any major investment during the Period.

c. *Major Acquisition and Disposal*

On 20 June 2016 (New York time), KION entered into a sale and purchase agreement to purchase all the issued shares of DH Services Luxembourg Holding S.à r.l. and certain issued shares of certain subsidiaries of DH Services Luxembourg Holding S.à r.l. at a consideration of approximately US$2.1 billion. The underlying business to be acquired is the advanced material handling automation solutions business operated by DH Services Luxembourg S.à r.l. through its subsidiaries which operate mainly under the "Dematic" trade name. The consideration will be paid in cash and be funded with a bridge loan facility. The transaction is expected to be closed in the course of the fourth quarter of this year.

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

d. *Subsequent Events*

On 18 July 230016 (Central European Time), KION Group AG issued in aggregate 9,890,000 new KION shares through the accelerated market bookbuilding offering process. The Company has, through its indirect wholly-owned subsidiary Weichai Power (Luxembourg) Holding S.à r.l. ("Weichai Lux"), subscribed for 5,934,000 new KION shares based on the subscription price of EUR46.44 per KION share at a total consideration of EUR275,574,960. Upon completion of the transaction, the Group's shareholding in KION has increased from 38.25% to 40.23% after enlargement, which is in line with the Company's strategy of further enhancing the strategic alliance with KION and optimising the allocation of the Group's assets.

OTHER INFORMATION

Directors' and Supervisors' Interests in Shares and Underlying Shares

As at 30 June 2016, 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	29,421,298 *(Note 1)*	–	0.74%
Zhang Quan	Beneficial owner	6,842,162 *(Note 1)*	–	0.17%
Xu Xinyu	Beneficial owner	6,842,162 *(Note 1)*	–	0.17%
Sun Shaojun	Beneficial owner	6,842,162 *(Note 1)*	–	0.17%

Name of Supervisor	Capacity	Number of "A" shares held	Number of "H" shares held	Percentage of the issued share capital of the Company
Lu Wenwu	Beneficial owner	300,000	–	0.008%

Notes:

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

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

3. The percentage shareholding is calculated on the basis of 3,998,619,278 issued shares of the Company as at 30 June 2016 (comprising 3,027,099,278 "A" shares and 971,520,000 "H" shares).

Interests in the shares of associated corporations of the Company

Name of Director	Name of associated corporation	Nature of interest	Class and number of securities interested or deemed to be interested	Approximate percentage interest in the entire issued share capital of associated corporations
Gordon Riske *(Note)*	KION Group AG	Beneficial owner	227,350 ordinary shares	0.23%
		Interest held by spouse	3,000 ordinary shares	0.003%

Note: Gordon Riske, a non-executive Director, was the beneficial owner of 227,350 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 2016, 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 2016)

	Before the movement		Increase/decrease in the movement (+, –)					After the movement	
	No. of shares	Percentage (%)	New shares issued	Bonus issue	Capitalisation of reserve	Others	Sub-total	No. of shares	Percentage (%)
I. Restricted circulating shares	934,929,504	23.38%	–	–	–	(67,285,989)	(67,285,989)	867,643,515	21.70%
1. State-owned shares	–	–	–	–	–	–	–	–	–
2. State-owned legal person shares	821,265,504	20.54%	–	–	–	–	–	821,265,504	20.54%
3. Shares held by other domestic entities	113,664,000	2.84%	–	–	–	(67,285,989)	(67,285,989)	46,378,011	1.16%
including: Shares held by domestic non-state-owned legal persons	–	–	–	–	–	–	–	–	–
Shares held by domestic natural persons	113,664,000	2.84%	–	–	–	(67,285,989)	(67,285,989)	46,378,011	1.16%
4. Shares held by foreign entities	–	–	–	–	–	–	–	–	–
including: Shares held by overseas legal persons	–	–	–	–	–	–	–	–	–
Shares held by overseas natural persons	–	–	–	–	–	–	–	–	–
II. Non-restricted circulating shares	3,063,689,774	76.62%	–	–	–	67,285,989	67,285,989	3,130,975,763	78.30%
1. RMB ordinary shares	2,092,169,774	52.32%	–	–	–	67,285,989	67,285,989	2,159,455,763	54.00%
2. Domestic listed foreign shares	–	–	–	–	–	–	–	–	–
3. Overseas listed foreign shares	971,520,000	24.30%	–	–	–	–	–	971,520,000	24.30%
4. Others	–	–	–	–	–	–	–	–	–
III. Total number of shares	3,998,619,278	100%	–	–	–	–	–	3,998,619,278	100%

(II) Shareholdings of the Substantial Shareholders (as at 30 June 2016)

Total number of Shareholders The number of shareholders is 162,471 among which 162,188 are shareholders of "A" shares and 283 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%	968,392,228	–	N/A
Weichai Group Holdings Limited	State-owned legal person	16.83%	672,952,800	672,952,800	–
Weifang Investment Company	State-owned legal person	3.71%	148,312,704	148,312,704	–
China Securities Finance Corporation Limited	Domestic non-state-owned legal person	2.75%	109,892,134	–	–
IVM Technical Consultants Wien Gesellschaft m.b.H	Overseas legal person	1.98%	79,200,000	–	–
Peterson Holdings Company Limited	Overseas legal person	1.47%	58,822,085	–	–
Central Huijin Assets Management Company Limited	State-owned legal person	1.36%	54,246,400	–	–
Hong Zejun	Domestic natural person	1.30%	52,100,000	–	–
Shenzhen Chuangxin Investment Group Co., Ltd	Domestic non-state-owned legal person	1.14%	45,713,824	–	–
Shandong Enterprise Trust Operation Company Limited	Domestic non-state-owned legal person	1.01%	40,563,100	–	–

Shareholdings of the top ten non-restricted shareholders

Name of shareholder	Number of the non-restricted shares held	Types of shares
HKSCC Nominees Limited	968,392,228	Overseas listed foreign shares
China Securities Finance Corporation Limited	109,892,134	RMB ordinary shares
IVM Technical Consultants Wien Gesellschaft m.b.H	79,200,000	RMB ordinary shares
Peterson Holdings Company Limited	58,822,085	RMB ordinary shares
Central Huijin Assets Management Company Limited	54,246,400	RMB ordinary shares
Hong Zejun	52,100,000	RMB ordinary shares
Shenzhen Chuangxin Investment Group Co., Ltd	45,713,824	RMB ordinary shares
Shandong Enterprise Trust Operation Company Limited	40,563,100	RMB ordinary shares
Zhuzhou State-owned Assets Investment Holding Group Co., Ltd.	26,280,283	RMB ordinary shares
Guangxi Liugong Group Company Limited	17,243,712	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 shareholders or whether there is any acting in concert relationship among them.

2. Among the shareholders, Hong Zejun held 800,000 shares through general account and 51,300,000 shares through client account of collateral securities for margin trading at China Galaxy Securities Company Limited, totaling 52,100,000 shares.

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

Substantial Shareholders

The register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO (including interests filed with the Hong Kong Stock Exchange) shows that as at 30 June 2016, 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	672,952,800	22.23%	–	–	16.83%
Shandong Heavy Industry Group Co., Ltd. *(Note 1)*	Held by controlled corporation	Long	672,952,800	22.23%	–	–	16.83%
Brandes Investment Partners, LP *(Note 2)*	Investment manager	Long	–	–	78,578,612	16.18%	3.93%
Lazard Asset Management LLC	Investment manager	Long	–	–	233,959,955	24.08%	5.85%
JPMorgan Chase & Co.	Beneficial owner	Long	–	–	3,067,852	0.31%	0.08%
	Investment manager	Long	–	–	3,398,752	0.35%	0.09%
	Trustee (Other than bare trustee)	Long	–	–	19,064	0.00%	0.00%
	Custodian – Corporation/ approved lending agent	Long	–	–	79,728,995	8.21%	1.99%
					86,214,663	8.87%	2.16%
	Beneficial owner	Short	–	–	109,000	0.01%	0.00%
Templeton Investment Counsel, LLC	Investment manager	Long	–	–	58,181,920	5.99%	1.46%
Lazard Emerging Markets Equity Portfolio *(Note 3)*	Investment manager	Long	–	–	23,707,500	5.86%	1.42%
Barclays PLC *(Note 2)*	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%
	Interest of corporation controlled by the substantial shareholders	Short	–	–	24,102,475	4.96%	1.21%

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
Morgan Stanley	Interest of corporation controlled by the substantial shareholders	Long	–	–	53,386,246	5.49%	1.34%
	Interest of corporation controlled by the substantial shareholders	Short	–	–	49,216,077	5.06%	1.23%
BlackRock, Inc.	Interest of corporation controlled by the substantial shareholders	Long	–	–	49,829,555	5.13%	1.25%
Citigroup Inc.	Person having a security interest in shares	Long	–	–	304,706	0.03%	0.01%
	Interest of corporation controlled by the substantial shareholders	Long	–	–	2,261,932	0.23%	0.05%
	Custodian – Corporation/ approved lending agent	Long	–	–	57,202,803	5.89%	1.43%
					59,769,441	6.15%	1.49%
	Interest of corporation controlled by the substantial shareholders	Short	–	–	2,556,732	0.26%	0.06%

Notes:

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

2. The number of H shares (and the relevant shareholding percentages) reported above by the relevant substantial shareholder does not take into consideration the Company's bonus share issuance on 20 August 2015 as there is no disclosure of interest obligation under the SFO where there is no change in percentage of shareholdings for a substantial shareholder.

3. The number of H shares (and the relevant shareholding percentages) reported above by the relevant substantial shareholder does not take into consideration the Company's bonus share issuance on 17 August 2012 and 20 August 2015 as there is no disclosure of interest obligation under the SFO where there is no change in percentage of shareholdings for a substantial shareholder.

4. The percentage of shareholding is calculated on the basis of 3,998,619,278 issued shares of the Company as at 30 June 2016 (comprising 3,027,099,278 "A" shares and 971,520,000 "H" shares).

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 2016.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence.

The emoluments of the directors of the Company are decided by the Remuneration Committee, having regard to the Group's operating results, individual performance and comparable market statistics.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the Period was the Company and any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

PURCHASE, SALE OR REDEMPTION OF SECURITIES OF THE COMPANY

During the Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the PRC, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

AUDIT COMMITTEE

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

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

Throughout the Period, other than the roles of the Chairman and the Chief Executive Officer being performed by Mr. Tan Xuguang ("Mr. Tan"), and that the directors of the Company did not attend the Company's annual 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 30 August 2016.

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

The 2016 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, 30 August 2016

As at the date of this announcement, the executive Directors of the Company are Mr. Tan Xuguang, Mr. Zhang Quan, Mr. Xu Xinyu, Mr. Li Dakai and Mr. Sun Shaojun; the non-executive Directors of the Company are Mr. Wang Yuepu, Mr. Jiang Kui and Mr. Gordon Riske; and the independent non-executive Directors of the Company are Mr. Loh Yih, Mr. Zhang Zhenhua, Mr. Zhang Zhong, Mr. Wang Gongyong and Mr. Ning Xiangdong.