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 2017

FINANCIAL HIGHLIGHTS

- Revenue amounted to approximately RMB72,313 million, increased by approximately 69.9%.
- Net Profit Attributable to the Shareholders of the Parent amounted to approximately RMB2,650 million, increased by approximately 147.4%.
- Basic Earnings Per Share was approximately RMB0.33, increased by approximately 147.4%.

(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 2017 (the "Period"), together with comparative figures for the corresponding period of 2016 as follows:

CONSOLIDATED INCOME STATEMENT

January to June 2017 (Expressed in Renminbi Yuan)

	Notes	**January to June 2017 (unaudited)**	January to June 2016 (unaudited) (restated)
Revenue	*7*	**72,313,265,590.11**	42,561,385,767.87
Less: Cost of sales	*7*	**56,987,411,183.56**	32,828,282,775.13
Taxes and surcharges	*8*	**373,189,991.32**	144,644,235.74
Distribution and selling expenses		**5,027,424,399.09**	3,493,523,150.15
General and administrative expenses		**4,593,093,284.43**	3,770,522,575.48
Financial expenses		**368,716,470.81**	88,157,176.89
Impairment loss of assets		**953,074,047.47**	348,305,770.72
Add: Gain or loss on fair value changes		**142,460,083.61**	(86,225,051.26)
Investment income		**135,204,722.57**	82,977,065.51
Incl: Investment income from associates and jointly controlled enterprises		**120,804,392.87**	68,609,558.56
Other income		**39,869,770.84**	–
Operating profit		**4,327,890,790.45**	1,884,702,098.01
Add: Non-operating income		**127,955,983.33**	259,992,613.54
Incl: Gain on disposal of non-current assets		**11,064,724.33**	12,756,663.81
Less: Non-operating expenses		**72,550,181.24**	41,865,290.89
Incl: Loss on disposal of non-current assets		**16,097,329.24**	7,333,106.34
Total profit		**4,383,296,592.54**	2,102,829,420.66
Less: Income tax expense	*9*	**907,205,448.79**	481,655,957.09
Net profit		**3,476,091,143.75**	1,621,173,463.57
Net profit attributable to the shareholders of the parent		**2,650,042,739.83**	1,071,175,304.71
Minority interests		**826,048,403.92**	549,998,158.86

	Notes	**January to June 2017 (unaudited)**	January to June 2016 (unaudited) (restated)
Net other comprehensive income after tax	*11*		
Net other comprehensive income attributable to shareholders of the parent after tax		**(754,005,994.31)**	(457,546,329.36)
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		**161,064,157.23**	(408,163,272.19)
Share of investee's other comprehensive income not to be reclassified into profit or loss using the equity method		**1,498,557.20**	(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		**1,850,567.27**	(1,891,425.81)
Change of fair value of available-for-sale financial assets		**4,556,426.85**	(27,540,000.00)
Effective portion of cashflow from hedging instrument		**46,750,523.02**	(189,002.81)
Exchange differences on foreign currency translation		**(969,726,225.88)**	(19,734,419.17)
Net other comprehensive income attributable to minority owners after tax		**(544,391,705.31)**	(666,490,783.15)
Total comprehensive income		**2,177,693,444.13**	497,136,351.06
Incl:			
Total comprehensive income attributable to the shareholders of the parent		**1,896,036,745.52**	613,628,975.35
Total comprehensive income attributable to minority interest		**281,656,698.61**	(116,492,624.29)
Earnings per share	*10*		
Basic earnings per share		**0.33**	0.13
Diluted earnings per share		**0.33**	0.13

CONSOLIDATED BALANCE SHEET

30 June 2017 (Expressed in Renminbi Yuan)

ASSETS	*Notes*	**30 June 2017 (unaudited)**	31 December 2016 (audited)
Current assets			
Cash and cash equivalents		**29,882,970,357.70**	27,122,981,855.33
Financial assets at fair value through profit or loss		**285,619,257.60**	129,296,023.50
Notes receivable	*3*	**23,437,109,626.26**	16,742,874,274.52
Accounts receivable	*4*	**13,729,697,307.22**	11,336,192,971.74
Prepayments		**596,410,376.18**	595,832,151.19
Interests receivable		**42,025,061.49**	26,284,015.32
Dividends receivable		**13,892,547.20**	9,711,108.40
Other receivables		**1,290,472,535.01**	820,998,530.88
Inventories		**19,139,702,794.29**	16,090,656,826.07
Non-current assets due within one year		**1,615,171,632.00**	1,463,427,824.40
Other current assets		**2,253,047,309.10**	2,067,737,279.12
Total current assets		**92,286,118,804.05**	76,405,992,860.47
Non-current assets			
Available-for-sale financial assets		**553,818,178.91**	498,384,350.11
Long-term receivables		**4,383,197,008.80**	4,029,736,734.00
Long-term equity investments		**2,095,281,160.35**	1,544,970,791.85
Investment property		**597,307,034.30**	608,116,592.82
Fixed assets		**26,753,067,655.91**	25,801,560,424.62
Construction in progress		**1,191,902,286.19**	1,642,494,423.73
Materials used in construction		**239,316.24**	–
Disposal of fixed assets		**912,492.61**	1,018,823.58
Intangible assets		**24,857,309,488.28**	25,362,976,371.96
Development expenditure		**163,557,217.30**	445,774,466.92
Goodwill		**23,141,500,142.70**	23,037,674,856.10
Long-term prepaid expenses		**337,117,313.69**	332,659,717.20
Deferred tax assets		**4,422,667,443.00**	4,019,599,412.58
Other non-current assets		**268,272,622.83**	259,720,703.00
Total non-current assets		**88,766,149,361.11**	87,584,687,668.47
Total assets		**181,052,268,165.16**	163,990,680,528.94

LIABILITIES AND EQUITY	*Notes*	**30 June 2017 (unaudited)**	31 December 2016 (audited)
Current liabilities			
Short-term loans		**6,014,421,693.20**	4,771,648,754.00
Financial liabilities at fair value through profit or loss		**307,262,099.54**	168,670,171.20
Notes payable	*5*	**8,485,425,727.17**	8,758,864,180.54
Accounts payable	*6*	**29,324,250,757.13**	21,897,787,394.18
Advances from customers		**5,567,136,919.01**	4,627,211,871.86
Payroll payable		**4,416,366,845.58**	4,168,792,146.69
Taxes payable		**2,541,376,096.47**	2,065,784,483.92
Interests payable		**104,725,530.07**	102,059,094.81
Dividends payable		**1,002,007,228.94**	3,822,409.44
Other payables		**7,450,196,820.82**	4,998,956,643.14
Non-current liabilities due within one year		**5,100,851,722.40**	4,624,888,126.80
Other current liabilities		**3,743,158,421.17**	2,791,896,442.25
Total current liabilities		**74,057,179,861.50**	58,980,381,718.83
Non-current liabilities			
Long-term borrowings		**20,377,517,821.05**	30,216,115,691.85
Bonds payable		**10,497,021,043.56**	2,756,201,597.01
Long-term payables		**8,423,696,740.00**	7,781,235,810.40
Long-term payroll payable		**8,676,644,183.68**	8,574,795,194.30
Special payables		**43,000,000.00**	43,000,000.00
Accruals and provisions		**331,488,448.80**	311,033,593.20
Deferred income		**2,789,808,564.19**	2,574,230,514.51
Deferred tax liabilities		**7,745,095,533.03**	8,120,369,699.73
Other non-current liabilities		**139,814,641.37**	71,646,849.89
Total non-current liabilities		**59,024,086,975.68**	60,448,628,950.89
Total liabilities		**133,081,266,837.18**	119,429,010,669.72
Shareholders' equity			
Share capital		**3,998,619,278.00**	3,998,619,278.00
Capital reserve		**64,219,258.85**	30,139,859.91
Other comprehensive income	*11*	**(1,049,107,748.65)**	(295,101,754.34)
Special reserve		**112,450,502.16**	98,711,320.61
Surplus reserve		**–**	–
Retained earnings		**29,556,288,836.37**	27,905,900,916.04
Total equity attributable to the shareholders of the parent		**32,682,470,126.73**	31,738,269,620.22
Minority interests		**15,288,531,201.25**	12,823,400,239.00
Total shareholders' equity		**47,971,001,327,98**	44,561,669,859.22
Total liabilities and shareholders' equity		**181,052,268,165.16**	163,990,680,528.94

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 2016. 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 2016.

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 2017 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.

d. Change of accounting policies

Pursuant to the Notice Regarding the Publication of the Revision to "Accounting Standard for Business Enterprises No. 16 – Government Subsidy" (Cai Kuai [2017] No. 15), with effect from 1 January 2017, the Group has included a separate "Other income" item above the "Operating profit" item to reflect the government subsidy related to the daily operations of the company. Pursuant to Cai Kuai [2017] No. 15, the government subsidy already in existence before 1 January 2017 was accounted for on a prospective basis. Additional government subsidy granted between 1 January 2017 and the date of enforcement of this accounting standard has been adjusted according to this accounting standard.

In view of the aforesaid requirements, the government subsidy related to the daily operations of the company has been included under "Other income" in the consolidated and company income statement for the six months ended 30 June 2017. The aforesaid change of accounting policies has no impact on the consolidated and company income statement for the years 2014, 2015 and 2016.

2. SEGMENT REPORTING

Operating segments

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

The details of operating segments are as follows:

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

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

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

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

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

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

Segment assets exclude equity investments at fair value through profit or loss for the current period, derivative instruments, dividends receivable, interests receivable, 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 supply chain solution	Total
(Unaudited)						
January to June 2017						
Segment revenue:						
Sale to external customers	**14,043,483,588.68**	**28,440,049,250.93**	**1,187,866,585.93**	**68,154,705.47**	**28,573,711,459.10**	**72,313,265,590.11**
Inter-segment sale	**6,410,150,667.23**	**531,039.20**	**625,155,077.86**	**11,015,386.80**	**–**	**7,046,852,171.09**
Total	**20,453,634,255.91**	**28,440,580,290.13**	**1,813,021,663.79**	**79,170,092.27**	**28,573,711,459.10**	**79,360,117,761.20**
Adjustment:						
Elimination of inter-segment sale						**(7,046,852,171.09)**
Revenue						**72,313,265,590.11**
Segment results	**2,877,280,998.80**	**764,763,274.91**	**74,915,166.52**	**(14,201,302.29)**	**1,166,791,446.87**	**4,869,549,584.81**
Adjustment:						
Elimination of inter-segment results						**(308,147,046.12)**
Interest income						**470,373,560.53**
Dividend income and unallocated income						**263,160,705.90**
Corporate and other unallocated expenses						**(72,550,181.24)**
Finance expenses						**(839,090,031.34)**
Profit before tax						**4,383,296,592.54**
30 June 2017						
Segment assets	**36,547,103,561.73**	**30,057,855,383.79**	**18,336,033,916.45**	**8,544,780,570.72**	**74,272,814,928.38**	**167,758,588,361.07**
Adjustment:						
Elimination of inter-segment assets						**(21,585,608,791.97)**
Corporate and other unallocated assets						**34,879,288,596.06**
Total assets						**181,052,268,165.16**
Segment liabilities	**23,517,459,323.94**	**27,855,017,323.35**	**9,478,774,517.14**	**1,094,275,800.73**	**33,784,603,777.20**	**95,730,130,742.36**
Adjustment:						
Elimination of inter-segment liabilities						**(13,298,189,773.94)**
Corporate and other unallocated liabilities						**50,649,325,868.76**
Total liabilities						**133,081,266,837.18**
January to June 2017						
Other segment information:						
Share of profit and loss from:						
Gain/(loss) from associates and jointly controlled enterprises	**24,288,840.34**	**545,131.82**	**–**	**73,589.70**	**95,896,831.01**	**120,804,392.87**
Reversal/(loss) of impairment of inventories	**(14,516,873.61)**	**(114,668,354.07)**	**2,695,184.63**	**–**	**(44,608,116.57)**	**(171,098,159.62)**
Reversal/(loss) of impairment of accounts receivable and other receivables	**(115,520,104.50)**	**(159,547,806.87)**	**(2,808,532.59)**	**39,420.09**	**(32,005,955.60)**	**(309,842,979.47)**
Reversal/(loss) of impairment of non-current assets	**(9,810,355.64)**	**(90,625,706.36)**	**–**	**–**	**(371,696,846.38)**	**(472,132,908.38)**
Depreciation and amortization	**(399,993,844.56)**	**(472,378,641.86)**	**(115,920,796.17)**	**(12,864,471.22)**	**(2,663,014,772.25)**	**(3,664,172,526.06)**
Gain/(loss) from disposal of fixed assets	**1,243,542.14**	**(868,579.01)**	**(4,450,864.70)**	**–**	**1,403,360.67**	**(2,672,540.90)**
Gain from disposal of intangible assets	**–**	**–**	**–**	**–**	**–**	**–**
Investment in associates and jointly controlled enterprises	**659,350,842.13**	**483,843,279.43**	**–**	**442,831,695.97**	**509,255,342.82**	**2,095,281,160.35**
Capital expenditure	**(200,942,331.32)**	**(297,495,771.98)**	**(148,299,509.14)**	**(259,914.11)**	**(3,071,329,096.50)**	**(3,718,326,623.05)**

	Diesel engines	Automobiles and other major automobile components	Other components	Import & export services	Forklift trucks and supply chain solution	Total
(Unaudited)						
(Restated)						
January to June 2016						
Segment revenue:						
Sale to external customers	8,367,767,647.55	14,457,309,394.17	1,008,422,281.14	56,329,694.08	18,671,556,750.93	42,561,385,767.87
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	11,024,864,133.26	14,457,314,607.85	1,562,902,897.51	72,439,434.16	18,671,556,750.93	45,789,077,823.71
Adjustment:						
Elimination of inter-segment sale						(3,227,692,055.84)
Revenue						42,561,385,767.87
Segment results	1,206,376,540.55	(103,392,331.31)	23,169,220.52	(37,132,396.69)	887,881,445.33	1,976,902,478.40
Adjustment:						
Elimination of inter-segment results						(87,020,269.01)
Interest income						405,684,996.75
Dividend income and unallocated income						342,969,679.05
Corporate and other unallocated expenses						(41,865,290.89)
Finance expenses						(493,842,173.64)
Profit before tax						2,102,829,420.66
(Audited)						
31 December 2016						
Segment assets	28,992,337,168.54	24,859,881,992.44	15,104,527,870.09	6,147,978,624.90	71,201,290,822.97	146,306,016,478.94
Adjustment:						
Elimination of inter-segment assets						(13,956,301,568.13)
Corporate and other unallocated assets						31,640,965,618.13
Total assets						163,990,680,528.94
Segment liabilities	16,111,956,906.41	21,787,738,673.45	7,355,196,028.18	487,298,077.06	31,295,857,375.20	77,038,047,060.30
Adjustment:						
Elimination of inter-segment liabilities						(9,012,678,315.46)
Corporate and other unallocated liabilities						51,403,641,924.88
Total liabilities						119,429,010,669.72
(Unaudited)						
(Restated)						
January to June 2016						
Other segment information:						
Share of profit and loss from:						
Gain/(loss) 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	(10,575,980.53)	(106,237,432.60)	(1,129,620.05)	–	(57,114,893.70)	(175,057,926.88)
Reversal/(loss) of impairment of accounts receivable and other receivables	(47,385,512.40)	(80,159,807.71)	(2,992,360.38)	78,042.07	(42,739,433.43)	(173,199,071.85)
Depreciation and amortization	(430,561,497.93)	(501,807,126.33)	(95,935,507.75)	(12,636,219.91)	(1,816,311,466.72)	(2,857,251,818.64)
Gain/(loss) from disposal of fixed assets	7,177,011.41	1,492,401.69	(205,225.87)	–	(3,226,243.73)	5,237,943.50
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	(285,457,792.92)	(359,940,232.83)	(183,202,799.87)	(2,039,780.78)	(2,710,908,115.60)	(3,541,548,722.00)

Group information

Information about products and services

Revenues from external transactions

	January to June 2017 (Unaudited)	January to June 2016 (Unaudited) (Restated)
Complete vehicles and key components	**31,374,075,026.15**	16,779,571,782.47
Non-automobile engines	**5,610,440,235.25**	2,571,493,820.05
Other non-major automobile components	**4,941,517,806.37**	3,309,396,064.50
Forklift trucks and supply chain solution	**28,056,760,799.34**	18,155,321,109.68
Others	**2,330,471,723.00**	1,745,602,991.17
	72,313,265,590.11	42,561,385,767.87

Geographic information

Revenues from external transactions

	January to June 2017 (Unaudited)	January to June 2016 (Unaudited) (Restated)
China	**41,695,452,653.33**	22,399,249,998.88
Other countries and regions	**30,617,812,936.78**	20,162,135,768.99
	72,313,265,590.11	42,561,385,767.87

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

Total non-current assets

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
China	**17,196,175,663.87**	17,835,356,526.53
Other countries and regions	**62,176,913,604.13**	61,168,233,182.85
	79,373,089,268.00	79,003,589,709.38

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 RMB2,811,205,577.70 (January to June 2016: RMB1,412,115,993.95) 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 2017 (Unaudited)	31 December 2016 (Audited)
Bank acceptance bills	**23,434,135,067.76**	16,738,403,958.52
Commercial acceptance bills	**2,974,558.50**	4,470,316.00
	23,437,109,626.26	16,742,874,274.52

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

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Bank acceptance bills	**6,952,246,580.76**	5,263,763,893.86

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

	30 June 2017 (Unaudited)		31 December 2016 (Audited)	
	Derecognized	**Not derecognized**	Derecognized	Not derecognized
Bank acceptance bills	**14,377,034,812.23**	**–**	3,868,438,322.72	–
Commercial acceptance bills	**3,869,092.00**	**1,421,000.30**	4,345,132.00	4,470,316.00
	14,380,903,904.23	**1,421,000.30**	3,872,783,454.72	4,470,316.00

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

	30 June 2017 (Unaudited)		31 December 2016 (Audited)	
	Derecognized	**Not derecognized**	Derecognized	Not derecognized
Bank acceptance bills	**40,700,000.00**	**–**	5,170,000.00	–

As at 30 June 2017 and 31 December 2016, 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 2017 (Unaudited)	31 December 2016 (Audited)
Within 3 months	**11,216,583,298.14**	8,252,128,633.29
3 to 6 months	**957,772,374.83**	1,448,583,141.59
6 months to 1 year	**1,419,224,250.99**	997,629,041.10
1 to 2 years	**381,025,198.75**	508,279,954.23
2 to 3 years	**350,622,237.34**	468,393,039.64
Over 3 years	**853,018,386.13**	805,237,129.91
	15,178,245,746.18	12,480,250,939.76
Less: provision for bad debt in respect of accounts receivable	**1,448,548,438.96**	1,144,057,968.02
	13,729,697,307.22	11,336,192,971.74

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

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Opening balance	**1,144,057,968.02**	937,306,781.71
Provision for the period/year	**299,049,705.76**	251,651,180.10
Decrease during the period/year:		
Reversal	**(451,453.17)**	(45,116,426.01)
Write-off	**(466,132.77)**	(2,509,812.74)
Exchange gains and losses	**6,358,351.12**	2,726,244.96
Closing balance	**1,448,548,438.96**	1,144,057,968.02

	Gross carrying amount	**Proportion** *(%)*	**Provision for bad debt**	**Percentage** *(%)*
	30 June 2017 (Unaudited)			
Individually significant items for which provision for bad debt is recognized separately	**957,993,636.60**	**6.31**	**503,036,457.65**	**52.51**
Items for which provision for bad debt is recognized by group with distinctive credit risk characteristics	**13,839,011,914.27**	**91.18**	**847,147,017.46**	**6.12**
Not individually significant items for which provision for bad debt is recognized separately	**381,240,195.31**	**2.51**	**98,364,963.85**	**25.80**
	15,178,245,746.18	**100.00**	**1,448,548,438.96**	**9.54**
	31 December 2016 (Audited)			
	Gross carrying amount	Proportion *(%)*	Provision for bad debt	Percentage *(%)*
Individually significant items for which provision for bad debt is recognized separately	1,083,724,304.59	8.69	442,290,597.67	40.81
Items for which provision for bad debt is recognized by group with distinctive credit risk characteristics	10,941,690,683.36	87.67	605,279,723.50	5.53
Not individually significant items for which provision for bad debt is recognized separately	454,835,951.81	3.64	96,487,646.85	21.21
	12,480,250,939.76	100.00	1,144,057,968.02	9.17

As at 30 June 2017, 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**	**56,927,140.00**	100%	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**	**43,173,316.66**	100%	Not full coverage of preservation
Dalian Shaanxi Automobile Sales Co., Ltd	**40,516,068.59**	**38,490,265.16**	95%	Bad repayment ability
Hubei Space Shuanglong Special Purpose Vehicle Co., Ltd.	**35,611,768.86**	**33,831,180.42**	95%	In bankruptcy proceeding
Nanjing Lerong Trading Company Limited	**32,989,886.43**	**31,656,086.43**	96%	Assets have been preserved
Fujian Zhongxin Dingxing Automobile Sales Service Company Limited	**32,623,150.80**	**26,098,520.64**	80%	Litigation
Shaanxi Eurostar Auto Co., Ltd.	**28,255,154.82**	**26,246,511.06**	93%	Long credit age
Shandong Liugong Concrete Equipment Company Limited	**26,400,747.00**	**25,080,709.65**	95%	Litigation
Datong Yifu Trading Co., Ltd.	**24,739,112.36**	**12,369,556.18**	50%	Bad repayment ability
Jining Shite Heavy-duty Motor Sales Co., Ltd.	**23,781,009.73**	**23,781,009.73**	100%	Bad repayment ability
Others	**563,816,706.04**	**136,222,586.41**	24%	Long credit age etc.
	957,993,636.60	**503,036,457.65**		

As at 31 December 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
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	49,122,478.71	100%	Bad repayment ability
Shaanxi Rong Chang Yuan Trading Co., Ltd	43,173,316.66	38,855,985.00	90%	Not full coverage of preservation
Anhui Anyu Engineering Machinery Sales Co., Ltd	42,763,993.80	8,552,798.76	20%	Bad repayment ability
Dalian Shaanxi Automobile Sales Co., Ltd	40,516,068.59	32,412,854.87	80%	Bad repayment ability
Hubei Space Shuanglong Special Purpose Vehicle Co., Ltd.	35,611,768.86	28,489,415.09	80%	In bankruptcy proceeding
Nanjing Lerong Trading Company Limited	32,989,886.43	31,340,392.11	95%	Assets have been preserved
Fujian Zhongxin Dingxing Automobile Sales Service Company Limited	32,641,150.80	13,056,460.32	40%	Litigation
Shaanxi Eurostar Auto Co., Ltd.	28,128,335.47	25,328,330.79	90%	Long credit age
Shandong Liugong Concrete Equipment Company Limited	26,400,747.00	10,560,298.80	40%	Litigation
Others	695,412,321.67	153,337,157.22	22%	Long credit age etc.
	1,083,724,304.59	442,290,597.67		

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

	30 June 2017 (Unaudited)				31 December 2016 (Audited)			
	Gross carrying amount	**Proportion (%)**	**Provision for bad debt**	**Percentage (%)**	Gross carrying amount	Proportion (%)	Provision for bad debt	Percentage (%)
Within 1 year	**5,746,574,587.30**	**87.30**	**330,829,424.02**	**5.76**	3,454,618,906.80	80.52	172,730,945.34	5.00
1 to 2 years	**256,600,693.13**	**3.90**	**38,490,103.97**	**15.00**	285,450,040.46	6.65	40,891,768.47	14.33
2 to 3 years	**224,569,565.13**	**3.41**	**67,370,869.54**	**30.00**	308,401,874.67	7.19	91,205,310.70	29.57
3 to 4 years	**143,916,233.36**	**2.19**	**71,958,116.54**	**50.00**	88,149,405.72	2.05	44,074,702.85	50.00
4 to 5 years	**54,766,131.83**	**0.83**	**43,812,905.47**	**80.00**	14,446,863.87	0.34	11,557,491.10	80.00
Over 5 years	**156,145,998.72**	**2.37**	**156,145,998.72**	**100.00**	139,550,437.44	3.25	139,550,437.44	100.00
	6,582,573,209.47	**100.00**	**708,607,418.26**	**10.76**	4,290,617,528.96	100.00	500,010,655.90	11.65

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 2017 (Unaudited)				31 December 2016 (Audited)			
	Gross carrying amount	**Proportion (%)**	**Provision for bad debt**	**Percentage (%)**	Gross carrying amount	Proportion (%)	Provision for bad debt	Percentage (%)
Neither overdue nor impaired	**4,943,918,549.95**	**68.13**	**–**	**–**	4,694,800,367.08	70.59	–	–
Due and impaired	**836,981,786.37**	**11.53**	**138,539,599.20**	**16.55**	764,445,113.78	11.49	105,269,067.60	13.77
Due and not impaired	**1,475,538,368.48**	**20.34**	**–**	**–**	1,191,827,673.54	17.92	–	–
	7,256,438,704.80	**100.00**	**138,539,599.20**	**1.91**	6,651,073,154.40	100.00	105,269,067.60	1.58

As at 30 June 2017, the top five balances in respect of accounts receivable had a sum of closing balance of RMB1,600,030,536.41 (31 December 2016: RMB1,011,623,448.77), accounting for 10.54% (31 December 2016: 8.11%) of the total of closing balance of accounts receivable. The closing balance in respect of bad debt provided for the top five amounted to RMB80,001,526.82 (31 December 2016: RMB29,654,169.13).

As at 30 June 2017, accounts receivable with a gross carrying value of RMB428,211,098.88 was pledged for securing bank borrowing of RMB41,215,870.00 (31 December 2016: Nil) from Huaxia Bank Co., Ltd. Xi'an branch.

5. NOTES PAYABLE

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Bank acceptance bills	**7,644,683,699.64**	7,896,723,878.02
Commercial acceptance bills	**840,742,027.53**	862,140,302.52
Total	**8,485,425,727.17**	8,758,864,180.54

As at 30 June 2017, the Group has no outstanding notes payable which were due (31 December 2016: Nil).

6. ACCOUNTS PAYABLE

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

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Accounts payable	**29,324,250,757.13**	21,897,787,394.18

As at 30 June 2017, the aging analysis of accounts payable based on the invoice date is presented as follows:

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Within 3 months	**24,540,339,042.01**	18,774,819,894.45
3 to 6 months	**3,360,725,145.46**	1,386,917,840.71
6 months to 1 year	**699,096,415.59**	951,451,948.60
Over 1 year	**724,090,154.07**	784,597,710.42
Total	**29,324,250,757.13**	21,897,787,394.18

As at 30 June 2017, there was no payable which was individually significant and aged over one year (31 December 2016: 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 2017 (Unaudited)		January-June 2016 (Unaudited) (Restated)	
	Revenue	**Cost**	Revenue	Cost
Revenue from principal operations	**70,595,730,065.54**	**55,450,390,027.24**	41,633,331,774.94	31,974,078,115.45
Other revenue	**1,717,535,524.57**	**1,537,021,156.32**	928,053,992.93	854,204,659.68
	72,313,265,590.11	**56,987,411,183.56**	42,561,385,767.87	32,828,282,775.13

The revenue is listed as follows:

	January-June 2017 (Unaudited)	January-June 2016 (Unaudited) (Restated)
Revenue from principal operations		
Sales of goods and others	**42,538,969,266.20**	23,478,010,665.26
Forklift trucks production, warehousing technology and supply chain solution services	**28,056,760,799.34**	18,155,321,109.68
	70,595,730,065.54	41,633,331,774.94
Other revenue		
Sales of materials	**1,256,739,834.66**	627,337,417.16
Sales of power	**24,321,338.63**	19,273,295.55
Lease income	**60,486,099.04**	42,168,902.46
Others	**375,988,252.24**	239,274,377.76
	1,717,535,524.57	928,053,992.93
	72,313,265,590.11	42,561,385,767.87

8. TAXES AND SURCHARGES

	January-June 2017 (Unaudited)	January-June 2016 (Unaudited) (Restated)
Business tax	**–**	2,850,773.11
City construction tax	**125,354,845.27**	69,915,028.44
Educational surtax	**90,647,330.23**	50,238,848.11
Others	**157,187,815.82**	21,639,586.08
	373,189,991.32	144,644,235.74

9. INCOME TAX EXPENSES

	January-June 2017 (Unaudited)	January-June 2016 (Unaudited) (Restated)
Current tax expenses	**1,198,469,202.97**	597,694,258.86
Deferred tax expenses	**(291,263,754.18)**	(116,038,301.77)
	907,205,448.79	481,655,957.09

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

		January-June 2017 (Unaudited)	January-June 2016 (Unaudited) (Restated)
Total profit		**4,383,296,592.54**	2,102,829,420.66
Tax at statutory tax rate	*Note 1*	**1,095,824,148.14**	525,707,355.17
Effect of different tax rates applicable to parent company and some subsidiaries	*Note 2*	**(280,506,907.75)**	(85,125,128.75)
Adjustments to current tax of previous periods		**(37,886,351.97)**	21,359,792.87
Profits and losses attributable to associates		**(18,120,658.93)**	(22,048,285.55)
Income not subject to tax		**(28,023,411.89)**	(80,932,093.13)
Expenses not deductible for tax		**80,767,496.83**	35,976,465.08
Tax incentives on eligible expenditures		**(44,616,330.47)**	(26,889,450.84)
Utilization of deductible losses from prior years		**(72,685,777.75)**	(16,242,008.00)
Unrecognized deductible losses		**128,419,971.50**	105,979,951.32
Effect of unrecognized deductible temporary difference		**13,181,690.23**	3,053,304.30
Others		**70,851,580.85**	20,816,054.62
Tax expense at the Group's effective tax rate		**907,205,448.79**	481,655,957.09

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 2017 (Unaudited)	January-June 2016 (Unaudited) (Restated)
Earnings		
Net profit of the current period attribute to ordinary shareholders of the Company	**2,650,042,739.83**	1,071,175,304.71
Shares		
Weighted average number of the ordinary shares outstanding of the Company *(Note 1)*	**7,997,238,556.00**	7,997,238,556.00
Basic EPS (RMB/share)	**0.33**	0.13

The Group holds no potential shares that are significantly dilutive.

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

11. OTHER COMPREHENSIVE INCOME

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

	1 January 2016	Increase/Decrease	31 December 2016	Increase/Decrease	**30 June 2017**
Changes arising from re-measuring net assets or net liabilities of defined benefit plan	(375,736,013.12)	(184,215,626.51)	(559,951,639.63)	215,397,751.32	**(344,553,888.31)**
Share of investee's other comprehensive income not to be reclassified into profit or loss using the equity method	(164,648,572.83)	(928,656.44)	(165,577,229.27)	1,498,557.20	**(164,078,672.07)**
Share of investee's other comprehensive income to be reclassified into profit or loss using the equity method	34,155,708.14	518,499.84	34,674,207.98	1,850,567.27	**36,524,775.25**
Change of fair value of available-for-sale financial assets	59,200,000.00	(6,000,000.00)	53,200,000.00	1,884,969.59	**55,084,969.59**
Effective portion of cashflow from hedging	6,668,906.75	(66,499,896.80)	(59,830,990.05)	57,052,684.72	**(2,778,305.33)**
Exchange differences on foreign currency translation	(146,434,780.43)	426,833,274.64	280,398,494.21	(969,726,225.88)	**(689,327,731.67)**
Relevant income tax effect	84,286,077.71	37,699,324.71	121,985,402.42	(61,964,298.53)	**60,021,103.89**
	(502,508,673.78)	207,406,919.44	(295,101,754.34)	(754,005,994.31)	**(1,049,107,748.65)**

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

January to June 2017
(Unaudited)

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

January to June 2016
(Unaudited)
(Restated)

	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)

12. DIVIDEND

On 30 August 2017, the Board passed resolution to propose the distribution to all shareholders of an interim cash dividend of RMB1.50 (including tax) for every 10 shares based on the total share capital of 7,997,238,556 shares for year 2017 of the Company, without any capitalisation of reserve. Please refer to the further announcement to be issued by the Company for details on the closure of registers of members in determining the shareholders who are eligible for the 2017 interim dividend.

Pursuant to the annual general meeting of shareholders of the Company held on 8 June 2017, a mandate has been given to the Board for the payment of the 2017 interim dividend.

13. COMPARATIVE FIGURES

On 26 September 2016, the Company entered into an agreement with Weichai Group Holdings Limited to acquire the 100% equity interest in Weichai (Weifang) Medium-duty Diesel Engine Co., Ltd.for a cash consideration of RMB252.86 million. Weichai (Weifang) Medium-duty Diesel Engine Co., Ltd. is a subsidiary of Weichai Group Holdings Limited, the controlling shareholder of the Company. As the combining parties are under common control of Weichai Group Holdings Limited before and after the transaction and such control is not temporary, the combination is considered a business combination under common control. The consideration of RMB252.86 million was paid on 18 October 2016 and the control was transferred to the Company. Accordingly, since 1 November 2016, the Company included Weichai (Weifang) Medium-duty Diesel Engine Co., Ltd. into the consolidated financial statements of the Company. Pursuant to the requirements regarding business combination under common control under "Accounting Standard for Business Enterprises No. 20 – Business Combination"(《企業會計準則第20號－企業合併》), it has been accounted for as if it had been consolidated as at the beginning of the period and opening data are dealt with on a retrospective basis.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board, I would like to present the reviewed interim results of the Company for the six months' period ended 30 June 2017.

I. Review of Operations

In the first half of 2017, the Chinese government insisted upon the general working theme of making progress while maintaining stability, pioneering amidst the "new norms" in economic development with new development concepts. Emphasizing structural reforms of the supply side and focusing on enhancement of quality and efficiency, the government deepened reforms and innovation and strengthened policy implementation. The economy operated within a reasonable range and the trend of positive development of economy amidst stability was increasingly apparent. In the first half of the year, the gross domestic product reached RMB38.15 trillion, representing a year-on-year growth of 6.9%. On a quarter-to-quarter basis, it grew by 6.9% in the first quarter and 6.9% in the second quarter.

During the reporting period, the heavy-duty truck market exhibited an obvious trend of recovery with substantial growth in sales volume and delivering sales of 583,700 units in total, representing a year-on-year increase of 71.5%. This increase in sales volume is a reflection of the influence of a multitude of favourable factors including the implementation of the new anti-overloading policies, the fostering of PPP (Public Private Partnership) projects, and the acceleration of fixed asset investments. Under such influence during the reporting period, the Company reported sales of 178,500 units of heavy-duty truck engines, representing a year-on-year increase of 100.8%, and a market share of 30.6%, representing an increase of 4.5 percentage points from the corresponding period of last year, 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 73,400 units of heavy-duty trucks for the first half of the year, representing a year-on-year increase of 94.7%, with a market share of 12.6% 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 427,300 units of gear boxes representing a year-on-year increase of 73.8% and its 70.1% market share in the market of gear boxes for use in heavy-duty trucks.

In the first half of 2017, fixed-asset investments in the PRC (excluding agricultural households) reached RMB28.06 trillion, representing a year-on-year growth of 8.6%, and a drop of 0.4 percentage points in growth rate year-on-year. The total planned investments for newly-commenced construction projects reached RMB23.73 trillion, representing a year-on-year fall of 1.2%. Investments in property development reached RMB5.06 trillion, representing a year-on-year growth of 8.5%, and an increase of 2.4 percentage points in growth rate year-on-year. As such, the construction machinery industry continued to recover, delivering sales of 396,000 units in the entire construction machinery industry (including electric fork-lift trucks), representing a year-on-year increase of 45.6%, among which the sales volume of wheel loaders with a load capacity of 5 tonnes was 30,400 units, representing a year-on-year increase of 29.9%. The Company sold a total of 26,500 units of engines for wheel loaders with a load capacity of 5 tonnes, representing a year-on-year increase of 70.6% and accounting for 87.3% market share in the market of wheel loaders with a load capacity of 5 tonnes, hence maintaining its leading position in this sector.

During the reporting period, under the influence of the state's macroeconomic policies, the passenger vehicles market of the PRC continued to drop, with accumulated sales of 220,400 units, representing a drop of 14.0% year-on-year. Among such, the market of large-sized passenger vehicles reported accumulated sales of 27,900 units, representing a drop of 17.4% year-on-year. The medium-sized passenger vehicle market suffered a serious drop in sales, with accumulated sales of 26,000 units which represented a year-on-year decrease of 36.4%. The light passenger vehicle market, which commanded larger market share, reported accumulated sales of 166,000 units, representing a drop of 8.3% year-on-year. During the reporting period, with its efforts in adjusting product structure and marketing promotion, the Company's cumulative sales of engines for use in large-sized and medium-sized passenger vehicles amounted to 14,300 units, representing a year-on-year increase of 50.8%, and accounted for 26.5% of the market share, representing an increase of 13.8 percentage points year-on-year.

During the reporting period, the Company adhered to the market-oriented approach and accelerated structural adjustments of products and businesses, thereby enhancing its market competitiveness and maintaining its trend of relatively fast development. In the first half of 2017, the Company reported a sales figure of 100,800 units of 12L and 13L engines, representing a 120.9% growth year-on-year, and maintaining its stable leading position of heavy-duty engine products in the heavy-duty truck market, the market of wheel loaders with a load capacity of 5 tonnes and the market of passenger vehicles with a span of over 11 metres. Meanwhile, sales of strategic products and in strategic markets grew substantially. The sales of Yangchai engines below 4L increased by 13.7% year-on-year to 49,000 units, the sales of WP9H/WP10H engines reached 8,415 units and were quickly launched to the market, the sales of WP13 engines increased by 2.8 times year-on-year to 20,400 units, the sales of engines for use in agricultural equipment increased by 95.4% year-on-year to 16,000 units and the sales of engines for use in forklift trucks increased by 91.1% year-on-year to 2,157 units. During the same period, Shaanxi Heavy-duty Motor Company Limited, a controlling subsidiary of the Company, explored the heavy-duty truck segment market and executed a value marketing model, going beyond segment markets such as tractor, dump truck, grout truck, cold-chain transport truck and cement mixing truck, and achieving strong growth. The world's first 9-speed automatic transmission gear box design, self-developed by Shaanxi Fast Gear Co., Ltd., overcame overseas technological barrier and was competitive in capturing a leading market position with its superior performance and reliable quality. Monthly production and sales volume of gear boxes for use in passenger vehicles achieved new records and helped drive the continual development of the enterprise.

During the reporting period, the Company was committed to expanding markets externally and focusing on management internally. Through implementing the three projects of "strengthening its base and operations", namely expenses control, loss treatment and management enhancement, the Company achieved substantial growth of its major indicators. Results of operation were positive in general. Firstly, the Company adhered to a market-oriented approach and focused on overcoming difficulties by concentrating its strengths. Through sales activities such as "Work hard 100 days to achieve a production and sales volume of 180,000 units" and "Attain sales volume of 300,000 units in the first half of the year", the Company strengthened market expansion and seized and captured market opportunities. Both sales volume and market share of products grew substantially. Secondly, the Company adhered to a target-oriented approach and continually increased accumulation in research and development, enhancing its innovative capability and delivering a series of high-performance products. Leveraging on technological strength, WP9H/WP10H products won recognition from customers and M26.3 products entered North American markets in mass. The core technological competiveness of the Company was continually strengthened. Thirdly, the Company adhered to the notion of both strategic merger and acquisition and localized manufacturing. With strategic investments in the U.S.– based PSI Inc, we managed to possess leading technology in the field of clean energy and in turn enter the power system market of North America. Leveraging on "One Belt and One Road" strategy of the PRC, the Company accelerated localized manufacturing projects in overseas regions, further accelerating internalization strategy. Fourthly, the Company adhered to the principle of reducing cost and enhancing efficiency. Through strengthening targeted cost management, promoting online bidding platform, strengthening process control of expenses, and tightening budget assessment, the Company kept expenditures within budget while attaining more revenue than estimated. The profitability of the Company was substantially improved.

During the reporting period, the Company's revenue increased by 69.9% compared with that in the corresponding period of 2016 to approximately RMB72,313 million. The net profit attributable to shareholders of the listed company was approximately RMB2,650 million, representing an increase of 147.4% compared with that in the corresponding period of 2016. The basic earnings per share was RMB0.33, representing an increase of 147.4% compared with that in the corresponding period of 2016.

II. Dividends and Capitalisation of Reserve

On 8 June 2017, the Company's 2016 profit distribution proposal was considered and approved at the Company's 2016 annual general meeting, the first class meeting of the holders of A shares in 2017 and the first class meeting of the holders of H shares in 2017. Based on the total share capital of 3,998,619,278 shares as at 31 December 2016, the Company distributed to all shareholders a cash dividend of RMB2.50 (including tax) and issued 10 bonus shares (including tax), for every 10 shares held, without any capitalisation of reserve. Distribution of the bonus shares was completed during the period from the balance sheet date to the date on which the issue of the financial statements was approved.

On 30 August 2017, under the authority granted by the shareholders of the Company, the Board considered and approved the distribution to all shareholders of a cash dividend of RMB1.50 (including tax) for every 10 shares held, based on the total share capital of the Company of 7,997,238,556 shares, without any capitalisation of reserve. Please refer to the further announcement to be issued by the Company for details on the closure of registers of members in determining the shareholders who are eligible for the 2017 interim dividend.

III. Acquisition and Consolidation

In March 2017, the Company approved the entering into of a share purchase agreement by Weichai America Corp, a wholly-owned subsidiary of the Company, with the U.S.–based Power Solutions International, Inc. (hereinafter, "PSI Inc."), for the purchase of 2,728,752 ordinary shares and 2,385,624 preferred shares (convertible into 4,771,248 ordinary shares in the future) of PSI Inc., with a total investment of USD60 million. Upon full conversion of the aforesaid preferred shares into ordinary shares, the Company will, through Weichai America Corp, hold shares representing 40.71% of the total issued share capital of PSI Inc. and become its single largest shareholder. Pursuant to the agreement, 18 months after the completion of the above transaction, Weichai America Corp may exercise a call option to increase its holding in PSI Inc. to 51%. With PSI Inc's technology and experience, existing customer base, sales channels, and service networks in North America, the Company can quickly enter the North American market. Through positively participating in the competition of the North American power system market, the Company can enhance its level of market penetration and brand influence.

IV. Outlook and Prospects

In the second half of 2017, the recovery of the economies of developed countries is increasingly apparent. Emerging markets are also gradually improving; in particular, growth is robust in key economies such as the U.S., Germany, and India. It is expected that the global economic growth rate of the year will be at around 3.5%, possibly the highest in six years. Domestically, as the implementation of structural reforms of the supply side deepens and the innovative development strategies gains speed, the upward development trend of the Chinese economy will continue to strengthen and expand. At the same time, international instabilities and uncertainties were numerous, and the domestic structural conflicts that have been accumulating remain outstanding. Affected by such factors as slowing growth in infrastructure investments, stablilized consumer price levels, and the steady improvement of export trade, it is expected that the Chinese economy will sustain a stable pace of growth in the second half of the year, with the annual growth rate estimated to maintain at approximately 6.8%.

The Company is cautiously optimistic about the development trend of its related industries. In the second half of 2017, it is expected that the Chinese heavy-duty truck market will reach a sales volume of 416,000 units, with a cumulative annual sales exceeding one million units, representing a year-on-year growth of more than 36.4%. The estimated increase is mainly attributable to the following reasons. Firstly, the implementation of the new version of Guobiao GB1589 standard and anti-overloading policies led to an explosive growth in domestic heavy-duty trucks, especially tractors. Following the release of demand in the first half of the year, the market will become more rational in the second half of the year. Secondly, the tightened management over transportation vehicles by the Ministry of Transport has entered the second stage, whereby the upgrading of car carriers and hazardous chemicals transportation vehicles are progressing in an orderly manner. Thirdly, according to the requirements of the China Air Pollution Prevention Action Plan, efforts to eliminate yellow-label vehicles have sped up since 2009; and that all the yellow-label vehicles in the country will basically be eliminated by the end of this year. Fourthly, the commencement of construction projects across the country, and the increasing investments in infrastructure, have led to a rapid growth in the sales of engineering vehicles.

In the second half of 2017, buoyed by factors such as investments in infrastructure and the demand for equipment update and improvement in the industry's competitive environment, the construction machinery industry will recover continuously. It is expected that the cumulative annual sales will exceed 700,000 units, representing a year-on-year growth of more than 29.9%. In terms of international market conditions, 'One Belt and One road' drives interconnection among infrastructure. Growth of infrastructure construction and China's foreign engineering contracts will speed up, and the demand will be substantial. The Trump administration has implemented proactive fiscal policies and stepped up infrastructure construction, creating substantial strategic development opportunities in overseas markets. Domestically, with the implementation of proactive fiscal policy in the PRC, construction of infrastructure will speed up, and PPP Projects will be more promptly implemented. With higher shortcomings in infrastructure and civil aspects in the PRC, the industry is in urgent need of reform and upgrade, which will drive growth in the industry. It has been eight to nine years since the last peak of the construction machinery industry. Having entered an overlaying period of upgrade and replacement, upgrader demands in the next two to three years will be significant.

Currently, with increasingly stringent regulations on emission levels, the upgrade of technologies has also been speeding up. With effect from 1 January 2018, the China V Emission Standards will apply to the manufacturing, importing, sale and registration of all diesel-driven light vehicles in China. As such, some segments of the market will experience a new round of shuffling and the elimination of backward production capacities will be accelerated. 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 actively responded by starting its preparation work in advance. Having essentially completed the upgrade and replacement of engine products, the Company is poised to maintain its leading position in the market of high-power engines and heavy-duty gear boxes. The Board has full confidence in the development prospect of the Company.

In the second half of 2017, the Company will commit to the main theme of "strengthening its base and operations, seizing and capturing markets, speeding up innovation, and striving to excel in its development", and work strenuously on the following for the thirteen battles that it must win this year:

Firstly, the Company will adhere to the customers-oriented approach, expedite structural adjustments, make good use of product advantages, lead the industry development, expand our market share, continuously expand into emerging markets, explore new strengths, and work diligently towards the goal of 600,000 engines for the year. Secondly, surrounding 'the four goals of going high-end', the Company will implement technical innovation planning. Through reforms of systems and mechanisms, the Company will create a fervent eco-system of creativity by the public, fully commencing the strategy of going high-end. Thirdly, the Company will deepen the formation of the Group's coordination platform and mechanism, speed up the consolidation of overseas business regions, enhance the profitability of KION, Linde, Baudouin, etc., to improve the coordinated development of overseas business. Fourthly, the Company will carry out comprehensive innovation of its talent recruitment mechanism, explore the possibility of implementing shares incentive scheme, talent recruitment incentive systems, etc., to create the most competitive and best eco-system for the aggregation of talents, incentivize energy for innovation of the entire team and enhance the core competitiveness of the Company. Fifthly, we will strengthen management and control of operational risks, with a focus on strengthening the management of receivables, strictly manage inventory, enhance liquidity, to boost our overall capability to resist risks. We will work in the heavy-duty vehicles segment market with care and diligence, strengthen traditionally advantageous markets, break through strategic markets, upgrade our products and services, satisfy customer demands for diversity and personalization, expand our market share, and strive to achieve a breakthrough sales of 150,000 units. The gearbox companies will aim for market demands by launching new products that are high-end, smart, networked, and diversified, focus on developments of China VI stage matching products, new energy smart products, etc., improve product quality and performance, and capture leading market position.

At the same time, the Company will remain committed to its development goal of "going high-end and meeting the challenge to become number one in the world". Under the principle of "Unified Strategy, Independent Operation, Resources Sharing", the Company will accelerate the coordinated development of the three golden industrial chains, namely powertrains, hydraulic controlling, and intelligent logistics, to fully utilize the synergetic advantage of its resources in both domestic and overseas companies, to continually enhance the product quality and brand image of the Company, and to 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 2017 ("the Period") as follows:

I. Industry Analysis

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

1. Heavy-duty Vehicle Industry

In the first half of 2017, the PRC maintained a stable economic growth. In the first half of the year, the gross domestic product of the PRC reached RMB38.15 trillion, representing a 6.9% growth year-on-year. The heavy-duty truck market of the PRC exhibited an ongoing trend of recovery with substantial growth in sales volume, delivering sales of approximately 583,700 units in total during the Period, representing a substantial year-on-year increase of 71.5%. Such increase in sales volume is a reflection of the influence of a multitude of favourable factors including the implementation of the new anti-overloading policies, the fostering of Public Private Partnership (PPP) projects, and the acceleration of infrastructure investments.

2. Construction Machinery

During the Period, fixed-asset investments in the PRC (excluding agricultural households) reached approximately RMB28.06 trillion, representing a year-on-year growth of 8.6%. Investments in property development reached approximately RMB5.06 trillion, representing a year-on-year growth of 8.5%, and an increase of approximately 2.4 percentage points in growth rate year-on-year. As such, the construction machinery market in the PRC continued to recover, delivering sales of approximately 396,000 units in the entire construction machinery industry (including electric fork-lift trucks), representing a year-on-year increase of 45.6%, amongst which, the sales of wheel loaders with a load capacity of 5 tonnes was approximately 30,400 units, representing a year-on-year increase of 29.9%.

3. Passenger Vehicle Market

During the Period, the PRC passenger vehicle market exhibited an ongoing downturn as a result of the influence of China's national express rail taking up the share of the transportation market and the implementation of macroeconomic policies in the country. In the first half of 2017, China's passenger vehicle market reported an aggregate sales figure of 220,400 units, representing a year-on-year decrease of 14.0%.

4. Forklift Truck and Supply Chain Solutions Industry

In the first half of 2017, riding on global economic growth, rapid development of electronic commerce, and the wide application of industrial 4.0 technology, capital expenditure was on the rise in many enterprises, including the expansion of warehousing capacity, forklift truck equipments and the installation of automated systems. As such, the global order for forklift trucks increased from approximately 591,000 units in the corresponding period last year to approximately 694,100 units, representing an increase of 17.4% 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 is an overview of the operating 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 reported substantial increase in sales volume. The Company sold a total of approximately 178,500 units of heavy-duty truck engines, representing a year-on-year increase of approximately 100.8% from approximately 88,900 units (as restated) in the corresponding period last year. The Company maintained its leading position in the heavy-duty truck auxiliary market with a market share of 30.6%, representing a year-on-year increase of approximately 4.5 percentage points.

For Use in Construction Machinery

The Group is also the largest supplier of diesel engines to major manufacturers of construction machinery (mainly wheel loaders) with a load capacity of 5 tonnes in the PRC. During the Period, under the continual recovery of the construction machinery market, the Company's sales of engines for wheel loader with a load capacity of 5 tonnes was approximately 26,500 units, representing a year-on-year increase of approximately 70.6% from approximately 15,600 units (as restated) in the corresponding period of last year. The Company's market share in the market of wheel loader with a load capacity of 5 tonnes reached 87.3%, maintaining the Company's leading position in the market.

For use in Passenger Vehicles

During the Period, the domestic passenger vehicles market continued to drop, with substantial decrease in the large-sized and medium-sized passenger vehicles sectors. With the good quality and high efficiencies of its products, the Company recorded ongoing increase in market share. During the first half of the year, the Company's aggregate sales of engines for use in large-sized and medium-sized passenger vehicles amounted to approximately 14,300 units, representing a year-on-year increase of approximately 50.8%, and accounted for approximately 26.5% of the market share of the large-sized and medium-sized passenger vehicles, representing an increase of 13.8 percentage points year-on-year.

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

During the Period, KION Group AG ("KION") actively pushed forward the "2020 Strategy" and expedited the integration of the Dematic business line for better synergy. In the first half of 2017, the Group recorded sales orders for forklift trucks of approximately 102,400 units, an increase of approximately 14.9% from approximately 89,200 units in the corresponding period last year. Overall sales orders on hand amounted to EUR3,852 million, an increase from approximately EUR2,724 million in the corresponding period last year, or an increase of 41.4%. Before elimination of intra-group sales, the forklift trucks production, warehousing technology services and supply chain solution services business contributed approximately RMB28,574 million to the Group's sales revenue during the Period.

3. *Sale of Heavy-duty Trucks*

During the Period, the Group reported an aggregate sales of approximately 73,400 units of heavy-duty trucks, representing an increase of approximately 94.7% from approximately 37,700 units sold during the corresponding period of 2016. 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 approximately RMB22,375 million to the Group's sales revenue during the Period.

4. *Sale of Heavy-duty Gear Boxes*

During the Period, the Group sold approximately 427,300 units of heavy-duty gear boxes, representing an increase of approximately 73.8% compared to approximately 245,900 units sold in the corresponding period of 2016, and maintained its leading position in the industry. Before elimination of intra-group sales, the gear boxes business contributed approximately RMB6,803 million to the Group's sales revenue during the Period.

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

Apart from the production and sales of diesel engines for trucks and construction machinery, heavy-duty trucks and heavy-duty gear boxes, the Group is also engaged in the production and sales of engine parts and components and other truck parts and components such as: spark plugs, axles, chassis, air-conditioner compressors, hydraulics controlling parts etc. During the Period, the Group's sales of parts and components of engines and trucks and hydraulics controlling parts increased by approximately RMB197 million from approximately RMB1,858 million in the corresponding period in last year to approximately RMB2,055 million, representing a year-on-year increase of approximately 10.6%.

III. Financial Review

1. The Group's Results of Operations

a. Revenue

The Group's revenue increased by approximately RMB29,752 million or approximately 69.9% from approximately RMB42,561 million (restated) in the corresponding period of 2016 to approximately RMB72,313 million for the Period. This was primarily attributable to the substantial increase in sales volume in the heavy-duty truck market in China, and the Group's strategy to transform to become an intelligent logistics total solutions provider which in turn increased contributions towards sales. During the Period, the revenue from the forklift truck production, warehousing technology, and supply chain solutions services segments increased by 53.0%, from approximately RMB18,672 million in the corresponding period of last year to approximately RMB28,574 million for the Period. Revenue from principal operations increased by approximately 69.6% from approximately RMB41,633 million (restated) in the corresponding period in 2016 to approximately RMB70,596 million for the Period. Other revenue increased by approximately 85.1%, from approximately RMB928 million (restated) in the corresponding period of 2016 to approximately RMB1,718 million for the Period.

b. Profit from Principal Operations

During the Period, the Group generated profit from principal operations in the amount of approximately RMB15,145 million, representing an increase of approximately RMB5,486 million or 56.8% as compared to approximately RMB9,659 million (restated) recorded in the corresponding period of last year. The Group's focus on product research and development has given advantages to its products' competitiveness in terms of cost, core technology and quality. The Group's profit margin of principal operations remained stable at approximately 21.5%.

c. Distribution and Selling Expenses

Distribution and selling expenses increased by approximately RMB1,534 million or 43.9% to approximately RMB5,027 million in the Period from approximately RMB3,493 million (restated) in the corresponding period of 2016. The increase of distribution and selling expenses was primarily attributable to the increase in after-sales expenses and products return fee resulting from the increase in sales volume, but the overall expenses are controlled effectively. As such, the distribution and selling expenses as a percentage of revenue decreased from approximately 8.2% in the corresponding period of last year to approximately 7.0% in the Period.

d. General and Administrative Expenses

General and administrative expenses increased by approximately RMB822 million or 21.8% from approximately RMB3,771 million (restated) in the corresponding period of 2016 to approximately RMB4,593 million in the Period, which was mainly due to the increased investment into research and development by the Group, causing increases in experiment expenses and development expenses. Further, with the Group's consolidation of Dematic's operations, both the number of staff and staff costs increased. Under effective control of expenses by the Group, the general and administrative expenses as a percentage of revenue decreased from approximately 8.9% in the corresponding period of last year to approximately 6.4% in the Period.

e. Earnings Before Interest and Tax (EBIT)

During the Period, the Group's EBIT increased by approximately RMB2,130 million or 87.0% to approximately RMB4,577 million from approximately RMB2,447 million (restated) in the corresponding period last year. The increase was primarily attributable to the substantial increase in sales amount, while the improved EBIT margin from approximately 5.8% in the corresponding period of 2016 to approximately 6.3% this Period was due to a slower rate of increase in expenses in the Period.

f. Finance Expenses

Finance expenses increased by approximately 3.2 times to approximately RMB369 million in the Period from approximately RMB88 million (restated) in the corresponding period of 2016. This was mainly attributable to the increase in foreign exchange losses for the Period and in the corresponding period last year KION had completed its refinancing arrangement and repaid the medium-term notes in the amount of EUR450 million in advance and there was a one-off amortised income recognized.

g. Income Tax Expenses

The Group's income tax expenses increased by 88.4% from approximately RMB482 million (restated) in the corresponding period of 2016 to approximately RMB907 million in the Period. During the Period, the Group's average effective tax rate was approximately 20.7%, representing a decrease of approximately 2.2 percentage points as compared to approximately 22.9% 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 RMB1,855 million or 114.4% from approximately RMB1,621 million (restated) in the corresponding period of last year to approximately RMB3,476 million in the Period. Net profit margin for the Period was approximately 4.8%, an increase of 1 percentage point from approximately 3.8% in the corresponding period of last year. This was primarily attributable to the significant increase in revenue in China, under the recovery of the heavy-duty truck industry, the strategic transformation of the Group and synergy between domestic and international businesses.

i. Liquidity and Cash Flow

During the Period, the Group generated net operating cash flows of approximately RMB4,766 million and cash inflow from financing activities of approximately RMB19,544 million. A portion of such proceeds was applied for the purposes of acquiring 4,023,275 additional KION shares (at total consideration of approximately EUR260 million), acquiring 2,728,752 ordinary shares and 2,385,624 preferred shares of the U.S.– based PSI Inc. (at a consideration of US$60 million), and paying for the acquisition of property, plant and equipment for the expansion of the Group's business. As of 30 June 2017, the Group's gearing ratio (Interest-bearing debts/(Interest-bearing debts + Shareholders' equity)) was approximately 44.5% (31 December 2016: approximately 46.9%).

2. *Financial Position*

a. *Assets and Liabilities*

As at 30 June 2017, the Group had total assets of approximately RMB181,052 million, of which approximately RMB92,286 million were current assets. As at 30 June 2017, the Group had cash and cash equivalents of approximately RMB29,883 million (as at 31 December 2016: approximately RMB27,123 million). On the same date, the Group's total liabilities amounted to approximately RMB133,081 million, of which approximately RMB74,057 million were current liabilities. The current ratio was approximately 1.25 (as at 31 December 2016: 1.30).

b. *Capital Structure*

As at 30 June 2017, the Group had total equity of approximately RMB47,971 million, of which approximately RMB32,682 million was attributable to equity holders of the Company and the balance was minority interests. The Group currently does not rely heavily on borrowings. The borrowings of the Group as at 30 June 2017 amounted to approximately RMB38,512 million, which included bonds of approximately RMB10,497 million and bank borrowings of approximately RMB28,015 million. The bank borrowings included approximately RMB4,057 million of fixed interest rate bank borrowings and approximately RMB23,958 million of floating interest rate bank borrowings. Borrowings repayable on demand or within a period not exceeding one year were approximately RMB7,637 million, borrowings repayable within a period of more than one year but not exceeding two years were approximately RMB4,231 million; borrowings repayable within a period of more than two years but not exceeding five years were approximately RMB14,421 million; and borrowings repayable within a period of more than 5 years were approximately RMB1,726 million. Other than Euro-denominated borrowings and USD-denominated borrowings equivalent to approximately RMB24,862 million and RMB406 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 2017, bank deposits, notes receivable and accounts receivable of approximately RMB13,884 million (as at 31 December 2016: RMB10,788 million) were pledged to banks to secure the Group's notes payable and bank borrowings 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*

On 30 June 2017, the Group provided certain distributors and agents bank guarantee amounting to approximately RMB3,375 million (as at 31 December 2016: approximately RMB2,457 million) to secure their obtaining and use of banking facilities.

As at 30 June 2017, 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 RMB1,359 million (as at 31 December 2016: approximately RMB923 million).

As at 30 June 2017, the Group's borrowings and other guarantee amounted to approximately RMB484 million (as at 31 December 2016: approximately RMB662 million).

e. *Commitments*

As at 30 June 2017, the Group had approximately RMB1,351 million capital commitments (as at 31 December 2016: approximately RMB1,892 million), among which contracted capital commitments amounted to approximately RMB1,351 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 2017, the Group had approximately 71 thousand employees (including approximately 31 thousand employees of KION). During the Period, the Group had paid remuneration of approximately RMB11,389 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*

On 22 May 2017 (Central European Time), KION Group AG issued in aggregate 9,300,000 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 4,023,275 new KION shares based on the subscription price of EUR64.83 per KION share at a total consideration of approximately EUR260 million. The Group's shareholding in KION remains at 43.26%.

c. *Major Acquisition and Disposal*

During the Period, the Company approved the acquisition by Weichai America Corp, its wholly-owned subsidiary, of 2,728,752 ordinary shares and 2,385,624 preferred shares of PSI Inc., at a total consideration of US$60 million. Upon full conversion of the aforesaid preferred shares into ordinary shares, the Company will hold shares representing 40.71% of the equity of PSI Inc., and become its single largest shareholder. Pursuant to the agreement, 18 months after the completion of the above transaction, Weichai America Corp may exercise a call option to increase its holding in PSI Inc. to 51%.

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

d. *Subsequent Events*

On 30 August 2017, under the authority granted by the shareholders of the Company, the Board considered and approved the distribution to all shareholders of cash dividend of RMB1.50 (including tax) for every 10 shares held, based on the total share capital of the Company of 7,997,238,556 shares, without any capitalisation of reserve.

e. *Estimation of the Results of Operations for the Period from January to September 2017*

In view of the macroeconomic conditions and the heavy-duty truck industry as a whole, the Company estimates a year-on-year increase in the sales of the Company's main products for the period from January to September 2017, and in turn an increase in the net profit attributable to the shareholders of the parent, which is expected to grow from approximately RMB1,541 million in the corresponding period last year to the range of approximately RMB3,850 million to RMB4,314 million, or approximately 150% to 180%.

OTHER INFORMATION

Directors' and Supervisors' Interests in Shares and Underlying Shares

As at 30 June 2017, 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%
Yuan Hongming	Beneficial owner	220	–	0.000006%
	Interest held by spouse	220	–	0.000006%
Yan Jianbo	Beneficial owner	11,202	–	0.0003%

Name of Supervisor	Capacity	Number of "A" shares held	Number of "H" shares held	Percentage of the issued share capital of the Company
Lu Wenwu	Beneficial owner	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 2017 (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	0.1925%
		Interest held by spouse	3,000 ordinary shares	0.0025%

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 2017, 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 2017)

	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	867,643,515	21.70%	–	–	–	(6,434)	(6,434)	867,637,081	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	46,378,011	1.16%	–	–	–	(6,434)	(6,434)	46,371,577	1.16%
including: Shares held by domestic non-state-owned legal persons	–	–	–	–	–	–	–	–	–
Shares held by domestic natural persons	46,378,011	1.16%	–	–	–	(6,434)	(6,434)	46,371,577	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	3,130,975,763	78.30%	–	–	–	6,434	6,434	3,130,982,197	78.30%
1. RMB ordinary shares	2,159,455,763	54.00%	–	–	–	6,434	6,434	2,159,462,197	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 2017)

Total number of Shareholders The number of shareholders is 156,137 among which 155,852 are shareholders of "A" shares and 285 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%	968,525,028	–	N/A
Weichai Group Holdings Limited	State-owned legal person	16.83%	672,952,800	672,952,800	–
Weifang Investment Group Company Limited	State-owned legal person	3.71%	148,312,704	148,312,704	–
China Securities Finance Corporation Limited	Domestic non-state-owned legal person	2.40%	95,880,128	–	–
IVM Technical Consultants Wien Gesellschaft m.b.H	Overseas legal person	1.86%	74,540,000	–	–
Central Huijin Assets Management Company Limited	State-owned legal person	1.36%	54,246,400	–	–
Shandong Enterprise Trust Operation Company Limited	Domestic non-state-owned legal person	0.81%	32,374,980	–	–
Tan Xuguang	Domestic natural person	0.74%	29,421,298	22,065,973	–
Hong Kong Securities Clearing Company Limited	Overseas legal person	0.69%	27,543,703	–	–
ICBCCS Fund – ICBC – Asset Management for Designated Customers	Others	0.61%	24,449,815	–	–

Shareholdings of the top ten non-restricted shareholders

Name of shareholder	Number of the non-restricted shares held	Types of shares
HKSCC Nominees Limited	968,525,028	Overseas listed foreign shares
China Securities Finance Corporation Limited	95,880,128	RMB ordinary shares
IVM Technical Consultants Wien Gesellschaft m.b.H	74,540,000	RMB ordinary shares
Central Huijin Assets Management Company Limited	54,246,400	RMB ordinary shares
Shandong Enterprise Trust Operation Company Limited	32,374,980	RMB ordinary shares
Hong Kong Securities Clearing Company Limited	27,543,703	RMB ordinary shares
ICBCCS Fund – ICBC – Asset Management for Designated Customers	24,449,815	RMB ordinary shares
Shenzhen Chuangxin Investment Group Co., Ltd	23,444,461	RMB ordinary shares
Zhuzhou State-owned Assets Investment Holding Group Co., Ltd.	21,228,582	RMB ordinary shares
China Life Insurance Company Limited – Bonus payment – Personal bonus payment – 005L – FH002 Shen	17,954,546	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. 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 2017, 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	–	–	245,891,812	25.31%	6.15%
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%
Morgan Stanley	Interest of corporation controlled by the substantial shareholders	Long	–	–	49,335,508	5.08%	1.23%
	Interest of corporation controlled by the substantial shareholders	Short	–	–	42,078,545	4.33%	1.05%

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
BlackRock, Inc. *(Note 5)*	Interest of corporation controlled by the substantial shareholders	Long	–	–	182,232,585	9.38%	2.28%
	Interest of corporation controlled by the substantial shareholders	Short	–	–	22,000	0.00%	0.00%

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 2017 (comprising 3,027,099,278 "A" shares and 971,520,000 "H" shares).

5. The number of H shares (and the relevant shareholding percentages) reported above by the relevant substantial shareholder has adjusted the Company's bonus share issuance on 21 July 2017.

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 2017.

EMOLUMENT POLICY

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

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

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

PURCHASE, SALE OR REDEMPTION OF SECURITIES OF THE COMPANY

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

PRE-EMPTIVE RIGHTS

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

AUDIT COMMITTEE

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

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

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

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

COMPLIANCE WITH THE MODEL CODE

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

SUFFICIENCY OF PUBLIC FLOAT

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

APPROVAL OF THE FINANCIAL STATEMENTS

The reviewed consolidated financial statements for the Period were approved by the Board on 30 August 2017.

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

The 2017 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 2017

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