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潍柴動力股份有限公司

WEICHAI POWER CO., LTD.

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

(Stock Code: 2338)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2022**

FINANCIAL HIGHLIGHTS

- Revenue amounted to approximately RMB86,740 million, a decrease of approximately 35.9%.
- Net profit attributable to the shareholders of the parent amounted to approximately RMB2,387 million, a decrease of approximately 63.3%.
- Basic earnings per share was approximately RMB0.27.

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

The board of directors (the “Board”) of Weichai Power Co., Ltd. (the “Company”) is pleased to announce the reviewed consolidated financial statements of the Company and its subsidiaries (the “Group”) prepared in accordance with the China Accounting Standards for Business Enterprises for the six months ended 30 June 2022 (the “Period”), together with comparative figures for the corresponding period of 2021 as follows:

CONSOLIDATED INCOME STATEMENT

1 January to 30 June 2022 (Expressed in Renminbi Yuan)

	Notes	Incurred during this period (unaudited)	Incurred in the previous period (Restated) (unaudited)
Revenue	8	86,740,105,940.28	135,316,146,425.55
Less: Cost of sales	8	71,369,557,198.80	110,180,062,403.25
Taxes and surcharges	9	221,593,923.33	537,001,315.81
Distribution and selling expenses		5,012,394,800.11	6,717,546,877.30
General and administrative expenses		3,878,292,178.56	4,555,389,189.05
Research & development expenses		3,687,649,401.63	3,805,243,802.29
Finance expenses		(526,461,601.61)	(193,983,136.57)
<i>Incl: Interest expenses</i>		576,781,318.17	583,023,024.75
<i>Interest income</i>		1,072,455,313.75	796,969,352.31
Add: Other income		196,312,983.23	170,067,085.95
Investment income		180,705,749.04	390,050,513.06
<i>Incl: investment income from associates and joint ventures</i>		7,105,527.80	158,437,795.19
Profit on change of fair value		507,847,686.03	95,693,340.02
Impairment loss of credit		(336,255,443.77)	(143,085,767.17)
Impairment loss of assets		(304,006,174.56)	(113,331,208.35)
Gain on disposal of assets		22,667,230.91	84,997,281.92
Operating profit		3,364,352,070.34	10,199,277,219.85
Add: Non-operating income		112,688,256.38	145,995,569.53
Less: Non-operating expenses		59,473,376.26	56,290,950.50
Total profit		3,417,566,950.46	10,288,981,838.88
Less: Income tax expenses	10	465,754,332.06	1,711,156,136.87
Net profit		2,951,812,618.40	8,577,825,702.01
(I) Breakdown by continuity of operations			
1. Net profit from continuing operations		2,951,812,618.40	8,577,825,702.01
(II) Breakdown by attributable interests			
1. Net profit attributable to shareholders of the parent		2,386,612,803.65	6,509,892,897.99
2. Minority interests		565,199,814.75	2,067,932,804.02

	<i>Notes</i>	Incurring during this period (unaudited)	Incurred in the previous period (Restated) (unaudited)
Net other comprehensive income after tax		2,739,081,254.75	1,614,981,350.79
Net other comprehensive income attributable to shareholders of the parent after tax	12	1,338,778,926.01	1,148,359,128.48
(I) Those other comprehensive income not to be reclassified into profit or loss			
1. Changes arising from re-measuring of defined benefit plan		1,206,052,769.01	534,286,612.60
2. Other comprehensive income not to be reclassified into profit or loss using the equity method		(5,921,061.10)	(4,480,204.89)
3. Change in fair value of investment in other equity instruments		(68,023,518.59)	437,675,163.14
(II) Those other comprehensive income to be reclassified into profit or loss			
1. Other comprehensive income to be reclassified into profit or loss using the equity method		913,637.20	1,094,492.00
2. Cashflow hedging reserve		63,544,391.64	6,152,104.98
3. Exchange differences on foreign currency translation		142,212,707.85	173,630,960.65
Net other comprehensive income attributable to minority interests after tax		1,400,302,328.74	466,622,222.31
Total comprehensive income		5,690,893,873.15	10,192,807,052.80
Total comprehensive income attributable to the shareholders of the parent		3,725,391,729.66	7,658,252,026.47
Total comprehensive income attributable to minority interests		1,965,502,143.49	2,534,555,026.33
Earnings per share	11		
(I) Basic earnings per share		0.27	0.81
(II) Diluted earnings per share		0.27	0.81

There was an acquisition through combination under common control by the Company during this period. Net profit realised by the acquiree Weichai Lovol Heavy Industry Co., Ltd. before the combination amounted to RMB402,608,413.73. Net profit realised in the previous period amounted to RMB316,155,087.45.

There was an acquisition through combination under common control by the Company on 29 October 2021. Net profit realised by the acquiree Shandong Weichai Import and Export Co., Ltd. in the previous period amounted to RMB5,848,462.89.

CONSOLIDATED BALANCE SHEET
30 June 2022 (Expressed in Renminbi Yuan)

Assets	<i>Notes</i>	30 June 2022	31 December 2021
		(unaudited)	(Restated) (unaudited)
Current assets			
Cash and cash equivalents		71,005,863,823.40	79,664,841,240.08
Financial assets held for trading		12,736,986,727.79	6,387,192,900.95
Notes receivable	3	6,782,188,686.79	9,645,236,833.09
Accounts receivable	4	23,239,786,876.91	18,637,825,736.22
Receivable financing	5	6,244,710,237.32	6,962,150,565.60
Prepayments		1,476,625,571.08	1,611,618,001.47
Other receivables		2,002,282,238.64	3,171,006,823.35
Inventories		35,211,670,666.76	35,390,450,977.87
Contract assets		5,158,025,099.12	3,766,036,780.20
Assets held for sale		–	2,014,296.30
Non-current assets due within one year		3,397,595,227.60	3,357,896,909.40
Other current assets		3,540,521,100.14	5,425,479,241.51
Total current assets		<u>170,796,256,255.55</u>	<u>174,021,750,306.04</u>
Non-current assets			
Long-term receivables		9,229,775,455.60	9,521,961,254.20
Long-term equity investments		5,693,719,151.40	5,709,475,643.21
Investment in other equity instruments		3,610,975,232.65	3,694,701,648.16
Other non-current financial assets		574,189,042.35	262,923,856.20
Investment property		636,176,783.61	649,895,509.54
Fixed assets		34,950,898,262.68	34,953,959,216.58
Construction in progress		7,349,874,785.36	6,104,329,696.88
Right-of-use assets		5,058,055,211.39	5,762,043,561.83
Intangible assets		22,119,308,397.08	22,688,163,197.44
Development expenditure		302,877,277.91	212,459,914.33
Goodwill		23,069,130,355.35	22,876,949,456.45
Long-term prepaid expenses		303,243,180.49	294,121,454.13
Deferred tax assets		4,935,529,098.98	5,926,568,015.99
Other non-current assets		1,420,381,113.37	825,540,641.13
Total non-current assets		<u>119,254,133,348.22</u>	<u>119,483,093,066.07</u>
Total assets		<u>290,050,389,603.77</u>	<u>293,504,843,372.11</u>

Liabilities and shareholders' equity	<i>Notes</i>	30 June 2022 (unaudited)	31 December 2021 (Restated) (unaudited)
Current liabilities			
Short-term loans		3,610,410,896.08	2,419,549,798.43
Financial liabilities held for trading		199,438,122.91	111,876,471.20
Notes payable	6	28,200,144,468.66	33,661,111,683.59
Accounts payable	7	45,969,332,977.16	43,574,132,551.45
Contract liabilities		13,912,377,938.39	16,212,796,266.83
Payroll payable		5,433,291,806.10	6,116,862,870.61
Taxes payable		1,362,891,768.09	1,609,682,129.76
Other payables		9,544,377,309.76	8,258,463,082.54
Non-current liabilities due within one year		7,895,994,863.56	10,762,023,429.82
Other current liabilities		8,198,463,379.59	6,236,290,914.37
Total current liabilities		124,326,723,530.30	128,962,789,198.60
Non-current liabilities			
Long-term borrowings		14,723,863,814.49	12,906,667,271.93
Bonds payable		5,733,137,519.20	5,932,319,194.50
Lease liabilities		4,419,888,985.32	5,032,028,279.44
Long-term payables		7,122,657,922.01	7,144,750,346.72
Long-term payroll payable		7,794,190,213.46	11,334,927,720.98
Accruals and provisions		397,000,059.89	445,059,417.36
Deferred income		4,211,272,570.17	4,474,319,879.38
Deferred tax liabilities		4,551,260,811.55	4,750,420,191.11
Other non-current liabilities		10,556,193,734.13	7,143,199,064.95
Total non-current liabilities		59,509,465,630.22	59,163,691,366.37
Total liabilities		183,836,189,160.52	188,126,480,564.97
Shareholders' equity			
Share capital		8,726,556,821.00	8,726,556,821.00
Capital reserve		11,285,178,197.19	13,305,688,062.91
Less: Treasury shares		500,137,881.94	–
Other comprehensive income	12	211,482,259.20	(1,128,207,947.66)
Special reserve		288,082,830.23	263,819,692.47
Surplus reserve		2,397,198,590.54	2,397,198,590.54
Retained earnings		49,086,741,688.08	48,430,401,577.17
Total equity attributable to the shareholders of the parent		71,495,102,504.30	71,995,456,796.43
Minority interests		34,719,097,938.95	33,382,906,010.71
Total shareholders' equity		106,214,200,443.25	105,378,362,807.14
Total liabilities and shareholders' equity		290,050,389,603.77	293,504,843,372.11

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

30 June 2022

1. SIGNIFICANT ACCOUNTING POLICIES

a. Preparation Basis of the Financial Statements

Preparation basis

These interim financial statements have been prepared in accordance with Accounting Standards for Business Enterprises – No. 32 Interim Financial Reporting issued by the Ministry of Finance (the “MOF”). In addition, the Group also disclosed relevant financial information in accordance with relevant disclosure requirements of Compilation Rules No. 15 for Information Disclosure by Companies Offering Securities to the Public – General Requirements for Financial Reporting (2014 Revision) and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

These interim financial statements include selected explanatory notes, which are provided for easy understanding of the Group’s important events and transactions leading to its financial position and change of results of operations since the financial statements for the year 2021. These selected notes do not include all information and disclosures required under the Accounting Standards for Business Enterprises for a full set of financial statements. As such, these statements shall be read in conjunction with the financial statements of the Group for the year 2021.

Continuing operations

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

Basis of book-keeping and principle of measurement

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

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

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

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

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

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

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

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

Business combinations involving enterprises under common control

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

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

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

Business combinations involving enterprises not under common control and goodwill

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

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

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

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

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

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

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

c. Basis for preparation of consolidated financial statements

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

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

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

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

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

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

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

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

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

2. SEGMENT REPORTING

Operating segments

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

The details of operating segments are as follows:

- (a) manufacturing and sale of engines and related parts (“Engines”);
- (b) manufacturing and sale of automobiles and automobile components other than Engines (“Automobiles and automobile components”);
- (c) forklift trucks production, warehousing technology and supply chain solution services (“Intelligent logistics”);
- (d) manufacturing and sale of agricultural equipment (complete machineries), agricultural machineries, agricultural vehicles and related parts (“Agricultural equipment”).

There was an acquisition through combination under common control by the Company during the Period to acquire control over Weichai Lovol Heavy Industry Co., Ltd. The business of agricultural equipment operated by Weichai Lovol Heavy Industry Co., Ltd. meets the criteria for the identification of an operating segment and it has been recognised as a new operating segment of the Company. The comparative data of operating segments have been restated for the purpose of information comparison.

Management monitors the results of operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reported segment profit, which is a measure of adjusted total profits. The adjusted total profits are measured consistently with the Group’s total profits, except that finance expenses, investment income, profit or loss on change of fair value as well as other unallocated income or expense are excluded from such measurement.

Segment assets exclude cash and cash equivalents, derivative instruments, dividends receivable, interests receivable, investment in other equity instruments, deferred tax assets and other unallocated head office assets.

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

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

RMB

Item	Engines	Automobiles and automobile components	Agricultural equipment	Intelligent logistics	Inter-segment elimination	Total
Incurred during this period						
Segment revenue:						
Sale to external customers	16,974,273,794.51	21,736,545,830.79	8,867,482,634.78	39,161,803,680.20	-	86,740,105,940.28
Inter-segment sale	2,717,184,014.09	635,399,452.03	1,784,015.30	57,698,529.20	(3,412,066,010.62)	-
Total	<u>19,691,457,808.60</u>	<u>22,371,945,282.82</u>	<u>8,869,266,650.08</u>	<u>39,219,502,209.40</u>	<u>(3,412,066,010.62)</u>	<u>86,740,105,940.28</u>
Segment results	1,223,234,281.47	(623,575,851.99)	360,375,372.02	1,291,194,923.51	(101,891,691.35)	2,149,337,033.66
Adjustment:						
Interest income	-	-	-	-	-	1,072,455,313.75
Dividend income and unallocated income	-	-	-	-	-	801,241,691.45
Corporate and other unallocated expenses	-	-	-	-	-	(59,473,376.26)
Finance expenses	-	-	-	-	-	(545,993,712.14)
Profit before tax	-	-	-	-	-	<u>3,417,566,950.46</u>
30 June 2022						
Segment assets	62,753,506,914.52	54,467,848,118.43	8,021,995,491.41	103,925,753,127.24	(31,591,288,972.28)	197,577,814,679.32
Adjustment:						
Corporate and other unallocated assets	-	-	-	-	-	<u>92,472,574,924.45</u>
Total assets	-	-	-	-	-	<u>290,050,389,603.77</u>
Segment liabilities	36,533,744,967.24	43,979,826,750.31	14,292,025,773.88	56,468,867,523.32	(6,552,465,316.01)	144,721,999,698.74
Adjustment:						
Corporate and other unallocated liabilities	-	-	-	-	-	<u>39,114,189,461.78</u>
Total liabilities	-	-	-	-	-	<u>183,836,189,160.52</u>
Incurred during this period						
Other segment information:						
Share of profit and loss from:						
Gain/(loss) from associates and joint ventures	6,248,743.72	(69,160,336.79)	(6,862,034.61)	76,879,155.48	-	7,105,527.80
(Loss)/reversal of impairment of inventories	(8,010,471.08)	(87,617,803.08)	15,007,864.33	(103,609,472.36)	-	(184,229,882.19)
(Loss)/reversal of credit impairment of receivables and lease receivable	(67,639,319.50)	(180,505,072.63)	3,062,517.06	(91,173,568.70)	-	(336,255,443.77)
Loss of impairment of non-current assets	(87,792.68)	-	(31,387,144.55)	(88,301,355.14)	-	(119,776,292.37)
Depreciation and amortisation	(960,714,985.25)	(716,006,851.93)	(89,654,716.26)	(3,703,707,602.99)	-	(5,470,084,156.43)
Gain from disposal of fixed assets	3,207,667.12	6,403,499.26	604,836.53	12,451,228.00	-	22,667,230.91
Investment in associates and joint ventures	3,712,051,436.30	1,160,328,322.54	41,276,438.96	780,062,953.60	-	5,693,719,151.40
Capital expenditure	<u>1,824,026,066.07</u>	<u>796,267,068.07</u>	<u>116,536,739.09</u>	<u>5,005,306,897.60</u>	-	<u>7,742,136,770.83</u>

RMB

Item	Engines (Restated)	Automobiles and automobile components (Restated)	Agricultural equipment (Restated)	Intelligent logistics	Inter-segment elimination (Restated)	Total (Restated)
Incurred in the previous period						
Segment revenue:						
Sale to external customers	32,766,734,064.64	54,481,422,090.67	9,362,111,013.86	38,705,879,256.38	–	135,316,146,425.55
Inter-segment sale	9,634,364,240.17	780,572,665.05	–	63,885,018.42	(10,478,821,923.64)	–
Total	<u>42,401,098,304.81</u>	<u>55,261,994,755.72</u>	<u>9,362,111,013.86</u>	<u>38,769,764,274.80</u>	<u>(10,478,821,923.64)</u>	<u>135,316,146,425.55</u>
Segment results	5,632,607,532.51	1,436,993,200.99	397,643,982.50	2,841,340,990.03	(789,035,475.83)	9,519,550,230.20
Adjustment:						
Interest income	–	–	–	–	–	796,969,352.31
Dividend income and unallocated income	–	–	–	–	–	631,739,422.61
Corporate and other unallocated expenses	–	–	–	–	–	(56,290,950.50)
Finance expenses	–	–	–	–	–	(602,986,215.74)
Profit before tax	–	–	–	–	–	<u>10,288,981,838.88</u>
31 December 2021						
Segment assets	58,906,932,580.28	57,419,062,695.26	12,411,384,126.44	98,035,126,171.27	(28,996,860,961.22)	197,775,644,612.03
Adjustment:						
Corporate and other unallocated assets	–	–	–	–	–	<u>95,729,198,760.08</u>
Total assets	–	–	–	–	–	<u>293,504,843,372.11</u>
Segment liabilities	42,548,146,800.76	43,150,087,388.25	13,612,253,275.12	58,053,913,887.48	(4,859,255,955.89)	152,505,145,395.72
Adjustment:						
Corporate and other unallocated liabilities	–	–	–	–	–	<u>35,621,335,169.25</u>
Total liabilities	–	–	–	–	–	<u>188,126,480,564.97</u>
Incurred in the previous period						
Other segment information:						
Share of profit and loss from:						
(Loss)/gain from associates and joint ventures	(19,747,163.96)	97,731,818.76	(115,521.51)	80,568,661.90	–	158,437,795.19
(Loss)/reversal of impairment of inventories	(52,770,136.98)	5,008,550.31	3,763,028.74	(52,856,874.40)	–	(96,855,432.33)
(Loss)/reversal of credit impairment of receivables and lease receivable	(66,578,208.60)	(72,927,644.92)	10,321,341.35	(13,901,255.00)	–	(143,085,767.17)
(Loss)/reversal of impairment of non-current assets	(18,448,895.69)	–	1,973,119.67	–	–	(16,475,776.02)
Depreciation and amortisation	(592,442,701.30)	(780,291,591.93)	(134,316,216.55)	(3,829,981,718.54)	–	(5,337,032,228.32)
Gain/(loss) from disposal of fixed assets	79,954,143.90	(15,985,962.09)	(573,233.69)	21,602,333.80	–	84,997,281.92
Investment in associates and joint ventures	3,790,254,312.64	1,124,468,621.95	22,122,073.72	772,630,634.90	–	5,709,475,643.21
Capital expenditure	<u>954,826,277.01</u>	<u>2,024,498,218.08</u>	<u>235,144,316.06</u>	<u>5,019,793,744.40</u>	–	<u>8,234,262,555.55</u>

Group information

Information about products and services

Revenue from external transactions

RMB

Item	Incurred during this period	Incurred in the previous period (Restated)
Powertrain, complete vehicles and machines and key components	29,818,471,371.94	73,132,478,876.43
Other components	5,580,849,189.41	9,130,435,133.69
Intelligent logistics	39,161,803,680.20	38,705,879,256.38
Agricultural equipment	8,590,418,199.93	6,937,441,095.23
Others	3,588,563,498.80	7,409,912,063.82
Total	<u>86,740,105,940.28</u>	<u>135,316,146,425.55</u>

Geographic information

Revenue from external transactions

RMB

Item	Incurred during this period	Incurred in the previous period (Restated)
China	42,566,563,451.24	93,983,289,255.80
Other countries and regions	44,173,542,489.04	41,332,857,169.75
Total	<u>86,740,105,940.28</u>	<u>135,316,146,425.55</u>

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

Total non-current assets

RMB

Item	30 June 2022	31 December 2021 (Restated)
China	32,154,008,198.54	30,553,483,690.50
Other countries and regions	68,749,656,320.10	69,523,454,601.02
Total	<u>100,903,664,518.64</u>	<u>100,076,938,291.52</u>

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

3. NOTES RECEIVABLE

Classification of notes receivable

RMB

Item	30 June 2022	31 December 2021 (Restated)
Bank acceptance bills	6,670,024,847.39	9,606,271,974.09
Commercial acceptance bills	112,163,839.40	38,964,859.00
Total	<u>6,782,188,686.79</u>	<u>9,645,236,833.09</u>

Notes receivable pledged by the Group as at period end

RMB

Item	30 June 2022	31 December 2021
Bank acceptance bills	<u>5,397,482,537.99</u>	<u>7,646,194,060.76</u>

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

RMB

	30 June 2022	
	Derecognised	Not derecognised
Bank acceptance bills	<u>107,131,818.98</u>	<u>–</u>

As at 30 June 2022, the Group had not transferred any notes into accounts receivable due to issuers' failure in performance (31 December 2021: Nil).

As the Group considered that the credit rating of the bank acceptance bills was relatively high and the credit quality of acceptors of all commercial acceptance bills held by it was good, there was no significant credit risk. Therefore, no provision for losses was made.

4. ACCOUNTS RECEIVABLE

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

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

RMB

Age	30 June 2022	31 December 2021 (Restated)
Within 1 year	22,508,582,597.47	18,184,205,671.29
1 to 2 years	1,091,090,065.78	601,765,449.49
2 to 3 years	365,239,010.73	1,173,819,286.04
Over 3 years	2,377,616,205.48	1,471,453,454.49
Gross carrying amount	26,342,527,879.46	21,431,243,861.31
Less: Provision for credit loss	3,102,741,002.55	2,793,418,125.09
Carrying amount	23,239,786,876.91	18,637,825,736.22

Disclosure by category of provision for bad debt:

RMB

Item	30 June 2022				Carrying amount
	Gross carrying amount	Proportion (%)	Provision for credit losses	Percentage (%)	
Items assessed for expected credit losses individually	3,912,730,552.96	14.85	2,361,530,089.94	60.36	1,551,200,463.02
Items assessed for expected credit losses by group with distinctive credit risk characteristics	22,429,797,326.50	85.15	741,210,912.61	3.30	21,688,586,413.89
Total	26,342,527,879.46	100.00	3,102,741,002.55	11.78	23,239,786,876.91

RMB

Item	31 December 2021 (Restated)				Carrying amount
	Gross carrying amount	Proportion (%)	Provision for credit losses	Percentage (%)	
Items assessed for expected credit losses individually	3,628,303,813.89	16.93	2,135,958,470.00	58.87	1,492,345,343.89
Items assessed for expected credit losses by group with distinctive credit risk characteristics	17,802,940,047.42	83.07	657,459,655.09	3.69	17,145,480,392.33
Total	21,431,243,861.31	100.00	2,793,418,125.09	13.03	18,637,825,736.22

As at 30 June 2022, the Group's accounts receivable assessed for expected credit losses individually are presented as follows:

RMB

Customers	Gross carrying amount	Provision for credit losses	Percentage (%)	Reasons
Customer 1	828,879,839.23	604,516,516.09	72.93	Bad repayment ability
Customer 2	187,519,390.53	113,234,527.53	60.39	Bad repayment ability
Customer 3	111,878,808.80	111,878,808.80	100.00	Long credit age
Customer 4	75,871,191.17	75,871,191.17	100.00	Bad repayment ability
Customer 5	61,493,300.24	61,493,300.24	100.00	Long credit age
Customer 6	56,927,140.00	56,927,140.00	100.00	Long credit age
Customer 7	50,102,289.70	4,105,598.32	8.19	Overdue
Customer 8	49,159,575.31	49,159,575.31	100.00	Bad repayment ability
Customer 9	47,813,595.03	35,130,334.31	73.47	Liquidation
Customer 10	43,068,702.46	43,068,702.46	100.00	Long credit age
Others	<u>2,400,016,720.49</u>	<u>1,206,144,395.71</u>	50.26	Long credit age, etc.
Total	<u>3,912,730,552.96</u>	<u>2,361,530,089.94</u>	–	–

As at 30 June 2022, the Group's accounts receivable for which credit losses are provided for using impairment matrix based on aging analysis are presented as follows:

RMB

Age	30 June 2022		
	Gross carrying amount	Lifetime expected credit loss	Expected credit loss rate (%)
Within 1 year	9,016,593,382.90	230,380,088.85	2.56
1 to 2 years	617,240,797.31	53,258,463.72	8.63
2 to 3 years	132,592,606.34	41,930,380.95	31.62
3 to 4 years	35,359,980.51	21,958,861.83	62.10
4 to 5 years	48,506,310.26	45,629,295.54	94.07
Over 5 years	265,882,067.53	265,882,067.53	100.00
Total	<u>10,116,175,144.85</u>	<u>659,039,158.42</u>	6.51

As at 30 June 2022, the Group's accounts receivable for which credit losses are provided for using overdue ages as credit risk characteristics are presented as follows:

RMB

Overdue ages	30 June 2022		
	Gross carrying amount	Lifetime expected credit loss	Expected credit loss rate (%)
Not yet overdue or overdue for less than 90 days	10,175,664,741.05	41,841,591.26	0.41
Overdue for more than 90 days but less than 180 days	337,767,402.66	7,524,795.55	2.23
Overdue for more than 180 days	453,986,515.54	11,287,193.32	2.49
Total	<u>10,967,418,659.25</u>	<u>60,653,580.13</u>	0.55

As at 30 June 2022, provisions for credit losses for the Group's accounts receivable with good credit history are presented as follows:

RMB

Item	30 June 2022		
	Gross carrying amount	Lifetime expected credit loss	Expected credit loss rate (%)
Accounts receivable with good credit history	<u>1,346,203,522.40</u>	<u>21,518,174.06</u>	1.60

As at 30 June 2022, the top five balances in respect of accounts receivable by closing balance are presented as follows:

RMB

Name of entity	Gross carrying amount	Proportion (%)	Provision for credit losses
First place	1,489,348,075.60	5.65	–
Second place	828,879,839.23	3.15	604,516,516.09
Third place	471,287,532.74	1.79	620,431.93
Fourth place	421,833,526.77	1.60	8,436,670.53
Fifth place	265,875,791.81	1.01	6,051,153.36
Total	<u>3,477,224,766.15</u>	<u>13.20</u>	<u>619,624,771.91</u>

Movements in provision for credit losses:

RMB

Provision for credit losses	Lifetime expected credit loss (without impairment of credit)	Lifetime expected credit loss (with impairment of credit)	Total
Balance as at 31 December 2021 (Restated)	745,214,475.97	2,048,203,649.12	2,793,418,125.09
Balance as at 31 December 2021 in the current period			
– Transferred to receivables with impairment of credit	–	–	–
– Reversal of receivables without impairment of credit	–	–	–
Provision for the period	261,254,745.55	114,332,792.35	375,587,537.90
Reversal during the period	(54,382,654.39)	(2,891,596.97)	(57,274,251.36)
Written-off during the period	(7,172,604.26)	(3,176,751.77)	(10,349,356.03)
Adjustment for exchange differences	12,561,288.79	(11,202,341.84)	1,358,946.95
	<u>957,475,251.66</u>	<u>2,145,265,750.89</u>	<u>3,102,741,002.55</u>
Balance as at 30 June 2022			

As at 30 June 2022, the restricted accounts receivable of the Group amounted to RMB174,461,778.31 (31 December 2021: RMB272,424,416.97).

5. RECEIVABLE FINANCING

Classification of receivable financing

RMB

Item	30 June 2022	31 December 2021 (Restated)
Bank acceptance bills at fair value	<u>6,244,710,237.32</u>	<u>6,962,150,565.60</u>

Receivable financing pledged by the Group as at period end

RMB

Item	30 June 2022	31 December 2021
Bank acceptance bills at fair value	<u>2,025,186,912.10</u>	<u>1,541,749,624.38</u>

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

RMB

Item	30 June 2022	
	Derecognised	Not derecognised
Bank acceptance bills at fair value	8,542,855,619.32	–

6. NOTES PAYABLE

RMB

Item	30 June 2022	31 December 2021 (Restated)
Bank acceptance bills	3,190,649,969.46	3,473,491,340.42
Commercial acceptance bills	25,009,494,499.20	30,187,620,343.17
Total	28,200,144,468.66	33,661,111,683.59

As at 30 June 2022, the Group had no outstanding notes payable which were due (31 December 2021: Nil).

7. ACCOUNTS PAYABLE

RMB

Item	30 June 2022	31 December 2021 (Restated)
Within 3 months	35,138,728,064.09	32,323,000,707.61
3 to 6 months	7,621,791,351.69	5,065,513,461.23
6 to 12 months	1,838,795,560.94	5,203,277,708.95
Over 12 months	1,370,018,000.44	982,340,673.66
Total	45,969,332,977.16	43,574,132,551.45

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

As at 30 June 2022, there was no payable which was material and aged over one year (31 December 2021: Nil).

8. REVENUE AND COST OF SALES

(1) Revenue and cost of sales

RMB

Item	Incurred during this period		Incurred in the previous period (Restated)	
	Revenue	Cost	Revenue	Cost
Revenue from principal operations	85,502,752,998.94	70,452,657,230.63	129,328,844,829.44	104,576,075,963.92
Other revenue	1,237,352,941.34	916,899,968.17	5,987,301,596.11	5,603,986,439.33
Total	<u>86,740,105,940.28</u>	<u>71,369,557,198.80</u>	<u>135,316,146,425.55</u>	<u>110,180,062,403.25</u>

(2) Reporting segment

RMB

Item	Engines	Automobiles and automobile components	Intelligent logistics	Agricultural equipment	Total
Classified by major regions of operation					
Including: Mainland China	15,332,612,099.63	16,292,811,780.27	2,521,346,805.55	8,419,792,765.79	42,566,563,451.24
Other countries and regions	1,641,661,694.93	5,443,734,050.52	36,640,456,874.65	447,689,868.94	44,173,542,489.04
Total	<u>16,974,273,794.56</u>	<u>21,736,545,830.79</u>	<u>39,161,803,680.20</u>	<u>8,867,482,634.73</u>	<u>86,740,105,940.28</u>
Classified by time for recognition of revenue					
Including: Transferred at a certain point of time	16,886,019,553.05	21,710,129,650.89	19,744,018,519.32	8,867,072,453.14	67,207,240,176.40
Provided over a certain period of time	65,963,812.50	2,113,696.10	15,608,633,170.89	–	15,676,710,679.49
Revenue arising from the contracts with customers	<u>16,951,983,365.55</u>	<u>21,712,243,346.99</u>	<u>35,352,651,690.21</u>	<u>8,867,072,453.14</u>	<u>82,883,950,855.89</u>
Revenue under the Standard on Lease	<u>22,290,429.01</u>	<u>24,302,483.80</u>	<u>3,809,151,989.99</u>	<u>410,181.59</u>	<u>3,856,155,084.39</u>
Total	<u>16,974,273,794.56</u>	<u>21,736,545,830.79</u>	<u>39,161,803,680.20</u>	<u>8,867,482,634.73</u>	<u>86,740,105,940.28</u>

(3) Performance of obligations

The supply chain solution services provided by the Group belong to the performance obligation satisfied over a certain period of time. The performance costs actually incurred on a cumulative basis as a percentage of estimated total costs is used to ascertain progress of performance of supply chain solution services contracts. As at 30 June 2022, some of the Group's supply chain solution services contracts were still in the process of performance, the transaction price allocated to the outstanding (or partially unperformed) performance obligations is related to the performance progress of each supply chain solution services contract, and will be recognised as revenue in the future performance period of each supply chain solution services contracts based on the performance progress.

9. TAXES AND SURCHARGES

Item	<i>RMB</i>	
	Incurred during this period	Incurred in the previous period (Restated)
City maintenance and construction tax	21,024,607.38	177,423,696.03
Educational surtax	14,097,491.39	132,619,292.60
Property tax	97,734,576.72	109,788,980.33
Stamp duty	42,154,210.74	61,126,917.63
Others	46,583,037.10	56,042,429.22
Total	<u>221,593,923.33</u>	<u>537,001,315.81</u>

10. INCOME TAX EXPENSES

Item	<i>RMB</i>	
	Incurred during this period	Incurred in the previous period (Restated)
Current tax expenses	631,256,300.23	2,568,424,646.02
Deferred tax expenses	(165,501,968.17)	(857,268,509.15)
Total	<u>465,754,332.06</u>	<u>1,711,156,136.87</u>

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

		<i>RMB</i>	
Item		Incurred during this period	Incurred in the previous period (Restated)
Total profit		3,417,566,950.46	10,288,981,838.88
Tax at statutory tax rate	<i>Note 1</i>	854,391,737.62	2,572,245,459.72
Effect of different tax rates applicable to the Company and some subsidiaries	<i>Note 2</i>	(258,865,875.68)	(745,345,647.72)
Effect of tax rate change on opening balance of deferred income tax		–	(6,853,813.93)
Adjustments to current tax of previous periods		(55,841,343.23)	(40,059,088.23)
Profits and losses attributable to associates and joint ventures		(10,749,076.35)	(35,610,693.71)
Income not subject to tax		(95,259,248.82)	(53,891,096.87)
Expenses not deductible for tax		74,628,963.04	76,583,188.13
Effect of tax incentives on eligible expenditures		(361,227,045.28)	(350,422,882.84)
Effect of utilisation of deductible losses and deductible temporary difference of unrecognised deferred tax assets from prior years		(70,954,037.25)	(35,622,734.42)
Effect of unrecognised deductible losses and deductible temporary difference		389,630,258.01	335,439,635.19
Others		–	(5,306,188.45)
Tax expense at the Group's effective tax rate		465,754,332.06	1,711,156,136.87

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:

Item	<i>RMB</i>	
	Incurred during this period	Incurred in the previous period (Restated)
Earnings		
Net profit of the current period attributable to ordinary shareholders of the Company	2,386,612,803.65	6,509,892,897.99
Shares		
Weighted average number of the ordinary shares outstanding of the Company	8,724,803,487.67	8,065,987,716.00
Basic EPS (RMB/share)	0.27	0.81

The Group holds no potential shares that are significantly dilutive.

12. OTHER COMPREHENSIVE INCOME

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

Item	<i>RMB</i>							
	31 December 2021 (Restated)	Incurred before the income tax for the current period	Less: Amount recognised in other comprehensive income in previous period and recognised in profit or loss in current period	Incurred during the period			Less: Amount recognised in other comprehensive income in previous period and recognised in retained earnings in current period	30 June 2022
			Less: Income tax expenses	Attributable to parent company after tax	Attributable to minority interests after tax			
I. Those other comprehensive income not to be reclassified into profit or loss	139,683,344.09	3,278,330,408.49	-	925,516,275.28	1,132,108,189.32	1,220,705,943.89	(911,280.85)	1,272,702,814.26
Changes arising from re-measuring of defined benefit plan	(747,185,726.58)	3,351,813,765.26	-	937,552,345.37	1,206,052,769.01	1,208,208,650.88	-	458,867,042.43
Other comprehensive income not to be reclassified into profit or loss using the equity method	(146,749,317.89)	9,544,579.70	-	-	(5,921,061.10)	15,465,640.80	-	(152,670,378.99)
Change in fair value of investment in other equity instruments	1,033,618,388.56	(83,027,936.47)	-	(12,036,070.09)	(68,023,518.59)	(2,968,347.79)	(911,280.85)	966,506,150.82
II. Other comprehensive income to be reclassified into profit or loss	(1,267,891,291.75)	270,706,613.33	(108,851,799.17)	(6,708,709.04)	206,670,736.69	179,596,384.85	-	(1,061,220,555.06)
Other comprehensive income to be reclassified into profit or loss using the equity method	41,559,933.95	913,637.20	-	-	913,637.20	-	-	42,473,571.15
Cashflow hedging reserve	(2,914,146.19)	(51,745,460.59)	(108,851,799.17)	(6,708,709.04)	63,544,391.64	270,655.98	-	60,630,245.45
Exchange differences on foreign currency translation	(1,306,537,079.51)	321,538,436.72	-	-	142,212,707.85	179,325,728.87	-	(1,164,324,371.66)
Total of other comprehensive income	(1,128,207,947.66)	3,549,037,021.82	(108,851,799.17)	918,807,566.24	1,338,778,926.01	1,400,302,328.74	(911,280.85)	211,482,259.20

13. DIVIDEND

On 30 August 2022, the Company passed a board resolution to distribute to all shareholders a cash dividend of RMB0.96 (including tax) for every 10 shares held, without any capitalisation of reserve, based on the total number of shares entitled to profit distribution on the record date at the time of the implementation of distribution plan in the future. 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 2022 interim dividend.

At the annual general meeting of shareholders of the Company held on 28 June 2022, a mandate has been granted to the Board for the payment of the 2022 interim dividend.

14. COMPARATIVE FIGURES

The Company's consolidation of Shandong Weichai Import and Export Co., Ltd. on 29 October 2021 and the consolidation of Weichai Lovol Heavy Industry Co., Ltd. during the Period were both considered as a business combination under common control. As such, the Company has retrospectively adjusted the opening balance for the current year and the relevant financial statements for the corresponding period of the previous year in accordance with the relevant requirements for business combinations under common control.

CHAIRMAN'S STATEMENT

I. Review of Operating Conditions

In the first half of 2022, under the impact of unexpected factors such as the new wave of the pandemic and geo-political conflicts, China's economy faced increasing pressure from shrinking demand, supply shock and weakened expectations. Market expectation and confidence were affected to a certain extent. Since May, as the pandemic situation improved and the resumption of work and production accelerated, the government has adopted a series of policy measures to stabilise the macro-economic environment and there has been a steady economic rebound. In the first half of the year, China's gross domestic product ("GDP") reached RMB56.3 trillion, representing a year-on-year increase of 2.5%. In particular, GDP for the first and second quarters grew by 4.8% and 0.4%, respectively. From January to June, the heavy-duty truck industry delivered a sales volume of 380,000 units, representing a year-on-year decrease of 63.6%; the light-duty truck industry delivered a sales volume of 849,000 units, representing a year-on-year decrease of 29.5%; the construction machinery industry delivered a sales volume of 451,000 units (including diesel forklift trucks), representing a year-on-year decrease of 27.4%.

During the reporting period, in the face of complicated development conditions, the Company proactively responded in scientific approach, actively sought breakthroughs in the market, continuously deepened reforms, strengthened scientific research, and prevented and controlled operational risks. The overall operating quality continued to improve and maintained a healthy development, and especially, there were significantly increased contributions from export to overseas, agricultural equipment, and large-diameter engines businesses, which became important growth points. In the first half of the year, the Company's revenue decreased by approximately 35.9% as compared with that in the corresponding period of 2021 to approximately RMB86,740 million. Net profit attributable to shareholders of the listed company was approximately RMB2,387 million, representing a decrease of approximately 63.3% as compared with that in the corresponding period of 2021. Basic earnings per share was RMB0.27, representing a decrease of approximately 66.1% as compared with that in the corresponding period of 2021.

1. *Power System Business*

We reaffirmed our leading status in the industry, and were at the forefront of global science and technology. Relying on the “four-in-one” scientific and technological innovation system, we deepened research on the applied fundamental and cutting-edge generic technologies. The launch of the world’s first diesel engine with a thermal efficiency of 51.09% has set a new world record. Persisting in the simultaneous advancement of multiple power systems, we actively developed key and core technologies and, jointly with China National Heavy Duty Truck Group, launched the first commercial hydrogen internal combustion engine heavy-duty truck, which meets the advanced international standards. The establishment of the national internal combustion engine industry measurement and testing center, the only testing center in the field, has sped up the making of breakthroughs of the “bottleneck” technical problems of measurement and testing. The development of strategic products has been fully accelerated, which significantly reduced fuel and gas consumptions and fully enhanced economy and reliability. **The power system took a leading position, giving full play to its strengths in the integrated industrial chain.** The commercial vehicle power system, hydraulic power system, and CVT power system continued to transform and upgrade, exerting advantages of strong power and fuel-saving, and winning customers’ recognition. The powertrain system of the 20-60-ton excavator has been debugged and launched for wholesale, significantly outperforming its competing products. Reliability of the hydraulic powertrain assembly for harvest machinery has been further improved and successfully passed the wheat harvesting verification.

During the reporting period, the adjustments in the Company’s diversified market and product structures have achieved outstanding results with stronger resilience. Sales volume of various kinds of engines, gear boxes and axles amounted to 285,000 units, 319,000 units and 272,000 units, respectively. Among which, the export sector sped up in making breakthroughs, with the export volume of engines and gear boxes reaching 22,000 units and 11,000 units, representing a year-on-year increase of 32.5% and 52.9%, respectively. Our high-end strategic products continued to make contribution, with the revenue of large-diameter engines achieving RMB980 million, representing a year-on-year growth of 68.7%, and the domestic revenue of high-end hydraulic products achieving RMB340 million, representing a year-on-year growth of 16.4%.

2. *Commercial Vehicles Business*

During the reporting period, with our strategy driven by the whole vehicle and complete machine business, the Company regards customer satisfaction as its utmost priority. We gave full play to our advantages of industrial resources and conducted accurate research and judgements to efficiently meet the needs of segment markets. Shaanxi Heavy-duty Motor Company Limited (“Shaanxi Zhongqi”), a controlling subsidiary of the Company, has made every effort to prevent the pandemic, stabilise production, strengthen management and promote efficiency to maintain stable production and operation in accordance with the annual policy outline of “product-led, innovation-driven, management reform, and enhancement of double effects”. **Upholding a goal-oriented approach, we focused on cultivating the market and improving our capability of providing services and guarantees.** We made great efforts in sales reforms and commenced a series of activities such as the “Tiger Roaring Operation” to actively offer solutions to customer concerns in the first-tier market. Sales volume of heavy-duty trucks amounted to 39,000 units during the period from January to June, and for the domestic market, our sales volume in May and June surged to the top two. For the international market, we improved our cooperative engagement capability to seize opportunities, and our amounts of export for heavy-duty trucks amounted to 13,500 units, representing a year-on-year increase of 51.8%. Our overseas orders exceeded 20,000 units, representing a year-on-year increase of 98% and hitting a historical high. **Upholding a demand-oriented approach, we innovated our products and enhanced our core competitiveness.** While paying close attention to the changes in market and customer needs, we continued to optimise product layout and established an efficient connection among market technologies and an assessment and incentive mechanism. We refined standard load logistics and product structure of the economic market with our new products, such as X5000S high-horsepower, X5000Pro and X5000L, which further enhanced our competitiveness. Furthermore, we continued to promote the implementation of intelligent manufacturing projects, strengthen collaboration and sharing and shorten production cycles to significantly improve our capabilities of fast delivery and production cost control. The intelligent capacity expansion project of Shaanxi Zhongqi has been put into action smoothly.

3. *Intelligent Logistics Business*

KION Group AG (“KION”), an overseas controlling subsidiary of the Company, is a globally leading supplier in the area of intra-logistics, and has two major businesses, namely, Industrial Trucks & Services and Supply Chain Solutions. KION assists factories, warehouses and distribution centres to optimise their materials flow and information flow through the design, establishment and improvement of logistics solutions in over a hundred countries and regions around the world. In the first half of the year, KION realised a sales revenue of EUR5.54 billion, representing a year-on-year growth of 11.4%, in which the business of supply chain solutions (represented by Dematic Group) realised a sales revenue of EUR2.09 billion, representing a year-on-year growth of 13%.

4. *Agricultural Equipment*

Focusing externally on the market and internally on operations, Weichai Lovol Heavy Industry Co., Ltd. (“Weichai Lovol”)¹, a controlling subsidiary of the Company, provides customers with integrated intelligent agricultural equipment solutions, so as to safeguard national food security with hard-core strength and secure our own food supply. **Capitalising on our advantages in product portfolios, our market share of key segment markets increased significantly.** From January to June, the agricultural equipment segment achieved a sales volume of 76,000 units, representing a year-on-year increase of 28%. The market share of the tractor business reached 25%, representing a year-on-year increase of 7 percentage points and maintaining an industry-leading position, among which, the sales of tractors with 200+hp increased significantly by 40% year-on-year; the market share of the wheat machine business reached 59%, representing a year-on-year increase of 7 percentage points and ranking the first in the industry; the market share of the corn machine business reached 25%, representing a year-on-year increase of 4 percentage points and ranking the first in the industry; the market share of the crawler machine business reached 29%, representing a year-on-year increase of 7 percentage points and ranking the second in the industry; the market share of the peanut machine business reached 34%, representing a year-on-year increase of 9 percentage points, reflecting a significant improvement in market competitiveness. **Focusing on reforming key technologies, we built competitive advantages.** We accelerated the research and development and the manufacture of high-horsepower machinery and high-end intelligent agricultural machinery. 240hp CVT tractors have been delivered to customers in bulk and received wide recognition. 340hp CVT tractors have entered the product verification stage and accumulated over 600 hours of verification. The trial sales of China IV non-road products were smooth and the overall performance was satisfactory. Following the completion of the development of the smart farm management platform 2.0 with basic functions, we have commenced the construction of a new factory for intelligent high-horsepower tractors and accumulated new kinetic energy for future development.

5. *New Business Format, New Energy and New Technology*

In the context of the national strategy of carbon peak and carbon neutrality, we actively meet the challenges of scientific and technological revolution and industrial transformation by accelerating the breakthrough of core technologies. **We aim to expand and strengthen the “motor + controller” powertrain business with the launch of new energy vehicle and complete machine products.** Through the realisation of full automation of electric-powered

¹ Weichai Lovol Heavy Industry Co., Ltd., a company which completed the relevant industrial and commercial registration to change its name to Weichai Lovol iFarming Technology Co., Ltd. (潍柴雷沃智慧农业科技股份有限公司) on 30 August 2022.

products, the electric axle drive system has commenced B prototype verification, and its performance is improved by more than 5% as compared with its competing products. We successfully overcame challenges to develop the key technologies in the design and integration of high-power metal stacks and developed the first high-power metal stack. We have also completed the development of the 200kW hydrogen fuel cell engine which meets the high-speed operating requirements of 49-ton heavy-duty tractors. In addition, we jointly developed the first world-leading “three highs” environmental simulation test station for 150kW-class hydrogen fuel cells in China. Our new energy test centre was awarded the laboratory accreditation certificate by the China National Accreditation Service for Conformity Assessment (CNAS) and has become the only laboratory in the industry that has passed the test verification of both hydrogen and solid oxide fuel cell products. **The acceleration of the development of digitalisation has empowered the development of full-chain business.** We have set up five data management offices for R&D, manufacturing, procurement, sales and services and functions to fully connect the Group’s operation chain, value chain and industrial chain. On the other hand, we actively promoted digital transformation and digitalised processes to improve data quality and empower business development.

II. Dividends and Capitalisation of Reserve

On 28 June 2022, the Company’s 2021 profit distribution proposal was considered and approved at the Company’s 2021 annual general meeting to distribute to all shareholders a cash dividend of RMB1.85 (including tax) for every 10 shares held, without any capitalisation of reserve. During the period between the disclosure of the Company’s 2021 profit distribution plan and its implementation, the Company conducted certain repurchase of A shares and made corresponding adjustment to the total distribution amount based on the principle that the distribution proportion shall remain unchanged. The 78,250,025 A shares in the Company’s securities account designated for repurchased shares are no longer eligible for distribution, and the remaining 8,648,306,796 shares received distribution in accordance to the 2021 profit distribution plan on the basis of a cash dividend of RMB1.85 (tax included) for every 10 shares.

On 30 August 2022, pursuant to the shareholders’ mandate, the Board of the Company distributed to all shareholders a cash dividend of RMB0.96 (including tax) for every 10 shares held, without any capitalisation of reserve, based on the total number of shares which shall be entitled to profit distribution on the record date at the time of the implementation of the distribution plan in the future. If the total number of shares entitled to profit distribution changes due to share repurchase or grant of shares through equity incentives during the period from the date of this announcement to the record date for the implementation of distribution plan, the Company shall make corresponding adjustment to the total distribution amount based on the principle that the distribution proportion shall remain unchanged. 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 2022 interim dividend.

III. Outlook and Prospects

Looking into the second half of 2022, the external environment is expected to be more challenging and complex. Geo-political conflicts will continue to exert impact on the supply of energy and food and shroud the world in the haze of inflation. Monetary policies of major economies including the United States will be tightened sooner, and the global financial market will see increasing volatility with a high risk of stagflation. In China, its economy is expected to face spillover risks arising from weakening external demand, global financial market turmoil and geopolitical conflicts. However, the potential of and the fundamentals for a long-term economic upturn have not changed for China. While the short-term downturn is mainly due to the impact of non-economic factors, market expectations and confidence are expected to recover due to the optimisation of pandemic prevention policies, the implementation of measures to stabilise the economy and boost consumption and the accelerated recovery of infrastructure investment. Under the influence of favorable factors such as the recovery of logistics and transportation, support from infrastructure and the implementation of relevant supporting policies, part of the suppressed demand in the heavy-duty truck market will be released and rebound from the bottom. The growing consumer demand for fresh and high-quality food will boost the development of cold chain logistics and fresh food e-commerce platforms, which will provide room for the light-duty truck market, especially for refrigerator trucks. Favorable factors brought by the growth stabilisation measures, stimulus policies and the continued growth in the export market will benefit the construction machinery industry. In response to the implementation of China IV non-road emission standards, some customers will purchase machines in advance, and this will bring certain opportunities to the construction machinery and agricultural machinery industries. The rise in energy price and increased activities in domestic oil and gas field exploitation will strongly drive the demand for diesel generators.

In the face of the industry downturn, we persist with independent innovation as our primary driving force for development, giving full play to all series and all fields product advantages and accelerating the introduction of strategic products to sustain high-quality development.

Focusing on supporting segment markets, we will increase our market development efforts. We will strive to sprint against the current and make precise breakthroughs by giving full play to the differentiated competitive advantages of commercial vehicle powertrains, hydraulic powertrains for construction machinery and large-scale CVT powertrains for agricultural equipment to form a sound product portfolio and increase our market share. We will seize the opportunities brought by the implementation of China IV non-road emission standards and focus on strategic segment markets to win the tough battle in the market. We will also improve our after-sales services and service capabilities to stimulate the vitality of service channels. **Adhering to the innovation-driven and high-quality development, we will firmly grasp the lifeblood of science and technology.** We will drive up the performance of complete vehicles and machineries to provide the best solutions for the power system industry and capitalise on the advantages of the globally coordinated R&D platform to develop competitive products which are globally leading in terms of affordability, reliability and power performance, in order to gain widely recognition for our strategic products. Leveraging the platform of the National Fuel Cell Technology Innovation Centre (國家燃料電池技術創新中心), we will expedite breaking through the technical bottleneck in the industrial chain of and industrialisation for the fuel cell industry. **We will make continuous improvement on management to build us into a world-class enterprise.** We seek to deepen organisational and system reforms and establish an end-to-end workflow to provide impetus for the Company's efficient operation. In creating a good atmosphere for innovative operation, we will optimise efficiency and staffing, reform the remuneration and performance system, and adopt a performance-oriented approach and a principle of rewarding hard work. Meanwhile, we will upgrade the WOS theoretical model, deepen evaluation and promotion, and improve operational management, exerting our impact as a role model in the industry, exploring the way of reform, innovation and development as a state-owned enterprise with Chinese characteristics in the new era, and striving to become a world-class enterprise.

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!

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 2022 (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 areas of powertrain, complete vehicles and machineries, hydraulic controlling parts, new energy cells and automotive ECU and parts and components, which is equipped with the most comprehensive golden industrial chain of engines, gear boxes and axles, and offers related aftersales market services. Meanwhile, with its leading advantages in intelligent logistics, the Group is able to provide the most comprehensive logistics solutions to its customers.

1. *Commercial Vehicles, Construction Machinery and Agricultural Equipment Industries*

Looking back over the first half of 2022, the recovery of the global economy has been hindered by factors including geopolitical conflicts and volatile pandemic situation around the globe. China’s economy was confronted with the intensifying “triple pressure”, which represented another significant challenge since the strike of pandemic in 2020. However, with the easing of the pandemic since May, the government has adopted a series of policies and measures to stabilise the macro-economy and accelerate the resumption of work, production, business and market operation, which was led to a gradual recovery of the macro-economy. In the first half of the year, the GDP of the PRC reached RMB56.3 trillion, representing a year-on-year increase of 2.5%.

In respect of the heavy-duty truck market, the repeated outbreaks of Covid-19 resulted in impeded logistics and weakened demand in heavy-duty truck industry, and in the first half of 2021 the industry sales base reached the historical peak, which contributed to the substantive decrease of industry sales volume in the first half of 2022 as compared with the same period last year. During the Period, the heavy-duty truck market achieved a sales volume of approximately 380,000 units, representing a year-on-year decrease of approximately 63.6%; the construction machinery industry (including diesel forklift trucks) achieved a sales volume of approximately 451,000 units in the first half of the year, representing a year-on-year decrease of approximately 27.4%.

As the overall pandemic prevention and control situation stabilises, it is expected that China’s economy will continue to recover in the second half of the year. Under the influence of favorable factors such as the recovery of logistics and transportation, construction of infrastructures and the implementation of supporting policies, the demand in the heavy-duty truck market that was suppressed in the early stage would be released and is expected to touch bottom and rebound. The implementation of various measures to stabilise growth and stimulus policies and the continued growth of the export market will bring favorable factors to the construction machinery industry. The implementation of National IV non-road-going emission standard and purchase of machines in advance by certain customers would bring certain opportunities to the construction machinery and agricultural machinery industries.

2. *Forklift Truck and Supply Chain Solutions*

In the first half of 2022, the global material handling market had a flat growth, but the market demand for industrial forklift trucks was still greater than that of last year. However, due to the uncertainties of the macro-economy and severe supply restrictions, the development momentum of all sales regions in the second quarter has slowed down. The global market for supply chain solutions continued to expand in the first six months of the year. Once again, this market growth was driven by the EMEA and Americas regions. Demand contracted in the e-commerce customer segment but continued to rise sharply in the food and beverage, grocery retail/wholesale, and apparel industries. The research institute Interact Analysis anticipates a positive trend for the warehouse automation market.

II. The Group's Business

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

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

The Group had the most comprehensive powertrain system covering engines, gear boxes and axles. With the advantages of the globally coordinated R&D platform, leveraging its "Four-in-One" technology innovation system, the Company deepened its research on the applied fundamental and cutting-edge generic technologies. Continuing to develop the multiplicity of power systems in tandem, the Company has actively carried out research to make breakthroughs in key and core technologies. Leveraging the advantage of its integrated industrial chain, the Company has prioritised the development of the power systems. The development of strategic products has been fully accelerated, which significantly reduced fuel and gas consumptions and fully enhanced economy and reliability.

The Group upheld a strategy driven by complete vehicles and machineries. During the Period, in accordance with the annual policy outline of "leading by products, driven by innovation, management reform, and enhancement of double effects", Shaanxi Heavy-duty Motor Company Limited (陝西重型汽車有限公司), a controlling subsidiary of the Group, was fully committed to preventing pandemic, stabilising production, strengthening management and enhancing efficiency, and managed to maintain a stable production and operation. We made great efforts in sales reforms. For the domestic market, our sales volume in May and June surged to the top two; and for the international market, we improved our cooperative engagement capability to seize opportunities. Our overseas orders exceeded 20,000 units, representing a year-on-year increase of 98% and hitting a historical high.

During the Period, the sales volume of various kinds of engines, gear boxes and axles amounted to approximately 285,000 units, approximately 319,000 units and approximately 272,000 units, respectively. Among which, the export sector sped up in making breakthroughs, with the export volume of engines, gear boxes and heavy-duty trucks reaching 22,000 units, 11,000 units and 13,500 units, representing a year-on-year increase of 32.5%, 52.9% and 51.8%, respectively. The engines segment contributed approximately RMB16,974 million to the sales revenue of the Group during the Period, while the automobiles and automobile components segment contributed approximately RMB21,737 million to the sales revenue of the Group during the Period.

2. *Intelligent Logistics*

During the Period, the Group had an excellent sales performance of industrial forklift trucks in Europe, Middle East, Africa and America. Sales order for forklift trucks increased from approximately 155,500 units in the corresponding period last year to approximately 173,700 units, representing a year-on-year increase of approximately 11.7%. The total value of order intake for the first half of the year increased by approximately 20% to approximately EUR4,827 million. For supply chain solutions, the total value of order intake for the first half of the year amounted to approximately EUR1,865 million, which was almost the same as the corresponding period last year. Intelligent logistics services contributed approximately RMB39,162 million to the Group's sales revenue during the Period, which increased by approximately RMB456 million as compared with approximately RMB38,706 million in the corresponding period last year.

3. *Agricultural Equipment*

During the Period, in face of the intensive market competition environment, Weichai Lovol Heavy Industry Co., Ltd. ("Weichai Lovol"), a controlling subsidiary of the Group, leveraged the leading advantages of the Group in the fields of technological innovation to reinforce its high-quality collaboration, achieving comprehensive improvement in the power of products, brands and channels. By giving full play to the advantages of product mix, the Group saw an uptick in the sales of various kinds of products, which formed synergistic effect in achieving a breakthrough in performance and continued to lead the industry. From January to June, the agricultural equipment segment achieved a sales volume of 76,000 units, representing a year-on-year increase of 28%. The agricultural equipment segment contributed approximately RMB8,867 million to the sales revenue of the Group during the Period.

III. Financial Review

1. *The Group's Results of Operations*

a. *Revenue*

In the first half of 2022, the Group's revenue amounted to approximately RMB86,740 million, representing a decrease of approximately RMB48,576 million or 35.9% from approximately RMB135,316 million in the corresponding period in 2021, mainly attributable to the decrease in product sales volume as affected by the industry environment. Revenue from principal operations amounted to approximately RMB85,503 million, representing a decrease of approximately RMB43,826 million or approximately 33.9% from approximately RMB129,329 million in the corresponding period last year.

b. *Profit from Principal Operations*

During the Period, as affected by the decrease in product sales volume, the Group's profit from principal operations decreased from approximately RMB24,753 million in the corresponding period in 2021 to approximately RMB15,050 million during the Period, representing a decrease of RMB9,703 million or 39.2%. The profit margin from principal operations decreased from approximately 19.1% in the corresponding period last year to approximately 17.6% during the Period. This was mainly affected by multiple factors, including changes in product structure and reduction in production volume.

c. *Distribution and Selling Expenses*

The distribution and selling expenses decreased by approximately RMB1,706 million or 25.4% from approximately RMB6,718 million in the corresponding period of 2021 to approximately RMB5,012 million during the Period. The decrease of distribution and selling expenses was primarily attributable to the decrease in after-sales and maintenance fees for products. The distribution and selling expenses as a percentage of revenue increased to approximately 5.8% during the Period from approximately 5.0% during the corresponding period last year.

d. *General and Administrative Expenses*

General and administrative expenses decreased by approximately RMB677 million or 14.9% from approximately RMB4,555 million in the corresponding period of 2021 to approximately RMB3,878 million during the Period. The decrease in general and administrative expenses was mainly due to the decrease in expenses for staff costs. The general and administrative expenses as a percentage of revenue increased from approximately 3.4% in the corresponding period last year to approximately 4.5% during the Period.

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

During the Period, the Group's EBIT was approximately RMB3,994 million, representing a decrease of approximately RMB6,878 million or 63.3% from approximately RMB10,872 million in the corresponding period last year. The decrease in EBIT was primarily attributable to the combination effect of various factors, including the changes in product structure and the increase in impairment loss of credit and impairment loss of assets, reducing EBIT margin of the Group from approximately 8.0% in the corresponding period of 2021 to approximately 4.6% during the Period.

f. *Finance Expenses*

Finance expenses increased from a net finance income of approximately RMB194 million in the corresponding period of 2021 to a net finance income of approximately RMB526 million during the Period. This was mainly due to the increase in net interest income by approximately RMB275 million and the increase in foreign exchange gain.

g. *Income Tax Expenses*

The Group's income tax expenses decreased by approximately 72.8% from approximately RMB1,711 million in the corresponding period in 2021 to approximately RMB466 million during the Period, which was mainly attributable to decrease in total profit. The Group's average effective tax rate decreased from approximately 16.6% in the corresponding period last year to approximately 13.6% during the Period.

h. *Net Profit and Net Profit Margin*

The Group's net profit for the Period was approximately RMB2,952 million, representing a decrease of approximately RMB5,626 million or 65.6% from approximately RMB8,578 million in the corresponding period last year. Net profit margin for the Period was approximately 3.4%, which decreased by 2.9 percentage points from approximately 6.3% in the corresponding period last year.

i. *Liquidity and Cash Flow*

During the Period, the Group generated net expense of operating cash flows of approximately RMB1,141 million and net cash flows from financing activities of approximately RMB3,575 million. A portion of such proceeds was applied to the acquisition of approximately 22.69% equity interest of Weichai Lovol (total consideration amounting to approximately RMB1,584 million), repaying debts, paying investment monies and paying for the acquisition of property, plant and equipment for the expansion of the Group's business. As of 30 June 2022, the Group's cash and cash equivalents (net of interest-bearing debts) amounted to net cash of RMB36,764 million. Based on the above calculations, the Group is in a net cash position. As at 30 June 2022, the Group's gearing ratio (interest-bearing debts/(interest-bearing debts + shareholders' equity)) was approximately 18.9% (31 December 2021: approximately 18.0%).

2. *Financial Position*

a. *Assets and Liabilities*

As at 30 June 2022, the Group had total assets of approximately RMB290,050 million, of which approximately RMB170,796 million were current assets. As at 30 June 2022, the Group had cash and cash equivalents of approximately RMB71,006 million (as at 31 December 2021: approximately RMB79,665 million). On the same date, the Group's total liabilities amounted to approximately RMB183,836 million, of which approximately RMB124,327 million were current liabilities. The current ratio was approximately 1.37x (as at 31 December 2021: 1.35x).

b. *Capital Structure*

As at 30 June 2022, the Group had total equity of approximately RMB106,214 million, of which approximately RMB71,495 million was attributable to equity holders of the Company and the balance was minority interests. Interest attributable to minority interest holders included the perpetual bonds in the principal amount of US\$775 million issued in September 2017.

The borrowings of the Group as at 30 June 2022 amounted to approximately RMB24,740 million, which included bonds of approximately RMB5,733 million and bank borrowings of approximately RMB19,007 million. The bank borrowings included approximately RMB5,728 million of fixed interest rate bank borrowings and approximately RMB13,279 million of floating interest rate bank borrowings. Borrowings repayable on demand or within a period not exceeding one year were approximately RMB4,283 million; borrowings repayable within a period of more than one year but not exceeding two years were approximately RMB2,431 million; borrowings repayable within a period of more than two years but not exceeding five years were approximately RMB12,038 million; and borrowings repayable within a period of more than five years were approximately RMB255 million. Other than Euro-denominated borrowings, USD-denominated borrowings and GBP-denominated borrowings equivalent to approximately RMB12,513 million, approximately RMB1,673 million and approximately RMB226 million respectively, the borrowings were 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 USD775 million USD-denominated perpetual bonds issued in September 2017 to Euro, and thus the Group does not consider the currency risk facing its future general cash outflow significant. As a policy, the Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debts and equity balance. The Group's overall strategy remains unchanged from prior years.

c. *Pledge of Assets*

As at 30 June 2022, bank deposits, notes receivable and receivable financing of approximately RMB16,925 million were pledged to banks to secure the Group's notes payable, letters of guarantee, acceptance bills and letters 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. Fixed assets, long-term receivables, accounts receivable and other non-current assets amounting to approximately RMB6,815 million were also pledged by the Group to secure bank borrowings, guarantee its liabilities under the staff retirement benefit and use in asset securitisation financing.

d. *Contingencies*

As at 30 June 2022, the Group provided certain distributors and agents bank guarantee amounting to approximately RMB911 million (as at 31 December 2021: approximately RMB1,409 million) to secure their obtaining and use of banking facilities.

As at 30 June 2022, the Group provided guarantee for joint liabilities in respect of potential failure of the leasees under finance leases to settle instalment payments plus interest with a risk exposure amounted to approximately RMB1,611 million (as at 31 December 2021: approximately RMB2,800 million).

e. *Commitments*

As at 30 June 2022, the Group had capital commitments of approximately RMB6,118 million (as at 31 December 2021: approximately RMB6,537 million), principally for the capital expenditure in respect of acquisition of property, plant and equipment. The capital expenditure will be financed by internal resources.

As at 30 June 2022, the Group had no external investment commitments (as at 31 December 2021: nil).

3. *Other Financial Information*

a. *Employees*

As at 30 June 2022, the Group had approximately 88,118 employees (including approximately 40,804 employees of KION). During the Period, the Group had paid remuneration of approximately RMB14,867 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. During the Period, the Company designed training programs for employees that meet the needs of positions at all levels, and provided customised training and standard course training through the online Wei Learning platform and offline courses. During the Period, cost for the training programs amounted to approximately RMB5.68 million.

b. *Major Investment, Acquisition and Disposal*

In April 2022, the Company entered into the Share Transfer Agreement with Weichai Group Holdings Limited (“Weichai Holdings”) and Weichai Lovol, pursuant to which the Company purchased 274,401,120 Shares of Weichai Lovol (representing approximately 22.69% of the total issued shares of Weichai Lovol) from Weichai Holdings at the consideration of RMB1,584,461,400. Upon completion of the transaction, the Company held approximately 62.00% shares in aggregate of the total issued shares of Weichai Lovol.

The amount paid for the abovementioned acquisition was funded out of the Group’s financial resources.

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

c. *Subsequent Events*

- (i) On 30 August 2022, under the authority granted by the shareholders of the Company, the Board considered and approved the distribution to all shareholders of cash dividend of RMB0.96 (including tax) for every 10 shares held, without any capitalisation of reserve, based on the total number of shares entitled to profit distribution on the record date at the time of the implementation of distribution plan.

- (ii) On 30 August 2022, the Company's fourth meeting of the sixth session of the Board considered and approved the "Resolution in respect of the Proposed Spin-off and Listing of a Controlling Subsidiary" (《關於籌劃控股子公司分拆上市的議案》), and approved the commencement of preparatory works in respect of the spin-off of Weichai Lovol, a controlling subsidiary, by the Company. The spin-off is still in the preliminary planning stage. As at the date of this announcement, the details of the possible spin-off are yet to be finalised. The Board is still required to make resolutions on whether the spin-off complies with relevant laws, regulations and regulatory documents, and submit it to the general meeting of the Company for consideration and approval. The Company will make further announcement(s) in connection with the possible spin-off as and when appropriate or as required under the Listing Rules.

d. Use of proceeds

Reference is made to the announcements of the Company dated 24 December 2020, 25 January 2021, 26 January 2021, 29 January 2021, 12 April 2021, 23 April 2021 and 26 May 2021, and the circular (the "Circular") of the Company dated 11 January 2021, in respect of, inter alia, the non-public issuance of A Shares of the Company ("A Shares").

The reasons for the non-public issuance of A Shares include to raise funds for the specific investments projects detailed in the table below and to replenish working capital, which will strengthen the capital capability of the Group and lay a sound foundation for the Group's further expansion of its operations, and, in turn, enable it to realise breakthrough in its development and enhance its competitive strength.

The non-public issuance of A Shares of the Company was completed on 31 May 2021 and the relevant new A Shares were listed on the Shenzhen Stock Exchange on 1 June 2021. A total of 792,682,926 A Shares of RMB1.00 each (with an aggregate nominal value of RMB792,682,926) were issued to 25 subscribers which are in compliance with the relevant requirements of the "Measures for Administration of Issuance of Securities by Listed Companies" (《上市公司證券發行管理辦法》) and the "Implementation Rules for the Non-public Issuance of Shares by Listed Companies" (《上市公司非公開發行股票實施細則》) and are third parties independent of the Company and its connected persons at the issue price of RMB16.40 (and net price of approximately RMB16.38) per A Share.

The issue price of RMB16.40 per A Share represents a premium of approximately 9.26% to the benchmarked price of HK\$18.02 (equivalent to approximately RMB15.01), such benchmarked price being the closing price of H Shares on the date of the Company's acceptance of the subscriptions involving the non-public issuance of A Shares under the relevant general mandate. The total proceeds of the non-public issuance of A Shares amounted

to RMB12,999,999,986.40. The status of the use of such proceeds as of 30 June 2022 is set out below:

Name of the investment project Project name		Sub-project name	<i>RMB million</i>		
			Total investment amount of the relevant project	The amount of proceeds to be applied	The amount of proceeds applied as of 30 June 2022
Fuel Cell Industry Chain Development Project (燃料電池產業鏈建設項目)	Hydrogen-fueled cell and key components industrialisation project (氫燃料電池及關鍵零部件產業化項目)	712.28	500.00	70.67	
	Solid oxide fuel cell and key components industrialisation project (固態氧化物燃料電池及關鍵零部件產業化項目)	1,512.50	500.00	10.76	
	Key components of fuel cell powertrain research and development and construction capabilities project (燃料電池動力總成核心零部件研發及製造能力建設項目)	1,479.27	1,000.00	178.30	
Full Series of H Platform High-end Road-going Engines of China VI or above Emission Standards Project (全系列國六及以上排放標準H平台道路用高端發動機項目)	New million units digitalised power industry base stage I project (新百萬台數字化動力產業基地一期項目)	5,625.85	3,000.00	13.58	
	H platform engines intelligent manufacturing upgrade project (H平台發動機智能製造升級項目)	1,100.00	1,000.00	135.31	
Large Diameter High-end Engine Industrialisation Project (大缸徑高端發動機產業化項目)	Large diameter high-end engine laboratory project (大缸徑高端發動機實驗室建設項目)	1,395.00	1,075.00	144.41	
	High efficiency and high speed self-owned brand engine industrialisation project (自主品牌大功率高速機產業化項目)	998.42	685.00	90.93	
	Large diameter high-end engine development project (大缸徑高端發動機建設項目)	1,847.84	1,240.00	215.88	
Full Series hydraulic pressure powertrain and large-scale continuously variable transmission (CVT) powertrain industrialisation project (全系列液壓動力總成和大型CVT動力總成產業化項目)		3,134.08	3,000.00	236.47	
Replenishment of working capital		1,000.00	1,000.00	800.72	
Total		18,805.24	13,000.00	1,897.03	

It is expected that the remaining proceeds, being approximately RMB11.27 billion in aggregate (including accumulated interest received from bank deposits and wealth management income net of bank handling fees), would continue to be used for the relevant investment projects as set out above. The Board considers that the proceeds from the issuance of A shares had been and will be applied in accordance with the specific uses and timeline of proposed use of proceeds as disclosed in the Circular (with adjusted timeline approved by the Board on 30 March 2022).

OTHER INFORMATION

Directors' and Supervisors' Interests in Shares and Underlying Shares

As at 30 June 2022, the interests and short position (if any) of the directors, the chief executive and the supervisors in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code"), were as follows:

Name of Director	Capacity	Number of "A" shares held	Number of "H" shares held	Percentage of the issued share capital of the Company
Tan Xuguang	Beneficial owner	58,842,596 <i>(Note 1)</i>	–	0.67%
Zhang Quan	Beneficial owner	13,684,324 <i>(Note 1)</i>	–	0.16%
Xu Xinyu	Beneficial owner	13,684,324 <i>(Note 1)</i>	–	0.16%
Sun Shaojun	Beneficial owner	13,684,324 <i>(Note 1)</i>	–	0.16%
Yuan Hongming	Beneficial owner	1,000,440	–	0.011%
	Interest held by spouse	444	–	0.000005%
		<hr/> 1,000,884	–	<hr/> 0.011%
Yan Jianbo	Beneficial owner	1,097,904	–	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	–	0.0069%

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 8,726,556,821 issued shares of the Company as at 30 June 2022 (comprising 6,783,516,821 “A” shares and 1,943,040,000 “H” shares).

Interests in the shares of associated corporations of the Company

Name of Director	Name of associated corporation	Nature of interest	Class and number of securities interested or deemed to be interested	Approximate percentage interest in the entire issued share capital of associated corporation
Gordon Riske (Note)	KION Group AG (“KION”)	Beneficial owner	7,650 ordinary shares	0.0058%
		Interest held by spouse	3,000 ordinary shares	0.0023%
			10,650 ordinary shares	0.0081%
Jiang Kui	Shantui Construction Machinery Co., Ltd. (山推工程機械股份有限公司)	Beneficial owner	42,697 ordinary shares	0.0028%

Note: Gordon Riske, a non-executive Director, was the beneficial owner of 7,650 ordinary shares in KION and he was also deemed to be interested in 3,000 shares in KION which were beneficially held by his wife, Ms. Benita Riske.

Save as disclosed above, as at 30 June 2022, 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 2022)

	Before the movement		New shares issued	Increase/decrease in the movement (+, -)				After the movement	
	No. of shares	Percentage		Bonus issue	Capitalisation of reserve	Others	Sub-total	No. of shares	Percentage
I. Restricted circulating shares	1,733,314,305	19.86%				1,487,379	1,487,379	1,734,801,684	19.88%
1. State-owned legal person shares	1,642,531,008	18.82%						1,642,531,008	18.82%
2. Shares held by other domestic entities	90,783,297	1.04%				1,487,379	1,487,379	92,270,676	1.06%
including: Shares held by domestic natural persons	90,783,297	1.04%				1,487,379	1,487,379	92,270,676	1.06%
II. Non-restricted circulating shares	6,993,242,516	80.14%				-1,487,379	-1,487,379	6,991,755,137	80.12%
1. RMB ordinary shares	5,050,202,516	57.87%				-1,487,379	-1,487,379	5,048,715,137	57.85%
2. Overseas listed foreign shares	1,943,040,000	22.27%						1,943,040,000	22.27%
III. Total number of shares	8,726,556,821	100.00%						8,726,556,821	100.00%

(II) Shareholdings of the Substantial Shareholders (as at 30 June 2022)

Total number of Shareholders The number of shareholders is 464,321 among which 464,087 are shareholders of “A” shares and 234 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	22.22%	1,938,756,406		–
Weichai Group Holdings Limited	State-owned legal person	16.30%	1,422,550,620	1,345,905,600	–
Hong Kong Securities Clearing Company Limited (<i>Note</i>)	Overseas legal person	4.26%	372,128,010		–
Weifang Investment Group Company Limited	State-owned legal person	3.40%	296,625,408	296,625,408	–
China Securities Finance Corporation Limited	Domestic non-state-owned legal person	1.87%	163,608,906		–
IVM Technical Consultants Wien Gesellschaft m.b.H.	Overseas legal person	1.31%	113,938,700		–
Shandong Enterprise Trust Operation Company Limited	Domestic non-state-owned legal person	0.72%	62,565,393		–
Tan Xuguang	Domestic natural person	0.67%	58,842,596	44,131,947	–
National Manufacturing Transformation and Upgrade Fund Co., Ltd.	Domestic non-state-owned legal person	0.49%	42,682,926		–
Hu Zhongxiang	Domestic natural person	0.42%	36,632,166		–

Note: Hong Kong Securities Clearing Company Limited holds 372,128,010 A shares on behalf of shareholders under the Shenzhen-Hong Kong Stock Connect mechanism.

Shareholdings of the top ten non-restricted shareholders

Name of shareholder	Number of the non-restricted shares held	Types of shares
HKSCC Nominees Limited	1,938,756,406	Overseas listed foreign shares
Hong Kong Securities Clearing Company Limited	372,128,010	RMB ordinary shares
China Securities Finance Corporation Limited	163,608,906	RMB ordinary shares
IVM Technical Consultants Wien Gesellschaft m.b.H.	113,938,700	RMB ordinary shares
Weichai Group Holdings Limited	76,645,020	RMB ordinary shares
Shandong Enterprise Trust Operation Company Limited	62,565,393	RMB ordinary shares
National Manufacturing Transformation and Upgrade Fund Co., Ltd.	42,682,926	RMB ordinary shares
Hu Zhongxiang	36,632,166	RMB ordinary shares
Nanjing Rongjing Huikang Equity Investment Partnership Enterprise (Limited Partnership)	35,365,853	RMB ordinary shares
Overlook Investments Limited – client funds	35,365,853	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. Among the top ten shareholders of the Company, Hu Zhongxiang holds 36,632,166 shares through the client credit trading guarantee securities account.
3. As at the end of the reporting period, the Company's securities account designated for repurchased shares holds 40,960,000 shares of the Company, representing 0.47% of the total share capital of the Company.

Substantial Shareholders

The register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO (including interests filed with the Hong Kong Stock Exchange) shows that as at 30 June 2022, 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	1,422,550,620	20.97%	–	–	16.30%
Shandong Heavy Industry Group Co., Ltd. (Note 1)	Interest of corporation controlled by you	Long	1,422,550,620	20.97%	–	–	16.30%
Brandes Investment Partners, LP (Note 3)	Investment manager	Long	–	–	78,578,612	16.18%	3.60%
Lazard Emerging Markets Equity Portfolio (Note 4)	Investment manager	Long	–	–	23,707,500	5.86%	1.30%
Barclays PLC (Note 3)	Person having a security interest in shares	Long	–	–	525,552	0.11%	0.02%
	Interest of corporation controlled by you	Long	–	–	25,453,050	5.24%	1.17%
					<u>25,978,602</u>	<u>5.35%</u>	<u>1.19%</u>
	Interest of corporation controlled by you	Short	–	–	24,102,475	4.96%	1.10%
Morgan Stanley (Note 2)	Interest of corporation controlled by you	Long	–	–	49,335,508	5.08%	1.13%
	Interest of corporation controlled by you	Short	–	–	42,078,545	4.33%	0.96%
Lazard Asset Management LLC	Investment manager	Long	–	–	328,810,940	16.92%	3.77%
Schroders Plc	Investment manager	Long	–	–	224,347,854	11.55%	2.57%
Citigroup Inc.	Interest of corporation controlled by you	Long	–	–	2,810,416	0.14%	0.03%
	Approved lending agent	Long	–	–	<u>135,491,501</u>	<u>6.97%</u>	<u>1.55%</u>
					<u>138,301,917</u>	<u>7.11%</u>	<u>1.58%</u>
	Interest of corporation controlled by you	Short	–	–	1,902,788	0.10%	0.02%

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 2022.

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

Reference is made to the announcement of the Company dated 19 May 2022. During the period between 24 May 2022 and 30 June 2022, the Company repurchased 40,960,000 A Shares in aggregate from the Shenzhen Stock Exchange at the total consideration of RMB500,137,881.94 (including transaction fee). Such repurchased A Shares have not been cancelled as at the date of this announcement.

Save as disclosed above, during the Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

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

AUDIT COMMITTEE

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

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

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

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

COMPLIANCE WITH THE MODEL CODE

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

SUFFICIENCY OF PUBLIC FLOAT

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

APPROVAL OF THE FINANCIAL STATEMENTS

The reviewed consolidated financial statements for the Period were approved by the Board on 30 August 2022.

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

The 2022 interim report will be despatched to the shareholders as well as made available on the Hong Kong Stock Exchange's website at www.hkexnews.hk and the Company's website at www.weichaipower.com in due course.

Tan Xuguang

Chairman and Chief Executive Officer

Hong Kong, 30 August 2022

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