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 2019

**FINANCIAL HIGHLIGHTS**

- Revenue amounted to approximately RMB90,862 million, an increase of approximately 10.5%.
- Net Profit Attributable to the Shareholders of the Parent amounted to approximately RMB5,287 million, an increase of approximately 20.4%.
- Basic Earnings Per Share was approximately RMB0.67, an increase of approximately 21.3%.

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

The board of directors (the "Board") of Weichai Power Co., Ltd. (the "Company") is pleased to announce the reviewed consolidated financial statements of the Company and its subsidiaries (the "Group") prepared in accordance with the Mainland Accounting Standards for the six months ended 30 June 2019 (the "Period"), together with comparative figures for the corresponding period of 2018 as follows:

**CONSOLIDATED INCOME STATEMENT**

*January to June 2019 (Expressed in Renminbi Yuan)*

| | *Notes* | **January to June 2019 (unaudited)** | January to June 2018 (unaudited) |
|---|---|---|---|
| Revenue | *8* | **90,862,496,520.48** | 82,263,906,908.88 |
| Less: Cost of sales | *8* | **71,101,142,453.13** | 64,335,849,214.51 |
| Taxes and surcharges | *9* | **375,020,413.27** | 399,294,357.54 |
| Distribution and selling expenses | | **5,369,736,377.62** | 5,473,595,476.28 |
| General and administrative expenses | | **3,281,155,705.90** | 3,196,179,093.83 |
| Research & development expenses | | **2,397,741,836.26** | 1,751,132,452.88 |
| Finance expenses | | **141,342,571.21** | 56,645,514.29 |
| Incl: Interest expenses | | **596,873,003.86** | 612,147,513.99 |
| Interest income | | **479,664,629.04** | 563,067,891.29 |
| Add: Other income | | **90,120,492.57** | 58,339,437.77 |
| Investment income | | **372,698,501.34** | 221,176,005.84 |
| Incl: Investment income from associates and jointly controlled enterprises | | **123,724,757.92** | 136,233,044.06 |
| Gain or loss on fair value changes | | **25,507,034.78** | 26,873,836.25 |
| Impairment loss of credit | | **(184,177,256.14)** | (105,247,274.82) |
| Impairment loss of assets | | **(267,253,210.66)** | (179,326,217.62) |
| Gain on disposal of assets | | **43,971,693.24** | 4,186,159.48 |
| Operating profit | | **8,277,224,418.22** | 7,077,212,746.45 |
| Add: Non-operating income | | **103,809,834.47** | 142,190,971.81 |
| Less: Non-operating expenses | | **30,391,826.11** | 52,526,096.81 |
| Total profit | | **8,350,642,426.58** | 7,166,877,621.45 |
| Less: Income tax expense | *10* | **1,457,822,120.44** | 1,284,648,536.55 |
| Net profit | | **6,892,820,306.14** | 5,882,229,084.90 |
| Incl: Net profit from continuing operations | | **6,892,820,306.14** | 5,882,229,084.90 |
| Net profit from discountinued operations | | **–** | – |
| Breakdown by attributable interests | | | |
| Net profit attributable to the shareholders of the parent | | **5,287,488,377.89** | 4,392,587,359.49 |
| Minority interests | | **1,605,331,928.25** | 1,489,641,725.41 |

| | Notes | January to June 2019 (unaudited) | January to June 2018 (unaudited) |
|---|---|---|---|
| Net other comprehensive income after tax | *12* | | |
| Net other comprehensive income attributable to shareholders of the parent after tax | | **138,288,663.93** | (41,354,889.09) |
| Those other comprehensive income not to be reclassified into profit or loss | | | |
| Changes arising from re-measuring defined benefit plan | | **(359,829,984.29)** | 17,362,053.85 |
| Other comprehensive income not to be taken to profit or loss using the equity method | | **(104,627.70)** | (1,135,343.38) |
| Change of fair value of investment in other equity instruments | | **404,196,316.01** | (65,902,072.83) |
| Those other comprehensive income to be reclassified into profit or loss | | | |
| Other comprehensive income to be taken to profit or loss using the equity method | | **(4,361,463.39)** | 1,002,941.82 |
| Cashflow hedging reserve | | **35,466,883.63** | (29,131,420.11) |
| Exchange differences on foreign currency translation | | **62,921,539.67** | 36,448,951.56 |
| Net other comprehensive income attributable to minority owners after tax | | **(358,106,480.13)** | (123,419,940.23) |
| Total comprehensive income | | **6,673,002,489.94** | 5,717,454,255.58 |
| Incl: | | | |
| Total comprehensive income attributable to the shareholders of the parent | | **5,425,777,041.82** | 4,351,232,470.40 |
| Total comprehensive income attributable to minority interest | | **1,247,225,448.12** | 1,366,221,785.18 |
| Earnings per share | *11* | | |
| Basic earnings per share | | **0.67** | 0.55 |
| Diluted earnings per share | | **0.67** | 0.55 |

## CONSOLIDATED BALANCE SHEET

*30 June 2019 (Expressed in Renminbi Yuan)*

| ASSETS | *Notes* | **30 June 2019 (unaudited)** | 31 December 2018 (audited) |
|---|---|---|---|
| Current assets | | | |
| Cash and cash equivalents | | **40,507,821,740.72** | 38,209,952,558.31 |
| Financial assets held for trading | | **6,558,250,278.29** | 4,115,199,600.23 |
| Notes receivable | *3* | **27,467,990,314.95** | 18,056,440,277.52 |
| Accounts receivable | *4* | **18,764,187,003.60** | 13,155,363,494.20 |
| Receivable financing | *5* | **3,165,473,130.72** | 6,936,224,398.10 |
| Prepayments | | **993,996,306.36** | 1,109,227,313.17 |
| Other receivables | | **994,001,644.57** | 1,087,148,524.03 |
| Inventories | | **23,802,781,414.05** | 20,674,287,133.47 |
| Contract assets | | **1,206,788,460.00** | 935,892,539.90 |
| Assets held for sale | | **24,237,289.50** | 5,525,306.60 |
| Non-current assets due within one year | | **2,460,158,423.00** | 2,127,858,173.40 |
| Other current assets | | **1,876,349,685.75** | 1,692,343,618.45 |
| Total current assets | | **127,822,035,691.51** | 108,105,462,937.38 |
| Non-current assets | | | |
| Long-term receivables | | **7,398,455,597.93** | 6,483,298,008.60 |
| Long-term equity investments | | **4,658,941,420.65** | 4,463,591,313.13 |
| Investment in other equity instruments | | **1,755,825,338.62** | 1,315,633,672.96 |
| Other non-current financial assets | | **225,371,927.00** | 192,949,412.40 |
| Investment property | | **571,972,828.45** | 593,459,307.58 |
| Fixed assets | | **23,109,501,031.48** | 29,454,072,247.73 |
| Construction in progress | | **4,525,997,755.85** | 2,848,101,239.62 |
| Right-of-use assets | | **9,545,408,314.77** | – |
| Intangible assets | | **22,881,287,086.15** | 23,299,455,749.37 |
| Development expenditure | | **453,316,351.08** | 440,148,223.16 |
| Goodwill | | **23,085,316,276.41** | 23,037,386,296.04 |
| Long-term prepaid expenses | | **242,486,994.40** | 228,459,134.85 |
| Deferred tax assets | | **5,496,336,792.95** | 4,458,451,001.33 |
| Other non-current assets | | **575,068,301.00** | 355,896,630.03 |
| Total non-current assets | | **104,525,286,016.74** | 97,170,902,236.80 |
| Total assets | | **232,347,321,708.25** | 205,276,365,174.18 |

| LIABILITIES AND EQUITY | *Notes* | **30 June 2019 (unaudited)** | 31 December 2018 (audited) |
|---|---|---|---|
| Current liabilities | | | |
| Short-term loans | | **9,032,556,671.76** | 5,472,765,901.24 |
| Financial liabilities held for trading | | **144,779,472.63** | 213,435,765.47 |
| Notes payable | *6* | **21,147,361,947.82** | 15,925,016,265.08 |
| Accounts payable | *7* | **37,829,169,371.00** | 30,869,354,934.85 |
| Contract liabilities | | **7,731,817,263.00** | 8,722,443,043.80 |
| Payroll payable | | **5,039,466,805.76** | 5,184,666,613.19 |
| Taxes payable | | **2,490,935,753.04** | 2,506,794,642.37 |
| Other payables | | **9,297,917,295.61** | 6,502,173,092.72 |
| Non-current liabilities due within one year | | **8,394,643,239.19** | 6,898,699,368.61 |
| Other current liabilities | | **6,414,262,742.66** | 6,121,799,350.16 |
| Total current liabilities | | **107,522,910,562.47** | 88,417,148,977.49 |
| Non-current liabilities | | | |
| Long-term borrowings | | **9,392,145,845.45** | 10,908,512,233.85 |
| Bonds payable | | **13,067,538,152.46** | 12,265,020,075.27 |
| Lease liabilities | | **10,007,040,113.73** | – |
| Long-term payables | | **2,600,609,345.86** | 9,895,419,535.20 |
| Long-term payroll payable | | **10,935,052,984.14** | 9,580,057,732.13 |
| Accruals and provisions | | **328,162,480.60** | 364,979,471.20 |
| Deferred income | | **4,379,886,455.35** | 3,256,007,618.70 |
| Deferred tax liabilities | | **5,808,202,256.26** | 5,772,705,450.50 |
| Other non-current liabilities | | **2,444,839,586.41** | 2,557,186,306.15 |
| Total non-current liabilities | | **58,963,477,220.26** | 54,599,888,423.00 |
| Total liabilities | | **166,486,387,782.73** | 143,017,037,400.49 |
| Shareholders' equity | | | |
| Share capital | | **7,933,873,895.00** | 7,997,238,556.00 |
| Capital reserve | | **117,177,579.82** | 113,699,432.76 |
| Less: treasury shares | | **–** | 499,911,217.21 |
| Other comprehensive income | *12* | **(1,445,717,713.51)** | (1,570,594,557.01) |
| Special reserve | | **177,657,471.51** | 155,056,854.10 |
| Surplus reserve | | **237,736,834.40** | 674,283,390.61 |
| Retained earnings | | **35,390,978,879.58** | 32,443,962,374.77 |
| Total equity attributable to the shareholders of the parent | | **42,411,706,946.80** | 39,313,734,834.02 |
| Minority interests | | **23,449,226,978.72** | 22,945,592,939.67 |
| Total shareholders' equity | | **65,860,933,925.52** | 62,259,327,773.69 |
| Total liabilities and shareholders' equity | | **232,347,321,708.25** | 205,276,365,174.18 |

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

*30 June 2019*

### 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 2018. 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 2018.

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

Other than certain financial instruments, these financial statements have been prepared at historical costs. Disposal group held-to-sale are carried at the lower of carrying amount or the net value of fair value less selling expenses. If the assets are impaired, corresponding provisions for impairment shall be made according to relevant provisions.

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

The fair value refers to the amount, at which both willing parties engaged to a fair transaction who are familiar with the condition exchange their assets or clear off their debts under fair conditions. Whether fair value is observable or measured by valuation techniques, the measurement and disclosure in these financial statements were all based on it.

For financial instruments which are transferred at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that the results of the valuation technique equals the transaction price.

Fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs of the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

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

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

Business combination includes business combinations involving enterprises under common control and business combinations not involving enterprises under common control.

*Business combinations involving enterprises under common control*

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

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

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

*Business combinations not involving enterprises under common control*

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

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

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

The identifiable assets, liabilities and contingent liabilities of acquiree qualifying for the conditions of recognition acquired by the acquirer in the business combination are measured at fair value on the acquisition date.

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

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

c. **Basis for preparation of consolidated financial statements**

The scope of consolidated financial statements is determined on the basis of control. Control is achieved when the investor has power over the investee, has rights to achieve returns from its involvement with the investee, and has the ability to use its power to affect its returns. Once the relevant facts and situation which alters the elements that define control changes, the Group shall re-evaluate control.

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

For a subsidiary disposed of by the Group, the operating results and cash flows before the date of disposal (the date when control is lost) are included in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows, as appropriate.

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

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

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

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

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

When the amount of loss for the period attributable to the minority shareholders of a subsidiary exceeds the minority shareholders' portion of the opening balance of shareholders' equity of the subsidiary, the excess amount is still allocated against minority interests.

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

**d. Change of accounting policies**

***New Standard on Lease***

With effect from 1 January 2019 (the "date of first adoption"), the Group has adopted the Accounting Standards for Business Enterprises No. 21 – Lease (the "New Standard on Lease"; the standard on lease before amendment is referred as the "Original Standard on Lease") amended by MOF in 2018.

For the contracts already existed before the date of first adoption, the Group chose not to re-assess whether they were of lease or included lease on the date of first adoption.

For the contracts signed or changed after the date of first adoption, the Group has assessed whether the contracts were of lease or included lease according to the definitions stated in the New Standard on Lease. The definitions stated in the New Standard on Lease do not have major impacts on the scope of the Group's contracts fulfilling the definitions of lease.

*The Group as lessee*

The Group adjusted the beginning amount of the retained earnings and other relevant items on financial statements on the first date of adoption when the New Standard on Lease was first adopted based on the cumulative impact of first adoption of the New Standard on Lease without adjusting the information for the comparable period.

For the operating leases before the first date of adoption, the Group adopted one or more than one simplified treatments as follows based on each lease option:

- Leases to be completed within 12 months of the first date of adoption shall be treated as short-term leases;

- When measuring the lease liabilities, a single discount rate is adopted for leases with similar characteristics;

- The measurement of right-of-use assets does not include initial direct cost;

- For the leases with extension option or termination option, the Group determines the lease term based on the exercise of options in practice prior to the first date of adoption and other latest developments;

- The Group assesses whether the contracts with leases are onerous before the first date of adoption according to "Accounting Standard for Business Enterprises No.13 – Contingencies" and adjusts the right-of-use assets based on the provision for loss made in the balance sheet before the first date of adoption as an alternative to performing an impairment review on the right-of-use assets;

- For the change of the lease before the first date of adoption, accounting treatments shall be in accordance with the final arrangements of the change of the lease.

For the operating leases before the first date of adoption, the Group assumed that the New Standard on Lease is adopted to measure right-of-use assets once the lease term commenced, with the carrying amount discounted using the incremental borrowing rate at the first date of adoption.

For the finance leases before the first date of adoption, the Group measured the right-of-use assets and lease liabilities at the original carrying amounts of the assets under finance lease and the finance lease payable respectively on the first date of adoption.

On the first date of adoption, the Group made the adjustments as follows in connection with the adoption of the New Standard on Lease:

The Group recognized lease liabilities of RMB17,418,755,002.55 and right-of-use assets of RMB10,847,665,335.76 on 1 January 2019. For the operating leases before the first date of adoption, the Group measures the lease liabilities according to the present value discounted at the incremental borrowing rate on the first date of adoption, where the range of discount rate of the incremental borrowing is between 0%-15%. Based on each lease option, the Group measured right-of-use assets according to the assumption that the carrying amount under this standard was adopted once the lease term commenced.

The reconciliation information of the lease liabilities recognized by the Group on 1 January 2019 and the major operating lease commitments disclosed in the 2018 annual financial statements is as follows:

| | *RMB* |
|---|---|
| **Item** | **1 January 2019** |
| 1. Operating lease commitments as at 31 December 2018 | 3,595,922,598.51 |
| Lease liabilities according to the present value discounted at the incremental borrowing rate on the first date of adoption | 3,120,052,462.73 |
| Less: Recognized exemption – short-term lease | 98,369,947.08 |
| Lease liabilities recognized for adopting the New Standard on Lease and relevant to the original operating leases | 3,021,682,515.65 |
| Add: Finance lease payable as at 31 December 2018 | 14,397,072,486.90 |
| 2. Lease liabilities as at 1 January 2019 | 17,418,755,002.55 |
| Presented as: | |
| Non-current liabilities due within one year | 5,529,206,378.87 |
| Lease liabilities | 11,889,548,623.68 |

The composition of the carrying amount of the right-of-use assets as at 1 January 2019 is as follows:

| | *RMB* |
|---|---|
| **Item** | **1 January 2019** |
| Right-of-use assets: | |
| Right-of-use assets in respect of the operating leases recognized before the first date of adoption | 2,678,479,762.75 |
| Assets under financial lease recognized under the Original Standard on Lease | 8,169,185,573.01 |
| Total: | 10,847,665,335.76 |

*The Group as lessor*

The Group did not make any transitional adjustment for leases in which the Group is a lessor and such leases were accounted for according to the New Standard on Lease since the first date of adoption.

On the first date of adoption, for the renewed leases for the existing leased properties which the Group has signed but whose lease period has not commenced, they will be deemed as a change with respect to the existing lease contracts on the first date of adoption. Such change had no impact on the balance sheet as of 1 January 2019. However, since 1 January 2019, the lease receivables after the change in the lease terms after the change will be recognized as rental income on a straight-line basis.

Since the first date of adoption, the Group allocates the consideration in respect of the contract in accordance with the principles of transaction price allocation described in Accounting Standard for Business Enterprises No. 14 – Revenue. The change had no material impact on the financial statements of the period.

Sales and leaseback transactions

For the sales and leaseback transactions which existed before the first date of adoption, the Group did not reassess, on the first date of adoption, whether the transfer of assets complies with the requirements on accounting treatment for sales pursuant to the Accounting Standard for Business Enterprises No. 14 – Revenue.

For the transactions after the first date of adoption, the Group, as a seller and lessee, applied the requirements under Accounting Standard for Business Enterprises No. 14 – Revenue to assess and determine whether asset transfer in a sales and leaseback transaction constitute sales. If the transfer of assets in the sales and leaseback transaction does not constitute a sale, the Group would determine the proceeds as financial liabilities.

Except the adjustments and effects caused by the change stated in “Format of presentation in financial statements”, the primary effects on the financial statement as at 1 January 2019 due to the change in accounting policies caused by the aforesaid New Standard on Lease are as follows:

**The Group**

| Item | 31 December 2018 | Adjustment for the Change in Accounting Policies | 1 January 2019 |
|---|---|---|---|
| Fixed assets | 29,454,072,247.73 | (8,169,185,573.01) | 21,284,886,674.72 |
| Right-of-use assets | – | 10,847,665,335.76 | 10,847,665,335.76 |
| Deferred tax assets | 4,458,451,001.33 | 169,776,384.27 | 4,628,227,385.60 |
| Total non-current assets | 97,170,902,236.80 | 2,848,256,147.02 | 100,019,158,383.82 |
| Total assets | 205,276,365,174.18 | 2,848,256,147.02 | 208,124,621,321.20 |
| Non-current liabilities due within one year | 6,898,699,368.61 | 666,638,424.89 | 7,565,337,793.50 |
| Total current liabilities | 88,417,148,977.49 | 666,638,424.89 | 89,083,787,402.38 |
| Lease liabilities | – | 11,889,548,623.68 | 11,889,548,623.68 |
| Long-term payables | 9,895,419,535.20 | (9,534,504,532.92) | 360,915,002.28 |
| Deferred tax liabilities | 5,772,705,450.50 | 120,744,835.64 | 5,893,450,286.14 |
| Total non-current liabilities | 54,599,888,423.00 | 2,475,788,926.40 | 57,075,677,349.40 |
| Total liabilities | 143,017,037,400.49 | 3,142,427,351.29 | 146,159,464,751.78 |
| Other comprehensive income | (1,570,594,557.01) | (13,411,820.43) | (1,584,006,377.44) |
| Retained earnings | 32,443,962,374.77 | (118,987,182.48) | 32,324,975,192.29 |
| Total equity attributed to the owners of parent | 39,313,734,834.02 | (132,399,002.91) | 39,181,335,831.11 |
| Minority interests | 22,945,592,939.67 | (161,772,201.36) | 22,783,820,738.31 |
| Total owners' equity | 62,259,327,773.69 | (294,171,204.27) | 61,965,156,569.42 |
| Total liabilities and owners' equity | 205,276,365,174.18 | 2,848,256,147.02 | 208,124,621,321.20 |

**The Company**

New Standard on Lease does not have impacts on the Company's financial statements as at 1 January 2019.

*Format of presentation in financial statements*

Starting from the preparation of the Interim Financial Statements for the year 2019, the Group has adopted the Notice on Revising and Circulating General Corporate Financial Statement Formats 2019 issued by the MOF on 30 April 2019 (Cai Kuai [2019] No.6, abbreviated hereinafter as "Cai Kuai Notice No. 6"). Pursuant to Cai Kuai Notice No. 6, revisions have been made to the presentation of items in balance sheet, income statement, cash flow statement and statement of changes in owners' equity. "Notes and accounts receivable" is separated into two items namely "notes receivable" and "accounts receivable"; "notes and accounts payable" is separated into two items namely "notes payable" and "accounts payable"; "receivable financing" and "special reserve" are added; presentation details of "other receivables", "non-current assets due within one year", "other payable", "deferred income", "other equity instruments", "research and development expenses", "interest income" under "finance expenses", "other income", "non-operating income" and "non-operating expenses", "capital contribution from the holders of other equity instruments" are clarified or revised. Further, requirements about presentation of provision for losses made in respect of loan commitment and financial guarantee contracts have been set out; the item of "gains arising from de-recognition of financial assets measured at amortized cost" has been added under "investment income"; the presentation location of some items in income statement has been adjusted; and where government grant should be put in cash flow statement has been clarified. In response to the change of the aforementioned presentation items, comparative data from the previous period have been re-stated. Such changes in accounting policies do not have impacts on the consolidated and company net profit and shareholders' equity.

Major impacts of the retrospective adjustment arising from the changes in accounting policies stated above on the balance sheet as at 31 December 2018 are as follows:

**The Group**

*RMB*

| **Item** | **Closing balance before changes in accounting policies** | **Adjustment arising from changes in accounting policies** | **Closing balance after changes in accounting policies** |
|---|---|---|---|
| Notes receivable | – | 18,056,440,277.52 | 18,056,440,277.52 |
| Accounts receivable | – | 13,155,363,494.20 | 13,155,363,494.20 |
| Notes receivable and accounts receivable | 38,148,028,169.82 | (38,148,028,169.82) | – |
| Receivable financing | – | 6,936,224,398.10 | 6,936,224,398.10 |
| Notes payable | – | 15,925,016,265.08 | 15,925,016,265.08 |
| Accounts payable | – | 30,869,354,934.85 | 30,869,354,934.85 |
| Notes payable and accounts payable | 46,794,371,199.93 | (46,794,371,199.93) | – |
| Other current liabilities | 6,321,615,150.06 | (199,815,799.90) | 6,121,799,350.16 |
| Deferred income | 3,056,191,818.80 | 199,815,799.90 | 3,256,007,618.70 |

**The Company**

*RMB*

| **Item** | **Closing balance before changes in accounting policies** | **Adjustment arising from changes in accounting policies** | **Closing balance after changes in accounting policies** |
|---|---|---|---|
| Notes receivable | – | 21,026,407,121.15 | 21,026,407,121.15 |
| Accounts receivable | – | 1,069,759,568.00 | 1,069,759,568.00 |
| Notes receivable and accounts receivable | 22,096,166,689.15 | (22,096,166,689.15) | – |
| Notes payable | – | 11,756,416,668.11 | 11,756,416,668.11 |
| Accounts payable | – | 9,543,570,906.39 | 9,543,570,906.39 |
| Notes payable and accounts payable | 21,299,987,574.50 | (21,299,987,574.50) | – |

Major impacts of the retrospective adjustment arising from the changes in accounting policies stated above on the cashflow related to government grants received as included in the cashflow statement for the period from 1 January to 30 June 2018 are as follows:

**The Group**

| Item | Incurred in previous period before changes in accounting policies | Adjustment arising from changes in accounting policies | Incurred in previous period after changes in accounting policies |
|---|---|---|---|
| | | | *RMB* |
| Other cash received relating to operating activities | 786,156,825.82 | 29,101,177.00 | 815,258,002.82 |
| Other cash received relating to investing activities | 29,101,177.00 | (29,101,177.00) | – |

**The Company**

| Item | Incurred in previous period before changes in accounting policies | Adjustment arising from changes in accounting policies | Incurred in previous period after changes in accounting policies |
|---|---|---|---|
| | | | *RMB* |
| Other cash received relating to operating activities | 324,683,819.94 | 23,369,000.00 | 348,052,819.94 |
| Other cash received relating to investing activities | 23,549,422.79 | (23,369,000.00) | 180,422.79 |

*Swap of Non-monetary Assets*

On 9 May 2019, the MOF issued the amended Accounting Standard for Business Enterprises No.7 – Swap of Non-monetary Assets (Cai Kuai [2019] No.8, abbreviated hereinafter as the "New Standard on Swap of Non-monetary Assets"), which has become effective since 10 June 2019. Pursuant to New Standard on Swap of Non-monetary Assets, revisions have been made to the definition of swap of non-monetary assets; scope of the application of the standard is clarified; requirements about the points of time of recognition of assets transferred in and derecognition of assets transferred out, as well as the principle of accounting treatments in case of inconsistency in the point of time of the recognition of assets transferred in and the point of time of the derecognition of assets transferred out; accounting treatment on the swap of non-monetary assets has been refined; and requirement about disclosure has been added. As required by New Standard on Swap of Non-monetary Assets, adjustments were made according to New Standard on Swap of Non-monetary Assets for the swap of non-monetary assets occurred between 1 January 2019 and the effective date on 10 June 2019. No retrospective adjustment is required to make for the swap of non-monetary assets occurred before 1 January 2019. The adoption of New Standard on Swap of Non-monetary Assets does not have major impacts on the Group's financial statements for the period.

*Debt restructuring*

On 16 May 2019, the MOF issued Accounting Standard for Business Enterprises – No.12 Debt Restructuring (Cai Kuai [2019] No.9, abbreviated hereinafter as the "New Standard on Debt Restructuring"), which has become effective since 17 June 2019. Pursuant to New Standard on Debt Restructuring, revision has been made to the definition of debt restructuring; scope of application of the standard is clarified; revision on the accounting treatment of debt restructuring has been made; the requirement on disclosure of debt restructuring has been simplified. As required by New Standard on Debt Restructuring, adjustments were made according to New Standard on Debt Restructuring for the debt restructuring occurred between 1 January 2019 and the effective date on 17 June 2019. No retrospective adjustment is required to make for the debt restructuring occurred before 1 January 2019. The adoption of New Standard on Debt Restructuring does not have major impacts on the Group's financial statements for the period.

## 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 engines and related parts ("Engines");

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

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

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

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

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

Segment assets exclude equity investments at fair value through profit or loss for the current period, derivative instruments, dividends receivable, interests receivable, equity investments designated at fair value through other comprehensive income, long-term equity investments, 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.

*RMB*

| Item | Engines | Automobiles and other major automobile components | Other components | Import & export services | Forklift trucks and supply chain solution | Total |
|---|---|---|---|---|---|---|
| Amount incurred in the current period | | | | | | |
| Segment revenue: | | | | | | |
| Sale to external customers | 18,915,828,743.43 | 37,977,733,176.37 | 1,103,232,320.50 | 113,769,326.77 | 32,751,932,953.41 | 90,862,496,520.48 |
| Inter-segment sale | 7,786,202,237.09 | 35,279,525.70 | 712,789,488.08 | 22,564,054.88 | 112,324,426.54 | 8,669,159,732.29 |
| Total | 26,702,030,980.52 | 38,013,012,702.07 | 1,816,021,808.58 | 136,333,381.65 | 32,864,257,379.95 | 99,531,656,252.77 |
| *Adjustment:* | | | | | | |
| Elimination of inter-segment sale | – | – | – | – | – | (8,669,159,732.29) |
| Revenue | – | – | – | – | – | 90,862,496,520.48 |
| Segment results | 4,776,696,028.65 | 1,611,270,456.86 | 86,223,300.61 | (10,271,765.03) | 1,995,591,584.17 | 8,459,509,605.26 |
| *Adjustment:* | | | | | | |
| Elimination of inter-segment results | – | – | – | – | – | (439,148,151.95) |
| Interest income | – | – | – | – | – | 479,664,629.04 |
| Dividend income and unallocated income | – | – | – | – | – | 502,015,370.59 |
| Corporate and other unallocated expenses | – | – | – | – | – | (30,391,826.11) |
| Finance expenses | – | – | – | – | – | (621,007,200.25) |
| Profit before tax | – | – | – | – | – | 8,350,642,426.58 |
| **30 June 2019** | | | | | | |
| Segment assets | 45,069,117,710.97 | 38,720,347,442.06 | 22,886,005,508.29 | 13,568,673,440.80 | 89,342,719,807.85 | 209,586,863,909.97 |
| *Adjustment:* | | | | | | |
| Elimination of inter-segment assets | – | – | – | – | – | (30,683,881,446.11) |
| Corporate and other unallocated assets | – | – | – | – | – | 53,444,339,244.39 |
| Total assets | – | – | – | – | – | 232,347,321,708.25 |
| Segment liabilities | 37,238,918,896.93 | 39,338,447,022.00 | 2,301,346,402.29 | 2,605,836,157.55 | 46,297,374,514.33 | 127,781,922,993.10 |
| *Adjustment:* | | | | | | |
| Elimination of inter-segment liabilities | – | – | – | – | – | (14,795,032,219.59) |
| Corporate and other unallocated liabilities | – | – | – | – | – | 53,499,497,009.22 |
| Total liabilities | – | – | – | – | – | 166,486,387,782.73 |
| Amount incurred in the current period | | | | | | |
| *Other segment information:* | | | | | | |
| Share of profit and loss from: | | | | | | |
| Gain/(loss) from associates and jointly controlled enterprises | 60,137,591.48 | 42,852,741.48 | (954,891.99) | (57,837,407.39) | 79,526,724.34 | 123,724,757.92 |
| Loss of impairment of inventories | (15,517,989.09) | (153,198,783.13) | (11,316,303.78) | – | (87,049,020.40) | (267,082,096.40) |
| Reversal/(loss) of credit impairment of accounts receivable and other receivables | (52,674,844.34) | (75,718,597.63) | (6,354,628.77) | (90,085.20) | (49,339,100.20) | (184,177,256.14) |
| Loss of impairment of non-current assets | (16,729.52) | – | (154,384.74) | – | – | (171,114.26) |
| Depreciation and amortization | (397,065,706.86) | (552,117,400.91) | (93,999,794.90) | (8,995,064.36) | (2,910,916,050.75) | (3,963,094,017.78) |
| Gain/(loss) from disposal of fixed assets | (3,302,619.81) | 3,643,430.21 | 20,720,907.09 | – | 22,909,975.75 | 43,971,693.24 |
| Investment in associates and jointly controlled enterprises | 1,311,115,102.06 | 716,791,833.77 | 2,757,134.07 | 1,892,652,846.22 | 735,624,504.53 | 4,658,941,420.65 |
| Capital expenditure | 1,493,836,848.94 | 1,297,151,906.07 | 102,130,003.34 | 13,539,857.75 | 4,443,548,005.60 | 7,350,206,621.70 |

**Group information**

*Information about products and services*

Revenue from external transactions

*RMB*

| Item | Amount incurred in the current period | Amount incurred in the previous period |
|---|---|---|
| Engines, complete vehicles and key components | 49,840,061,101.56 | 43,747,122,826.09 |
| Other non-major automobile components | 5,838,628,524.31 | 5,374,539,079.42 |
| Forklift trucks and supply chain solution | 32,751,932,953.41 | 29,821,237,966.54 |
| Others | 2,431,873,941.20 | 3,321,007,036.83 |
| Total | 90,862,496,520.48 | 82,263,906,908.88 |

*Geographic information*

Revenue from external transactions

*RMB*

| Item | Amount incurred in the current period | Amount incurred in the previous period |
|---|---|---|
| China | 55,447,227,495.42 | 49,809,908,688.78 |
| Other countries and regions | 35,415,269,025.06 | 32,453,998,220.10 |
| Total | 90,862,496,520.48 | 82,263,906,908.88 |

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

Total non-current assets

*RMB*

| Item | 30 June 2019 | 31 December 2018 |
|---|---|---|
| China | **19,445,058,684.25** | 17,812,200,295.51 |
| Other countries and regions | **70,204,237,675.99** | 66,908,369,846.00 |
| Total | **89,649,296,360.24** | 84,720,570,141.51 |

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 RMB4,533,581,828.41 (previous period: RMB3,425,111,762.01) was derived from sales by 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

**Classification of notes receivable**

*RMB*

| Item | 30 June 2019 | 31 December 2018 |
|---|---|---|
| Bank acceptance bills | **27,457,337,235.75** | 18,056,440,277.52 |
| Commercial acceptance bills | **10,653,079.20** | – |
| Total | **27,467,990,314.95** | 18,056,440,277.52 |

**Notes receivable pledged by the Group as at period end**

*RMB*

| Item | 30 June 2019 | 31 December 2018 |
|---|---|---|
| Bank acceptance bills | **15,217,297,717.96** | 11,313,090,186.43 |
| Commercial acceptance bills | **3,986,423.27** | – |
| Total | **15,221,284,141.23** | 11,313,090,186.43 |

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

*RMB*

| | **30 June 2019** | | 31 December 2018 | |
|---|---|---|---|---|
| | **Derecognized** | **Not derecognized** | Derecognized | Not derecognized |
| Bank acceptance bills | **173,297,461.43** | **–** | 113,844,542.82 | 51,739,351.00 |
| Commercial acceptance bills | **–** | **–** | – | 500,000.00 |
| Total | **173,297,461.43** | **–** | 113,844,542.82 | 52,239,351.00 |

As at 30 June 2019, the Group had not transferred any notes into accounts receivable due to issuers' failure in performance (31 December 2018: Nil).

## 4. ACCOUNTS RECEIVABLE

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

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

*RMB*

| Age | **30 June 2019** | 31 December 2018 |
|---|---|---|
| Within 1 year | **18,683,407,736.59** | 12,830,377,788.58 |
| 1 to 2 years | **432,283,850.12** | 369,976,898.67 |
| 2 to 3 years | **143,079,535.77** | 298,548,409.40 |
| Over 3 years | **1,110,914,112.71** | 1,081,174,541.83 |
| Total at original amount | **20,369,685,235.19** | 14,580,077,638.48 |
| Less: Provision for credit loss in respect of accounts receivable | **1,605,498,231.59** | 1,424,714,144.28 |
| Total at net amount | **18,764,187,003.60** | 13,155,363,494.20 |

Disclosure by category of provision for credit losses:

*RMB*

| | **30 June 2019** | | | | 31 December 2018 | | | |
|---|---|---|---|---|---|---|---|---|
| **Item** | **Gross carrying amount** | **Proportion (%)** | **Provision for credit losses** | **Percentage (%)** | Gross carrying amount | Proportion (%) | Provision for credit losses | Percentage (%) |
| Items assessed for expected credit losses individually | **2,881,866,689.37** | **14.15** | **940,141,059.14** | **32.62** | 3,101,867,667.31 | 21.27 | 959,850,396.54 | 30.94 |
| Items assessed for expected credit losses by group with distinctive credit risk characteristics | **17,487,818,545.82** | **85.85** | **665,357,172.45** | **3.80** | 11,478,209,971.17 | 78.73 | 464,863,747.74 | 4.05 |
| Total | **20,369,685,235.19** | **100.00** | **1,605,498,231.59** | **7.88** | 14,580,077,638.48 | 100.00 | 1,424,714,144.28 | 9.77 |

As at 30 June 2019, accounts receivable assessed for expected credit losses individually are presented as follows:

*RMB*

| **Customers** | **Gross carrying amount** | **Provision for credit losses** | **Percentage** | **Reasons** |
|---|---|---|---|---|
| Customer 1 | 139,866,808.83 | 139,866,808.83 | 100% | Bad repayment ability |
| Customer 2 | 47,883,191.17 | 47,883,191.17 | 100% | Bad repayment ability |
| Customer 3 | 56,927,140.00 | 56,927,140.00 | 100% | Long credit age |
| Customer 4 | 49,159,575.31 | 49,159,575.31 | 100% | Bad repayment ability |
| Customer 5 | 40,516,068.59 | 38,490,265.17 | 95% | Bad repayment ability |
| Customer 6 | 37,449,568.86 | 35,577,090.42 | 95% | Liquidation |
| Customer 7 | 44,376,120.65 | 34,613,374.10 | 78% | Bad repayment ability |
| Customer 8 | 32,989,886.43 | 32,989,886.43 | 100% | Assets have been preserved |
| Customer 9 | 32,268,929.06 | 29,042,036.15 | 90% | Litigation |
| Customer 10 | 26,400,747.00 | 26,400,747.00 | 100% | Litigation |
| Others | 2,374,028,653.47 | 449,190,944.56 | | Long credit age etc. |
| Total | 2,881,866,689.37 | 940,141,059.14 | | |

As at 30 June 2019, the Group's accounts receivable for which credit losses are provided for using aging analysis are presented as follows:

*RMB*

| | **30 June 2019** | | |
|---|---|---|---|
| **Age** | **Carrying amount estimated to be in default** | **Expected credit loss rate** *(%)* | **Expected credit loss during the entire subsistence** |
| Within 1 year | **6,393,715,489.28** | **3.83** | **244,819,550.31** |
| 1 to 2 years | **232,353,803.93** | **16.64** | **38,656,938.33** |
| 2 to 3 years | **72,240,491.44** | **31.31** | **22,619,343.65** |
| 3 to 4 years | **79,883,885.81** | **51.38** | **41,041,942.92** |
| 4 to 5 years | **76,308,342.01** | **94.80** | **72,341,616.11** |
| Over 5 years | **197,587,414.35** | **100.00** | **197,587,414.35** |
| Total | **7,052,089,426.82** | | **617,066,805.67** |

As at 30 June 2019, the Group's accounts receivable for which credit losses are provided for using overdue ages as credit risk characteristics are presented as follows:

*RMB*

| | 30 June 2019 | | |
|---|---|---|---|
| **Overdue age** | **Carrying amount estimated to be in default** | **Expected credit loss rate** *(%)* | **Expected credit loss during the entire subsistence** |
| Not yet overdue or overdue for less than 90 days | **8,029,433,779.16** | **0.05** | **4,014,716.80** |
| Overdue for more than 90 days but less than 180 days | **254,442,182.13** | **2.39** | **6,091,088.20** |
| Overdue for more than 180 days | **189,861,476.71** | **5.14** | **9,751,469.00** |
| Total | **8,473,737,438.00** | | **19,857,274.00** |

As at 30 June 2019, provisions for credit losses for the Group's accounts receivable with good credit history are presented as follows:

*RMB*

| | 30 June 2019 | | |
|---|---|---|---|
| **Items** | **Carrying amount estimated to be in default** | **Expected credit loss rate** *(%)* | **Expected credit loss during the entire subsistence** |
| Accounts receivable with good credit history | **1,961,991,681.00** | **1.45** | **28,433,092.78** |

As at 30 June 2019, the top five balances in respect of accounts receivable had a sum of closing balance of RMB1,926,857,835.10 (31 December 2018: RMB1,179,592,972.06), accounting for 9.46% (31 December 2018: 8.09%) of the total of closing balance of accounts receivable. The closing balance in respect of credit losses provided for the top five amounted to RMB37,684,030.20 (31 December 2018: RMB148,165,056.20).

Provision for credit losses:

*RMB*

| | | Change during the period | | | | |
|---|---|---|---|---|---|---|
| **Items** | **31 December 2018** | **Provision** | **Collected or reversed** | **Written off or eliminated** | **Adjustment for exchange differences** | **30 June 2019** |
| Provision for credit losses | 1,424,714,144.28 | 222,111,465.06 | (38,016,146.61) | (1,233,048.81) | (2,078,182.33) | 1,605,498,231.59 |

## 5. RECEIVABLE FINANCING

**Classification of receivable financing**

*RMB*

| Items | 30 June 2019 | 31 December 2018 |
|---|---|---|
| Bank acceptance bills at fair value | **3,144,753,155.72** | 6,846,621,822.13 |
| Commercial acceptance bills at fair value | **20,719,975.00** | 89,602,575.97 |
| Total | **3,165,473,130.72** | 6,936,224,398.10 |

**Receivable financing pledged by the Group as at period end**

*RMB*

| Items | 30 June 2019 | 31 December 2018 |
|---|---|---|
| Bank acceptance bills at fair value | **1,208,556,604.96** | 685,453,059.89 |
| Commercial acceptance bills at fair value | **–** | 34,142,935.00 |
| Total | **1,208,556,604.96** | 719,595,994.89 |

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

*RMB*

| | 30 June 2019 | | 31 December 2018 | |
|---|---|---|---|---|
| | Derecognized | Not derecognized | Derecognized | Not derecognized |
| Bank acceptance bills at fair value | **12,994,685,535.40** | **–** | 10,260,062,684.13 | – |
| Total | **12,994,685,535.40** | **–** | 10,260,062,684.13 | – |

## 6. NOTES PAYABLE

*RMB*

| Items | 30 June 2019 | 31 December 2018 |
|---|---|---|
| Bank acceptance bills | **21,063,170,083.63** | 15,861,193,413.57 |
| Commercial acceptance bills | **84,191,864.19** | 63,822,851.51 |
| Total | **21,147,361,947.82** | 15,925,016,265.08 |

As at 30 June 2019, the Group had no outstanding notes payable which were due (31 December 2018: Nil).

## 7. ACCOUNTS PAYABLE

*RMB*

| Items | 30 June 2019 | 31 December 2018 |
|---|---|---|
| Within 3 months | **32,157,593,902.42** | 25,790,622,056.71 |
| 3 to 6 months | **4,882,133,495.72** | 3,587,333,365.53 |
| 6 to 12 months | **250,954,135.85** | 832,856,320.45 |
| Over 12 months | **538,487,837.01** | 658,543,192.16 |
| Total | **37,829,169,371.00** | 30,869,354,934.85 |

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

As at 30 June 2019, there was no payable which was material and aged over one year (31 December 2018: Nil).

## 8. REVENUE AND COST OF SALES

Revenue includes turnover and other revenue that arise in the course of the Group's ordinary activities.

*RMB*

| Items | Incurred during this period | | Incurred in previous period | |
|---|---|---|---|---|
| | **Revenue** | **Cost** | **Revenue** | **Cost** |
| Revenue from principal operations | 89,130,194,179.44 | 69,563,891,661.86 | 80,294,445,120.92 | 62,604,629,623.86 |
| Other revenue | 1,732,302,341.04 | 1,537,250,791.27 | 1,969,461,787.96 | 1,731,219,590.65 |
| Total | 90,862,496,520.48 | 71,101,142,453.13 | 82,263,906,908.88 | 64,335,849,214.51 |

*RMB*

| Items | Incurred during this period | Incurred in previous period |
|---|---|---|
| Revenue from principal operations | | |
| Sales of goods and others | 56,378,261,226.03 | 50,473,207,154.38 |
| Forklift trucks production, warehousing technology and supply chain solution services | 32,751,932,953.41 | 29,821,237,966.54 |
| Sub-total | 89,130,194,179.44 | 80,294,445,120.92 |
| Other revenue | | |
| Sales of materials | 1,460,490,284.21 | 1,436,913,288.95 |
| Lease income | 48,895,276.30 | 114,148,433.81 |
| Labour income | 46,504,794.15 | 26,668,028.45 |
| Income from trial production of vehicles | – | 61,560,815.78 |
| Others | 176,411,986.38 | 330,171,220.97 |
| Sub-total | 1,732,302,341.04 | 1,969,461,787.96 |
| Total | 90,862,496,520.48 | 82,263,906,908.88 |

Reporting segment:

*RMB*

| Items | Engines | Automobiles and other major automobile components | Other components | Import & export services | Forklift trucks and supply chain solution | Total |
|---|---|---|---|---|---|---|
| Major regions of operation: | | | | | | |
| Mainland China | 18,430,048,429.80 | 35,021,018,233.39 | 190,441,689.68 | 8,559,181.22 | 1,797,159,961.33 | 55,447,227,495.42 |
| Other countries and regions | 485,780,313.63 | 2,956,714,942.98 | 912,790,630.82 | 105,210,145.55 | 30,954,772,992.08 | 35,415,269,025.06 |
| Total | 18,915,828,743.43 | 37,977,733,176.37 | 1,103,232,320.50 | 113,769,326.77 | 32,751,932,953.41 | 90,862,496,520.48 |
| Time for recognition of revenue: | | | | | | |
| Goods (transferred at a certain point of time) | 18,857,575,539.96 | 37,887,240,740.85 | 1,083,987,037.75 | 105,210,145.55 | 19,452,756,906.92 | 77,386,770,371.03 |
| Services (provided at a certain period of time) | 50,659,648.42 | 51,092,742.86 | 17,343,254.16 | 8,559,181.22 | 10,317,672,917.42 | 10,445,327,744.08 |
| Leases | 7,593,555.05 | 39,399,692.66 | 1,902,028.59 | – | 2,981,503,129.07 | 3,030,398,405.37 |
| Total | 18,915,828,743.43 | 37,977,733,176.37 | 1,103,232,320.50 | 113,769,326.77 | 32,751,932,953.41 | 90,862,496,520.48 |

Lease income of RMB3,030,398,405.37 recognised under the applicable standard on lease is included in the revenue in reporting segment.

## 9. TAXES AND SURCHAGES

*RMB*

| Items | Incurred during this period | Incurred in previous period |
|---|---|---|
| City maintenance and construction tax | 114,008,675.23 | 132,973,278.94 |
| Educational surtax | 83,063,488.76 | 96,054,689.78 |
| Property tax | 68,987,198.89 | 65,885,796.07 |
| Stamp duty | 40,327,806.66 | 36,432,170.24 |
| Others | 68,633,243.73 | 67,948,422.51 |
| Total | 375,020,413.27 | 399,294,357.54 |

## 10. INCOME TAX EXPENSES

*RMB*

| Items | Incurred during this period | Incurred in previous period |
|---|---|---|
| Current tax expenses | 1,997,495,904.63 | 1,898,277,774.00 |
| Deferred tax expenses | (539,673,784.19) | (613,629,237.45) |
| Total | 1,457,822,120.44 | 1,284,648,536.55 |

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

*RMB*

| Items | | Incurred during this period | Incurred in previous period |
|---|---|---|---|
| Total profit | | 8,350,642,426.58 | 7,166,877,621.45 |
| Tax at statutory tax rate | *Note 1* | 2,087,660,606.64 | 1,791,719,405.36 |
| Effect of different tax rates applicable to the Company and some subsidiaries | *Note 2* | (555,183,529.15) | (547,096,487.49) |
| Effect of tax rate change on opening balance of deferred income tax | | 7,922,837.31 | 3,824,908.76 |
| Adjustments to current tax of previous periods | | (38,866,974.83) | 25,659,572.83 |
| Profits and losses attributable to associates and jointly-controlled enterprises | | (16,507,683.30) | (27,410,938.79) |
| Income not subject to tax | | (53,916,269.33) | (71,912,112.51) |
| Expenses not deductible for tax | | 29,887,877.37 | 80,527,215.96 |
| Tax incentives on eligible expenditures | | (162,565,171.33) | (70,655,486.24) |
| Utilization of deductible losses from prior years | | (5,063,633.00) | (52,822,872.14) |
| Unrecognized deductible losses | | 131,369,715.68 | 133,107,532.27 |
| Effect of unrecognized deductible temporary difference | | 23,288,166.22 | 12,953,692.88 |
| Others | | 9,796,178.16 | 6,754,105.66 |
| Tax expense at the Group's effective tax rate | | 1,457,822,120.44 | 1,284,648,536.55 |

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

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

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

## 11. EARNINGS PER SHARE (EPS)

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

The calculation of basic EPS is detailed as follows:

| Items | Incurred during this period | Incurred in previous period |
|---|---|---|
| | *RMB* | *RMB* |
| **Earnings** | | |
| Net profit of the current period attributable to ordinary shareholders of the Company | 5,287,488,377.89 | 4,392,587,359.49 |
| **Shares** | | |
| Weighted average number of the ordinary shares outstanding of the Company | 7,933,873,895 | 7,997,238,556 |
| Basic EPS (RMB/share) | 0.67 | 0.55 |

The Group holds no potential shares that are significantly dilutive.

## 12. OTHER COMPREHENSIVE INCOME

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

### 1 January to 30 June 2019

*RMB*

| | | | | Incurred during this period | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Items | Balance as at 31 December 2018 | Change in accounting policies | Balance as at 1 January 2019 | Incurred before the income tax for the current period | Less: Amount recognized in other comprehensive income in previous period and recognized in profit or loss in current period | Less: Income tax expenses | Attributable to owners of parent company after tax | Attributable to minority shareholders after tax | Balance as at 30 June 2019 |
| I. Those other comprehensive income not to be reclassified into profit or loss | | | | | | | | | |
| Changes arising from re-measuring of defined benefit plan | (342,473,513.21) | – | (342,473,513.21) | (1,139,823,666.09) | – | (342,441,268.70) | (359,829,984.29) | (437,552,413.10) | (702,303,497.50) |
| Other comprehensive income not to be reclassified into profit or loss using the equity method | (159,166,390.30) | – | (159,166,390.30) | (232,506.00) | – | – | (104,627.70) | (127,878.30) | (159,271,018.00) |
| Change in fair value of investment in other equity instruments | (194,917,096.67) | – | (194,917,096.67) | 440,191,665.66 | – | 37,590,560.58 | 404,196,316.01 | (1,595,210.93) | 209,279,219.34 |
| II. Other comprehensive income to be reclassified into profit or loss | | | | | | | | | |
| Other comprehensive income to be reclassified into profit or loss using the equity method | 37,679,928.57 | – | 37,679,928.57 | (5,673,253.65) | – | – | (4,361,463.39) | (1,311,790.26) | 33,318,465.18 |
| Effective portion of cashflow hedging gains or losses | (105,916,360.81) | – | (105,916,360.81) | 3,434,783.88 | (9,791,953.05) | (11,053,238.00) | 35,466,883.63 | (11,186,908.70) | (70,449,477.18) |
| Exchange differences on foreign currency translation | (805,801,124.59) | (13,411,820.43) | (819,212,945.02) | 156,589,260.83 | – | – | 62,921,539.67 | 93,667,721.16 | (756,291,405.35) |
| Total for other comprehensive income | (1,570,594,557.01) | (13,411,820.43) | (1,584,006,377.44) | (545,513,715.37) | (9,791,953.05) | (315,903,946.12) | 138,288,663.93 | (358,106,480.13) | (1,445,717,713.51) |

## 13. DIVIDEND

On 29 August 2019, 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 7,933,873,895 shares for year 2019 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 2019 interim dividend.

Pursuant to the annual general meeting of shareholders of the Company held on 20 June 2019, a mandate has been given to the Board for the payment of the 2019 interim dividend.

## 14. COMPARATIVE FIGURES

In compliance with the requirement under the Notice on Revising and Circulating General Corporate Financial Statement Formats 2019 (Cai Kuai [2019] No.6), adjustments have been made to the accounting treatment and presentation of certain items in the financial statements and the amounts in financial statements in order to conform to the new requirements. Accordingly, certain prior year data have been adjusted and certain comparative data have been reclassified and restated to conform with the requirements on presentation and accounting treatment in the current period.

## 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 2019.

### I. REVIEW OF OPERATIONS

In the first half of 2019, the Chinese government insisted upon the general keynote of making progress while maintaining stability, with firm commitment to putting the philosophy of new development into practice, promoting high-quality development and stepping up the reform and opening-up of the country through strengthening the supply-side structural reform. It has implemented the "Six Stabilities" propounded by the Chinese Government and economic performance maintained within a reasonable range, sustaining a trend of stability with positive development. In the first half of the year, the gross domestic product reached RMB45.1 trillion, representing a year-on-year growth of 6.3%. On a quarter-to-quarter basis, it grew by 6.4% in the first quarter and 6.2% in the second quarter.

During the reporting period, the Company's powertrain business continued to exhibit the combination advantages and achieved remarkable growth. The Company sold 394,000 units of engines, representing an increase of 10.7%; 582,000 units of gear boxes, representing an increase of 11.3%; and 458,000 units of axles, representing an increase of 26.5%.

During the reporting period, the heavy-duty truck industry remained highly robust. The heavy-duty truck market delivered sales of 656,000 units in total, representing a year-on-year decrease of 2.3%. During the reporting period, the Company reported sales of 218,000 units of heavy-duty truck engines, which grew by 10.5% year-on-year, and maintained its leading position in the industry with a market share of 33.2%, up 3.9 percentage points from the corresponding period of last year. Shaanxi Heavy-duty Motor Company Limited (陝西重型汽車有限公司), a controlling subsidiary of the Company, reported aggregate sales of 87,000 units of heavy-duty trucks for the first half of the year, representing a year-on-year increase of 3.1%, with a 13.2% market share and ranking among the first-tier enterprises in the domestic heavy-duty truck industry in the PRC, further boosting 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, maintained an absolute leading position in the industry with its aggregate sales of 582,000 units of gear boxes in the first half of the year, representing a year-on-year increase of 11.3% and a market share of approximately 80.5% in the gear box market for heavy-duty trucks. KION Group AG ("KION"), an overseas controlling subsidiary of the Company, generated revenue of EUR4,360 million for the first half of the year, representing an increase of 12.6% from last year.

Non-road engines are a key integral part of the Company's "dual million strategy". During the Period, the construction machinery industry of the PRC (among which forklift truck engines use internal combustion engines) continued to deliver growth in sales volume, with an accumulated sale of 418,000 units, a record high figure representing an increase of 4.6% over the corresponding period of last year. The Company sold 74,000 units of engines for use in construction machinery, an increase of 7.5%. Meanwhile, the Company sped up the expansion of other non-road machinery markets including agricultural equipment and industrial power. During the first half of 2019, the sale of engines for use in agricultural equipment reached 26,000 units, an increase of 21.4%. The sale of engines for use in industrial power reached 14,000 units, an increase of 19.6%.

During the Period, the Company adhered to the market-oriented approach and accelerated product innovation and structural adjustments, with remarkable growth in the sales volume of strategic products and ongoing enhancement in market competitiveness. During the first half of 2019, the Company reported sales of 70,000 units of light-duty engines, representing a 17.7% growth year-on-year; sales of 41,000 units of WP9H/WP10H/10.5H engines, representing a 35.8% growth year-on-year; and sales of 138,000 units of 12L and 13L engines, representing a 21.6% growth year-on-year. During the same period, Shaanxi Heavy-duty Motor Company Limited, a controlling subsidiary of the Company, accelerated the development of high-end products, responded positively to the upgraded emission laws and regulations and achieved major breakthroughs in areas such as tractors, mixers and natural gas tankers. Shaanxi Fast Gear Co., Ltd., a controlling subsidiary of the Company, continued to pursue scientific development and solidified technological innovation, achieved groundbreaking enhancements in the high-end platform-based development of mechanical gear boxes, and aimed to achieve AT and AMT smart transmission products as the core factors forming the initial drivers. Meanwhile, the Company proactively sought for innovation in technology and business commercialization for its new-energy transmission technology. KION, an overseas controlling subsidiary of the Company, is a globally recognised high-end provider of forklift trucks. It intensively integrated automation and digitalization to provide holistic solutions for intra-logistics, so that customers would produce a competitive advantage in their respective industries.

During the reporting period, focusing on changes in market demand and the trend of structural upgrade in consumption, the Company fortified market expansion, stepped up investments in innovation, solidified management foundation, fostered optimization of product mix and went high-end, hence achieved further enhancements in the overall operational quality and effectiveness, and continued to sustain high-quality development. Firstly, we focused on our core engine business and created a competitive edge over our high-end products in full series and all rounds. We fully utilized the strengths of our product offerings in both traditional and high-end platforms and firmly secured our leading position amidst the new round of emission upgrade. We embarked upon sales activities such as "Work hard for the first quarter, Achieve a profit starting" and "Achieve sales volume of one million units", allocated resources in a highly-efficient way, further explored target market segments, and maintained a higher pace of development as compared to industry peers. Secondly, we adhered firmly to the use of innovation to create a globally open and coordinated system of research and development. Investments in research and development were strengthened both in terms of breadth and depth. Resources were integrated globally to establish innovation centres for cutting-edge technologies in Chicago, Silicon Valley and Detroit in the United States, Aachen in Germany and Tokyo in Japan, thereby creating a top-notched global platform of innovation. Thirdly, the Company sped up the implementation of its new-business, new-energy and new-technology layout and expedited the replacement of "Old-power" with "New-power". Against the backdrop of Shandong Province's major strategic plan to replace "Old-power" with "New-power", the Company pushed forward the construction of its projects on large-diameter high-speed high-end engines, fuel cell engines and Linde Hydraulics; strategically deployed future technologies including big data, smart driving, internet of vehicles and so forth on a global scale, with a focus on key "bottleneck" technology. The Company pioneered in investing in the commercialization of buses powered by hydrogen-fueled batteries in places including Weifang and proceeded with the project on developing 200-ton hydrogen-fueled mineral trucks in collaboration with China Energy Group as scheduled. Fourthly, the Company innovated upon systems and mechanisms, so as to raise customer satisfaction on an ongoing basis. Guided by customer satisfaction and supported by precise evaluation, the Company has established an effective PPM quality control system in a scientific manner which serves as a mechanism to trace responsibility and precisely evaluate issues arisen along the entire value chain of sales and marketing, research and development, manufacturing and procurement, thereby effectively conveying customers' view, and continually contributing to enhancements and improvements, and in turn raising customer satisfaction on an ongoing basis.

During the reporting period, the Company's revenue increased by 10.5% compared with that in the corresponding period of 2018 to approximately RMB90,862 million. The net profit attributable to shareholders of the listed company was approximately RMB5,287 million, representing an increase of 20.4% compared with that in the corresponding period of 2018. The basic earnings per share was RMB0.67, representing an increase of 21.3% compared with that in the corresponding period of 2018.

## II. DIVIDENDS AND CAPITALISATION OF RESERVE

On 20 June 2019, the Company's 2018 profit distribution proposal was considered and approved at the Company's 2018 annual general meeting. Based on the 7,933,873,895 shares available for distribution after deducting treasury shares as at 31 December 2018, the Company distributed to all shareholders a cash dividend of RMB2.80 (including tax) for every 10 shares held, without any capitalisation of reserve.

On 29 August 2019, under the authority granted by the shareholders of the Company, the Board considered and approved the distribution to all shareholders of a cash dividend of RMB1.50 (including tax) for every 10 shares held, based on the total number of shares of the Company of 7,933,873,895 shares, without any capitalisation of reserve. Please refer to the further announcement to be issued by the Company for details on the closure of registers of members in determining the shareholders who are eligible for the 2019 interim dividend.

## III. OUTLOOK AND PROSPECTS

In the second half of 2019, global economic growth will remain stagnant, dragged down by certain prolonged uncertainties, including US-Sino trade friction, a blow to the global supply chain arising from technological sanctions imposed by U.S., as well as Brexit. From the perspective of major economies, the growth momentum of U.S. will slow down, external demand will recover and temporary factors will gradually unwind and the Eurozone economies will start to rebound. In terms of the emerging economies indicators such as industrial output and investment remain weak, and international trade is yet to recover. The economic growth rates of developing countries are expected to remain stable at around 5%, with the economic growth of emerging economies in Asia being significantly ahead of those of other countries and regions. Facing considerable uncertainties, the global economy is expected to grow at about 3.2% this year. In the PRC, with the acceleration and deepening of the supply-side structural reform, the progression in the replacement of "Old-power" with "New-power" and the gradual implementation of counter-cyclical adjustment policies such as the "Six Stabilities", it is expected that the economy of the PRC will achieve stable and healthy development. However, the problem of unbalanced and insufficient development within the PRC will remain prominent, which will exert new downward pressures on the economy of the PRC. It is expected that the annual growth of the economy will remain at about 6.2%.

The Company remains cautiously optimistic about the development of the industry in which the Company operates in. Due to the higher base for the corresponding period of last year, in the second half of 2019, it is forecasted that the growth of the heavy-duty truck market will slow down. More than 1,000,000 diesel-powered medium and heavy-duty trucks have to be phased out in the Beijing-Tianjin-Hebei Region and Fenhe-Weihe River Plain area by the end of 2020 pursuant to the Three-Year Blue Sky Defending Plan (《打贏藍天保衛戰三年行動計劃》) promulgated by the State Council, which will serve as the driver for vehicle replacement. Meanwhile, the economy of the PRC enters a new normal state, but continues to possess great tenacity. It is expected that the heavy-duty truck industry, as an indicator for the economy of the PRC, will achieve stable and healthy development.

In the second half of 2019, benefiting from the favorable factors such as the combined effect of infrastructure investment and demand arising from vehicle replacement, the construction machinery industry will embark on road to recovery. In respect of the international market, new growth potential for export trade will be further explored as a result of the stepping up of the "Belt and Road" initiative promulgated by the PRC. As for the domestic market, stricter regulations on the environmental protection by the PRC will promote the upgrading and replacement of products. In terms of investments in real estates and infrastructure, the growth rate rebound will further boost the demand for construction machines, providing excellent opportunities for enterprises in the construction machinery auxiliary industry.

Since the promulgation of the Three-Year Blue Sky Defending Plan (《打贏藍天保衛戰三年行動計劃》) by the State Council, the schedules for adopting the China VI standards have gradually been put in place at regional levels, promoting the use of gas-powered vehicles which meet the China VI emission standards. Targeted regions have made great efforts in facilitating early phasing out and upgrading of diesel-powered trucks which meet the China III or below emission standards, and imposed strict regulations on non-road mobile machinery with high emissions. Leveraging on the synergy presented by its global collaborative research and development, full series and all-rounded product portfolio, product performance strengths, product advantages in market segments and after-sales service warranty, the Company took pre-emptive actions and has been making active responses to focus on research and development, customers and ancillary services to fight the critical battle of emission upgrade. The Board has full confidence in the Company's future development prospects.

For the second half of 2019, committing to the main theme of "management innovation, R&D acceleration, seizing market share, setting a new trend", the Company will work strenuously on the following for the battles that it must win:

Firstly, the Company will make great efforts to improve product offerings, with the view to be well-positioned in the intense competition. Adhering to the customer-oriented approach and fully capitalizing on the advantages of possessing a full series and all-rounded product portfolio, the Company will target at the segment markets, explore emerging markets, keep abreast of regulations and industrial trends, continuously optimize the structures of its products, market and business, with the view to achieve its annual sales goal of one million units of engines. Secondly, the Company will be committed to building a "four-in-one" innovative system of new technology. Leveraging on the globally coordinated R&D platform, the Company will coordinate its innovative resources, strengthen the collaboration between industrial organizations and universities, and speed up the R&D of all-rounded series of products. By systematically laying out technological plans for our products, the Company will expedite its exploration of cutting-edge technology and basic research, and fully grasp the core technology. By triggering innovation and cultivating a team of talents in research and development in the new era, the Company will build a new "four-in-one" technological innovation system consisting of "self-developed innovation+ open innovation+ professional innovation+ basic-research innovation". Thirdly, the Company will establish a talent management system at global level for its long-term development. Being guided by strategies, guaranteed by ecosystem, and based on mechanism, the Company will focus on the global strategic planning, allocate human resources reasonably, strengthen recruitment of high-level talents, and promote the joint collaboration with domestic and overseas top universities, so as to build a team consisting of high-level talents with cultural recognition, international outlook and ambition. Fourthly, with its commitments to customer satisfaction, the Company will fully carry out the PPM Quality Indicator System. By conducting discussions and making improvements on quality, the Company will implement the quality management philosophy and quality management measurement of PPM at full throttle, so as to generate high-end products without defects in its life cycle and become a globally recognized brand. Fifthly, with the support of the information technology of the new generation, the Company will speed up the pace of digital transformation, enhance the level of smart manufacturing from an integrative level to becoming a market leader, and take a leading role in terms of information technology, cloud-based platforms and big data within the industry.

Simultaneously, the Company will take guidance from the "2020-2030 Strategy" and further explore the "Belt and Road" initiative, strengthen the creation of international brands and speed up the replacement of "Old-power" with "New-power", in order to expedite the construction of a leading business system in respect of powertrain, hydraulics system, smart logistics and new energy in the entire supply chain, in line with its high-quality development. By achieving the transformation from market-driven to product-innovation-driven, the Company will win the trust of its customers through its competitive products, and develop into a well-respected international enterprise with strong capabilities.

## IV. APPRECIATION

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

## MANAGEMENT DISCUSSION AND ANALYSIS

The Directors are pleased to present a management discussion and analysis of the results of operations of the Group for the six months ended 30 June 2019 ("the Period") as follows:

### I. Industry Analysis

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

#### *1. Heavy-duty Vehicle Industry*

In the first half of 2019, the Chinese government insisted upon the general keynote of making progress while maintaining stability, and the economic performance sustained a general trend of stability. In the first half of the year, the gross domestic product of the PRC reached approximately RMB45.1 trillion, representing a year-on-year growth of 6.3%. Affected by unfavorable factors including Sino-U.S. trade frictions, Brexit and intensifying protectionism, there had been mounting downward pressure on the global economy. Benefited from policies like the Three-Year Blue Sky Defending Plan (《打贏藍天保衛戰三年行動計劃》) by the State Council of the PRC which serves as the driver for vehicle replacement, the heavy-duty truck industry remained highly robust. The heavy-duty truck market of the PRC delivered sales of approximately 656,000 units in total during the Period, representing a year-on-year decrease of 2.3%.

#### *2. Construction Machinery*

During the Period, fixed-asset investments in the PRC (excluding agricultural households) reached approximately RMB29.9 trillion, representing a year-on-year growth of 5.8%. Investments in property development reached approximately RMB6.2 trillion, representing a year-on-year growth of 10.9% or an increase of approximately 1.2 percentage points. As such, the construction machinery industry of the PRC (among which forklift truck engines use internal combustion engines) continued to deliver growth in sales volume, with a total sale of approximately 418,000 units during the Period, representing an increase of 4.6% over the corresponding period of last year.

#### *3. Forklift Truck and Supply Chain Solutions Industry*

In the first half of 2019, with the slowdown of global economic growth and weaker exports and capital expenditure, the performance of Euro-zone economies was relatively unsatisfactory. There were also uncertainties such as trade disputes, increasing debts of developing countries and no-deal Brexit. As such, global sales order for forklift trucks decreased from approximately 801,100 units in the corresponding period last year to approximately 759,500 units, representing a decrease of 5.2% year-on-year. Except for the Asia-Pacific, all other regions recorded a negative growth, among which North America showed the biggest fall of 15.0%.

## 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 Engines*

*For Use in Heavy-duty Trucks*

During the Period, despite the decrease in sales volume of the heavy-duty truck market in the PRC, the Company adhered to its market-oriented principle and increased research and development investments, thereby raising its competitiveness in the market. The Company sold a total of approximately 218,000 units of heavy-duty truck engines in the first half of 2019, representing a year-on-year increase of approximately 10.5%. The Company maintained its leading position in the heavy-duty truck auxiliary industry with its market share of 33.2%, representing a year-on-year increase of approximately 3.9 percentage points.

*For Use in Construction Machinery*

During the Period, the construction machinery market continued to deliver growth. The Company sped up the expansion of other non-road machinery markets including agricultural equipment and industrial power. During the Period, the Company sold approximately 74,000 units of engines for use in construction machinery, an increase of 7.5% year-on-year.

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

During the Period, the forklift truck industry showed a decline due to global uncertainties. Nevertheless, KION actively pushed forward the "2027 Strategy" and consequently had achieved stellar performance across markets in various regions. In the first half of 2019, the Group recorded sales orders for forklift trucks of approximately 109,200 units, a slight year-on-year decrease of approximately 1.2% from approximately 110,500 units in the corresponding period last year. The aggregate value of sale orders for forklift trucks increased by 1.7% to approximately EUR3,084 million in the first half of 2019. Overall sales orders on hand amounted to approximately EUR4,197 million, a decrease from approximately EUR4,309 million in the corresponding period last year, or a year-on-year decrease of 2.6%. Before elimination of intra-group sales, the forklift trucks production, warehousing technology services and supply chain solution services business contributed approximately RMB32,864 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 87,000 units of heavy-duty trucks, representing an increase of approximately 3.1% from approximately 84,000 units sold during the corresponding period of 2018. Shaanxi Heavy-duty Motor Company Limited, a controlling subsidiary of the Group, advanced product upgrade and achieved tremendous breakthroughs in the heavy-duty truck segment market and ranked among the first-tier players in the domestic heavy duty truck industry in the PRC in terms of sales. Before elimination of intra-group sales, the heavy-duty trucks business contributed approximately RMB30,575 million to the Group's sales revenue during the Period.

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

During the Period, the Group sold approximately 582,000 units of heavy-duty gear boxes, representing an increase of approximately 11.3% compared to the approximately 523,000 units of heavy-duty gear boxes sold in the corresponding period in 2018, maintaining a stable leading position in the industry. Before elimination of intra-group sales, the gear boxes business contributed approximately RMB8,588 million to the Group's sales revenue during the Period.

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

Apart from the production and sale of diesel engines for trucks and construction machinery, heavy-duty trucks and heavy-duty gear boxes, the Group is also engaged in the production and sales of engine parts and components and other truck parts and components such as spark plugs, axles, chassis, air-conditioner compressors, hydraulic controlling parts, etc. During the Period, the Group's sales of parts, components of engines and trucks and hydraulic controlling parts increased by approximately RMB215 million from approximately RMB1,974 million in the corresponding period of last year to approximately RMB2,189 million, representing a year-on-year increase of approximately 10.9%.

## III. Financial Review

### 1. *The Group's Results of Operations*

#### a. *Revenue*

The Group's revenue increased by approximately RMB8,598 million or approximately 10.5% from approximately RMB82,264 million in the corresponding period of 2018 to approximately RMB90,862 million for the Period. Although sales volume in the domestic heavy-duty truck market recorded a downturn, the Company continuously retained a moderately high momentum of development and recorded growth in various key segments as the Company constantly persisted the market-oriented approach and unceasingly increased investments in research and development and accelerated the progress of product upgrade to strengthen our competitiveness in the market. Revenue from principal operations increased by approximately 11.0% from approximately RMB80,294 million in the corresponding period last year to approximately RMB89,130 million for the Period.

b. *Profit from Principal Operations*

During the Period, the Group generated profit from principal operations in the amount of approximately RMB19,566 million, representing an increase of approximately RMB1,876 million or 10.6% as compared to approximately RMB17,690 million recorded in the corresponding period in 2018. The Group concentrated on its main business, emphasized technological research and cost control, giving advantages to its products' competitiveness in terms of cost, core technology and quality, and widespread recognition in the market. The Group's profit margin of principal operations maintained at a high level of approximately 22.0%.

c. *Distribution and Selling Expenses*

Distribution and selling expenses decreased by approximately RMB104 million or 1.9% to approximately RMB5,370 million in the Period from approximately RMB5,474 million in the corresponding period of 2018. The decrease of distribution and selling expenses was primarily attributable to the Company's strict monitoring on expenses, causing effective control of overall expenses. As such, the distribution and selling expenses as a percentage of revenue decreased from approximately 6.7% in the corresponding period of last year to approximately 5.9% in the Period.

d. *General and Administrative Expenses*

General and administrative expenses increased by approximately RMB85 million or 2.7% from approximately RMB3,196 million in the corresponding period of 2018 to approximately RMB3,281 million in the Period. Primary expenses were under effective control, while the cause of increase was primarily attributable to the increase in depreciation and amortization. The general and administrative expenses as a percentage of revenue decreased from approximately 3.9% in the corresponding period of last year to approximately 3.6% in the Period.

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

During the Period, the Group's EBIT increased by approximately RMB1,168 million or 15.0% to approximately RMB8,947 million from approximately RMB7,779 million in the corresponding period last year. The increase was primarily attributable to the increase in sales amount, while the rate of increase in expenses was slow and investment income increased. Consequently, the Group's EBIT margin increased from approximately 9.5% in the corresponding period of 2018 to approximately 9.8% in this Period.

*f. Finance Expenses*

Finance expenses increased by approximately 149.5% to approximately RMB141 million in the Period from approximately RMB57 million in the corresponding period of 2018. This was mainly attributable to the decrease in interest income for the Period.

*g. Income Tax Expenses*

The Group's income tax expenses increased by 13.5% from approximately RMB1,285 million in the corresponding period of 2018 to approximately RMB1,458 million in the Period. During the Period, the Group's average effective tax rate was approximately 17.5%, which was approximate to 17.9% in the corresponding period of last year.

*h. Net Profit and Net Profit Margin*

The Group's net profit for the Period increased by approximately RMB1,011 million or 17.2% from approximately RMB5,882 million in the corresponding period of last year to approximately RMB6,893 million in the Period. Net profit margin for the Period was approximately 7.6%, which increased by 0.4 percentage points from 7.2% in the corresponding period of last year. This was primarily attributable to the good performance of various business segments and effective cost control of the Group and increase in investment income.

*i. Liquidity and Cash Flow*

During the Period, the Group generated net operating cash flows of approximately RMB5,426 million and cash inflow from financing activities of approximately RMB15,609 million. A portion of such proceeds was applied to repaying debts, paying for investments and paying for the acquisition of property, plant and equipment for the expansion of the Group's business. As of 30 June 2019, the Group's gearing ratio (Interest-bearing debts/(Interest-bearing debts + Shareholders' equity)) was approximately 33.9% (31 December 2018: approximately 32.9%).

***2. Financial Position***

*a. Assets and Liabilities*

As at 30 June 2019, the Group had total assets of approximately RMB232,347 million, of which approximately RMB127,822 million were current assets. As at 30 June 2019, the Group had cash and cash equivalents of approximately RMB40,508 million (as at 31 December 2018: approximately RMB38,210 million). On the same date, the Group's total liabilities amounted to approximately RMB166,486 million, of which approximately RMB107,523 million were current liabilities. The current ratio was approximately 1.19 (as at 31 December 2018: 1.22).

*b.* *Capital Structure*

As at 30 June 2019, the Group had total equity of approximately RMB65,861 million, of which approximately RMB42,412 million was attributable to equity holders of the Company and the balance was minority interests. Interest attributable to minority interest holders included the issue of perpetual capital securities in the principal amount of US$775 million in September 2017. The borrowings of the Group as at 30 June 2019 amounted to approximately RMB33,725 million, which included bonds of approximately RMB13,068 million and bank borrowings of approximately RMB20,658 million. The bank borrowings included approximately RMB11,716 million of fixed interest rate bank borrowings and approximately RMB8,942 million of floating interest rate bank borrowings. Borrowings repayable on demand or within a period not exceeding one year were approximately RMB11,266 million; borrowings repayable within a period of more than one year but not exceeding two years were approximately RMB2,376 million; borrowings repayable within a period of more than two years but not exceeding five years were approximately RMB6,063 million; and borrowings repayable within a period of more than five years were approximately RMB953 million. Other than Euro-denominated borrowings, USD-denominated borrowings and GBP-denominated borrowings equivalent to approximately RMB17,155 million, RMB337 million and RMB242 million respectively, the borrowings are Renminbi-denominated borrowings. The revenue of the Group is mainly in Renminbi and Euro. To prevent exchange rate risk arising from the fluctuation of the USD exchange rate, contracts have been entered into with financial institutions to swap the USD400 million USD-denominated bonds issued in September 2015 and the USD775 million USD-denominated perpetual capital securities issued in September 2017 to Euro, and thus the Group does not consider the currency risk facing its future general cash outflow significant. As a policy, the Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while 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 2019, bank deposits and notes receivable of approximately RMB21,108 million (as at 31 December 2018: RMB15,863 million) were pledged to banks to secure the Group's notes payable, letter of guarantee, letter of credit etc. issued by banks. The pledged bank deposits carry prevailing bank interest rates. The pledge will be released upon the settlement of the relevant bank borrowings. The fair value of the bank deposits as at the balance sheet date was approximately the same as the carrying amount. Certain other assets were also pledged by the Group to secure the Group's borrowings.

*d. Contingencies*

On 30 June 2019, the Group provided certain distributors and agents with bank guarantee amounting to approximately RMB3,129 million (as at 31 December 2018: approximately RMB2,482 million) to secure their obtaining and use of banking facilities.

As at 30 June 2019, the Group provided guarantee for joint liabilities in respect of failure of the leasee under finance lease to settle instalment payments plus interest. Risk exposure in respect of possible guarantee for joint liabilities amounted to approximately RMB2,866 million (as at 31 December 2018: approximately RMB2,303 million).

As at 30 June 2019, the Group's guarantee for borrowings and other guarantee amounted to approximately RMB813 million (as at 31 December 2018: approximately RMB702 million).

*e. Commitments*

As at 30 June 2019, the Group had capital commitments of approximately RMB3,993 million (as at 31 December 2018: approximately RMB3,584 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 2019, the Group had approximately 78 thousand employees (including approximately 34 thousand employees of KION). During the Period, the Group had paid remuneration of approximately RMB11,783 million. The emolument policy of the employees of the Group is set up by the remuneration committee of the Company (the "Remuneration Committee") on the basis of their merits, qualifications and competence.

*b. Major Investment, Acquisition and Disposal*

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

*c. Subsequent Events*

On 29 August 2019, under the authority granted by the shareholders of the Company, the Board considered and approved the distribution to all shareholders of cash dividend of RMB1.50 (including tax) for every 10 shares held, based on the total number of shares of the Company of 7,933,873,895 shares, without any capitalisation of reserve.

## OTHER INFORMATION

### Directors' and Supervisors' Interests in Shares and Underlying Shares

As at 30 June 2019, the interests and short position (if any) of the directors, the chief executive and the supervisors in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code"), were as follows:

| Name of Director | Capacity | Number of "A" shares held | Number of "H" shares held | Percentage of the issued share capital of the Company |
|---|---|---|---|---|
| Tan Xuguang | Beneficial owner | 58,842,596 *(Note 1)* | – | 0.74% |
| Zhang Quan | Beneficial owner | 13,684,324 *(Note 1)* | – | 0.17% |
| Xu Xinyu | Beneficial owner | 13,684,324 *(Note 1)* | – | 0.17% |
| Sun Shaojun | Beneficial owner | 13,684,324 *(Note 1)* | – | 0.17% |
| Yuan Hongming | Beneficial owner | 1,000,440 | – | 0.013% |
| | Interest held by spouse | 444 | – | 0.000006% |
| | | 1,000,884 | – | 0.013% |
| Yan Jianbo | Beneficial owner | 1,052,404 | – | 0.013% |
| Wen Daocai | Beneficial owner | 21,940 | – | 0.0003% |

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

*Notes:*

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

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

3. The percentage shareholding is calculated on the basis of 7,933,873,895 issued shares of the Company as at 30 June 2019 (comprising 5,990,833,895 "A" shares and 1,943,040,000 "H" shares).

**Interests in the shares of associated corporations of the Company**

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

*Note:* Gordon Riske, a non-executive Director, was the beneficial owner of 144,060 ordinary shares in KION and he was also deemed to be interested in 93,940 shares in KION which were beneficially held by his wife, Ms. Benita Riske.

Save as disclosed above, as at 30 June 2019, 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 2019)*

| | Before the movement | | Increase/decrease in the movement (+, –) | | | | | After the movement | |
|---|---|---|---|---|---|---|---|---|---|
| | No. of shares | Percentage (%) | New shares issued | Bonus issue | Capitalisation of reserve | Others | Sub-total | No. of shares | Percentage (%) |
| I. Restricted circulating shares | 1,746,994,773 | 21.84% | – | – | – | -1,196,628 | -1,196,628 | 1,745,798,145 | 22.00% |
| 1. State-owned shares | – | – | – | – | – | – | – | – | – |
| 2. State-owned legal person shares | 1,642,531,008 | 20.54% | – | – | – | – | – | 1,642,531,008 | 20.70% |
| 3. Shares held by other domestic entities | 104,463,765 | 1.30% | – | – | – | -1,196,628 | -1,196,628 | 103,267,137 | 1.30% |
| including: Shares held by domestic non-state-owned legal persons | – | – | – | – | – | – | – | – | – |
| Shares held by domestic natural persons | 104,463,765 | 1.30% | – | – | – | -1,196,628 | -1,196,628 | 103,267,137 | 1.30% |
| 4. Shares held by foreign entities | – | – | – | – | – | – | – | – | – |
| including: Shares held by overseas legal persons | – | – | – | – | – | – | – | – | – |
| Shares held by overseas natural persons | – | – | – | – | – | – | – | – | – |
| II. Non-restricted circulating shares | 6,250,243,783 | 78.16% | – | – | – | -62,168,033 | -62,168,033 | 6,188,075,750 | 78.00% |
| 1. RMB ordinary shares | 4,307,203,783 | 53.86% | – | – | – | -62,168,033 | -62,168,033 | 4,245,035,750 | 53.51% |
| 2. Domestic listed foreign shares | – | – | – | – | – | – | – | – | – |
| 3. Overseas listed foreign shares | 1,943,040,000 | 24.30% | – | – | – | – | – | 1,943,040,000 | 24.49% |
| 4. Others | – | – | – | – | – | – | – | – | – |
| III. Total number of shares | 7,997,238,556 | 100% | – | – | – | -63,364,661 | -63,364,661 | 7,933,873,895 | 100% |

## (II) Shareholdings of the Substantial Shareholders (as at 30 June 2019)

**Total number of Shareholders** The number of shareholders is 194,770 among which 194,515 are shareholders of "A" shares and 255 are shareholders of "H" shares.

***Shareholdings of the top ten shareholders***

| Name of shareholder | Type of Shareholder | Approximate percentage of shares held (%) | Total number of shares held | Number of restricted shares held | Number of shares pledged or frozen |
|---|---|---|---|---|---|
| HKSCC Nominees Limited | Foreign shareholder | 24.43% | 1,938,412,316 | | N/A |
| Weichai Group Holdings Limited | State-owned legal person | 17.72% | 1,406,100,000 | 1,345,905,600 | – |
| Hong Kong Securities Clearing Company Limited | Overseas legal person | 4.56% | 361,525,646 | | – |
| Weifang Investment Group Company Limited | State-owned legal person | 3.74% | 296,625,408 | 296,625,408 | – |
| China Securities Finance Corporation Limited | Domestic non-state-owned legal person | 2.06% | 163,608,906 | | – |
| IVM Technical Consultants Wien Gesellschaft m.b.H. | Overseas legal person | 1.58% | 125,265,203 | | – |
| Central Huijin Assets Management Company Limited | State-owned legal person | 1.37% | 108,492,800 | | – |
| Shandong Enterprise Trust Operation Company Limited | Domestic non-state-owned legal person | 0.82% | 64,697,460 | | – |
| Tan Xuguang | Domestic natural person | 0.74% | 58,842,596 | 44,131,947 | – |
| China Merchants Bank Co., Ltd. – Dong Fang Hong Rui Feng Flexible Allocation Mixed Fund (LOF) | Funds and wealth management products etc. | 0.58% | 45,999,954 | | – |

*Shareholdings of the top ten non-restricted shareholders*

| Name of shareholder | Number of the non-restricted shares held | Types of shares |
|---|---|---|
| HKSCC Nominees Limited | 1,938,412,316 | Overseas listed foreign shares |
| Hong Kong Securities Clearing Company Limited | 361,525,646 | RMB ordinary shares |
| China Securities Finance Corporation Limited | 163,608,906 | RMB ordinary shares |
| IVM Technical Consultants Wien Gesellschaft m.b.H. | 125,265,203 | RMB ordinary shares |
| Central Huijin Assets Management Company Limited | 108,492,800 | RMB ordinary shares |
| Shandong Enterprise Trust Operation Company Limited | 64,697,460 | RMB ordinary shares |
| Weichai Group Holdings Limited | 60,194,400 | RMB ordinary shares |
| China Merchants Bank Co., Ltd. – Dong Fang Hong Rui Feng Flexible Allocation Mixed Fund (LOF) | 45,999,954 | RMB ordinary shares |
| Hu Zhongxiang | 43,511,756 | RMB ordinary shares |
| National Social Security Fund – 101 Portfolio | 35,254,023 | RMB ordinary shares |

*Notes:*

1. Among the aforesaid shareholders, Mr. Tan Xuguang is the chairman of Weichai Group Holdings Limited. It is not certain whether there is any connected relationship among the top ten shareholders and the other top ten non-restricted shareholders or whether there is any acting in concert relationship among them.

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

## Substantial Shareholders

The register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO (including interests filed with the Hong Kong Stock Exchange) shows that as at 30 June 2019, the following persons (other than the directors, chief executive and supervisors) had the following interests and the short positions (if any) in the shares and underlying shares of the Company:

| Name | Capacity | Long/ Short position | Number of A shares | Percentage of share capital comprising only A shares | Number of H shares | Percentage of share capital comprising only H shares | Percentage of total issued share capital |
|---|---|---|---|---|---|---|---|
| Weichai Group Holdings Limited | Beneficial owner | Long | 1,406,100,000 | 23.47% | – | – | 17.72% |
| Shandong Heavy Industry Group Co., Ltd. *(Note 1)* | Held by controlled corporation | Long | 1,406,100,000 | 23.47% | – | – | 17.72% |
| Brandes Investment Partners, LP *(Note 3)* | Investment manager | Long | – | – | 78,578,612 | 16.18% | 3.96% |
| Lazard Emerging Markets Equity Portfolio *(Note 4)* | Investment manager | Long | – | – | 23,707,500 | 5.86% | 1.43% |
| Barclays PLC *(Note 3)* | Person having a security interest in shares | Long | – | – | 525,552 | 0.11% | 0.03% |
| | Interest of corporation controlled by the substantial shareholder | Long | – | – | 25,453,050 | 5.24% | 1.28% |
| | | | | | 25,978,602 | 5.35% | 1.31% |
| | Interest of corporation controlled by the substantial shareholder | Short | – | – | 24,102,475 | 4.96% | 1.22% |

| Name | Capacity | Long/ Short position | Number of A shares | Percentage of share capital comprising only A shares | Number of H shares | Percentage of share capital comprising only H shares | Percentage of total issued share capital |
|---|---|---|---|---|---|---|---|
| Morgan Stanley *(Note 2)* | Interest of corporation controlled by the substantial shareholder | Long | – | – | 49,335,508 | 5.08% | 1.24% |
| | Interest of corporation controlled by the substantial shareholder | Short | – | – | 42,078,545 | 4.33% | 1.06% |
| Lazard Asset Management LLC | Investment manager | Long | – | – | 366,078,002 | 18.84% | 4.61% |
| BlackRock, Inc. | Interest of corporation controlled by you | Long | – | – | 191,118,721 | 9.84% | 2.41% |
| | Interest of corporation controlled by you | Short | – | – | 61,000 | 0.00% | 0.00% |
| Citigroup Inc. | Interest of corporation controlled by you | Long | – | – | 4,907,308 | 0.25% | 0.06% |
| | Person having a security interest in shares | Long | – | – | 45,000 | 0.00% | 0.00% |
| | Approved lending agent | Long | – | – | 109,935,259 | 5.66% | 1.39% |
| | | | | | 114,887,567 | 5.91% | 1.45% |
| | Interest of corporation controlled by you | Short | – | – | 3,706,000 | 0.19% | 0.05% |
| JP Morgan Chase & Co. | Person having a security interest in shares | Long | – | – | 1,292,074 | 0.07% | 0.02% |
| | Interest of corporation controlled by you | Long | – | – | 27,535,910 | 1.42% | 0.35% |
| | Investment manager | Long | – | – | 24,132,081 | 1.24% | 0.30% |
| | Trustee | Long | – | – | 238,800 | 0.01% | 0.00% |
| | Approved lending agent | Long | – | – | 46,191,199 | 2.38% | 0.58% |
| | | | | | 99,390,064 | 5.12% | 1.25% |

| Name | Capacity | Long/ Short position | Number of A shares | Percentage of share capital comprising only A shares | Number of H shares | Percentage of share capital comprising only H shares | Percentage of total issued share capital |
|---|---|---|---|---|---|---|---|
| | Interest of corporation controlled by you | Short | – | – | 17,875,512 | 0.92% | 0.23% |
| | Investment manager | Short | – | – | 7,485,000 | 0.39% | 0.09% |
| | | | | | 25,360,512 | 1.31% | 0.32% |
| The Bank of New York Mellon Corporation | Interest of corporation controlled by you | Long | – | – | 74,655,640 | 3.84% | 0.94% |
| | Approved lending agent | Long | – | – | 61,575,927 | 3.17% | 0.78% |
| | | | | | 136,231,567 | 7.01% | 1.72% |
| | Interest of corporation controlled by you | Short | – | – | 71,648,824 | 3.69% | 0.90% |

*Notes:*

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

2. The number of H shares (and the relevant shareholding percentages) reported above by the relevant substantial shareholder does not take into consideration the Company's bonus share issuance on 21 July 2017 as there is no disclosure of interest obligation under the SFO where there is no change in percentage of shareholdings for a substantial shareholder.

3. The number of H shares (and the relevant shareholding percentages) reported above by the relevant substantial shareholder does not take into consideration the Company's bonus share issuance on 21 July 2017 and 20 August 2015 as there is no disclosure of interest obligation under the SFO where there is no change in percentage of shareholdings for a substantial shareholder.

4. The number of H shares (and the relevant shareholding percentages) reported above by the relevant substantial shareholder does not take into consideration the Company's bonus share issuance on 21 July 2017, 20 August 2015 and 17 August 2012 as there is no disclosure of interest obligation under the SFO where there is no change in percentage of shareholdings for a substantial shareholder.

Save as disclosed above, the Company had not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 30 June 2019.

## 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

A total number of 63,364,661 A shares were repurchased by the Company on the Shenzhen Stock Exchange from 8 October 2018 to 28 December 2018 at an aggregate consideration of RMB499,911,217.21. All of these repurchased A shares were cancelled by the Company on 7 January 2019.

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

## PRE-EMPTIVE RIGHTS

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

## AUDIT COMMITTEE

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

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

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

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

## COMPLIANCE WITH THE MODEL CODE

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

## SUFFICIENCY OF PUBLIC FLOAT

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

## AUDITORS

On 20 June 2019, Messrs. Deloitte Touche Tohmatsu Certified Public Accountants LLP (德勤華永會計師事務所（特殊普通合夥）) were appointed as the auditors of the Company.

## APPROVAL OF THE FINANCIAL STATEMENTS

The reviewed consolidated financial statements for the Period were approved by the Board on 29 August 2019.

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

The 2019 interim report will be despatched to the shareholders as well as made available on the Hong Kong Stock Exchange's website at www.hkexnews.hk and the Company's website at www.weichaipower.com in due course.

**Tan Xuguang**
*Chairman and Chief Executive Officer*

Hong Kong, 29 August 2019

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