濰柴動力股份有限公司

WEICHAI POWER CO., LTD.

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

(Stock Code: 2338)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2023

FINANCIAL HIGHLIGHTS

- Revenue amounted to approximately RMB106,135 million, an increase of approximately 22.3%.
- Net profit attributable to the shareholders of the parent amounted to approximately RMB3,899 million, an increase of approximately 63.1%.
- Basic earnings per share was approximately RMB0.45.

(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 2023 (the “Period”), together with comparative figures for the corresponding period of 2022 as follows:

CONSOLIDATED INCOME STATEMENT

1 January to 30 June 2023 (Expressed in Renminbi Yuan)

	Notes	**Incurred during this period (unaudited)**	Incurred in the previous period (Restated) (unaudited)
Revenue	*7*	**106,135,266,883.70**	86,769,307,003.98
Less: Cost of sales	*7*	**85,503,651,579.37**	71,388,757,745.97
Taxes and surcharges	*8*	**332,607,945.88**	221,986,015.71
Distribution and selling expenses		**6,205,010,917.22**	5,012,573,717.92
General and administrative expenses		**4,624,238,500.38**	3,879,109,144.03
Research & development expenses		**3,721,051,210.11**	3,689,716,164.08
Finance expenses		**20,989,322.75**	(526,359,559.03)
Incl: Interest expenses		**1,330,091,722.10**	576,902,796.46
Interest income		**1,156,307,939.25**	1,072,474,869.46
Add: Other income		**128,459,146.18**	196,312,983.23
Investment income		**191,459,493.08**	180,705,749.04
Incl: investment (loss)/income from associates and joint ventures		**(20,383,006.79)**	7,105,527.80
Profit on change of fair value		**32,360,522.89**	507,847,686.03
Impairment loss of credit		**(304,646,325.05)**	(336,256,382.19)
Impairment loss of assets		**(249,812,747.87)**	(304,006,174.56)
Gain on disposal of assets		**64,090,657.14**	22,667,230.91
Operating profit		**5,589,628,154.36**	3,370,794,867.76
Add: Non-operating income		**214,778,666.25**	112,688,256.38
Less: Non-operating expenses		**57,097,620.98**	59,503,061.09
Total profit		**5,747,309,199.63**	3,423,980,063.05
Less: Income tax expenses	*9*	**961,900,716.75**	464,986,904.48
Net profit		**4,785,408,482.88**	2,958,993,158.57
(I) Breakdown by continuity of operations			
1. Net profit from continuing operations		**4,785,408,482.88**	2,958,993,158.57
(II) Breakdown by attributable interests			
1. Net profit attributable to shareholders of the parent		**3,899,023,175.98**	2,391,013,134.13
2. Minority interests		**886,385,306.90**	567,980,024.44

	Notes	Incurred during this period (unaudited)	Incurred in the previous period (Restated) (unaudited)
Net other comprehensive income after tax		**2,108,829,890.20**	2,739,081,254.75
Net other comprehensive income attributable to shareholders of the parent after tax	*11*	**1,277,193,115.99**	1,338,778,926.01
(I) Those other comprehensive income not to be reclassified into profit or loss			
1. Changes arising from re-measuring of defined benefit plan		**(65,072,944.67)**	1,206,052,769.01
2. Other comprehensive income not to be reclassified into profit or loss using the equity method		**(4,708,656.85)**	(5,921,061.10)
3. Change in fair value of investment in other equity instruments		**864,621,416.85**	(68,023,518.59)
(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		**4,034,951.90**	913,637.20
2. Cashflow hedging reserve		**(239,828.58)**	63,544,391.64
3. Exchange differences on foreign currency translation		**478,558,177.34**	142,212,707.85
Net other comprehensive income attributable to minority interests after tax		**831,636,774.21**	1,400,302,328.74
Total comprehensive income		**6,894,238,373.08**	5,698,074,413.32
Total comprehensive income attributable to the shareholders of the parent		**5,176,216,291.97**	3,729,792,060.14
Total comprehensive income attributable to minority interests		**1,718,022,081.11**	1,968,282,353.18
Earnings per share	*10*		
(I) Basic earnings per share		**0.45**	0.27
(II) Diluted earnings per share		**0.45**	0.27

There was an acquisition through combination under common control by the Company in September 2022. The acquiree was a components branch under Weichai Heavy Machinery Co., Ltd. (hereinafter the "**Components Branch of Heavy Machinery**"). The Company has restated the consolidated income statement for the period from 1 January 2022 to 30 June 2022.

CONSOLIDATED BALANCE SHEET

30 June 2023 (Expressed in Renminbi Yuan)

Assets	*Notes*	**30 June 2023 (unaudited)**	31 December 2022 (audited)
Current assets			
Cash and cash equivalents		**76,747,311,019.25**	70,841,690,615.34
Incl.: Amount deposited in financial institution		**26,715,021,213.59**	23,558,435,638.00
Financial assets held for trading		**13,460,425,442.49**	11,864,020,567.44
Notes receivable	*3*	**12,106,878,748.40**	9,602,586,343.47
Accounts receivable	*4*	**27,393,670,580.66**	21,418,523,616.59
Receivable financing		**8,212,214,639.91**	6,972,217,007.03
Prepayments		**1,733,556,552.82**	1,472,527,993.82
Other receivables		**1,642,626,717.36**	1,260,827,218.05
Inventories		**36,727,079,349.06**	33,373,961,762.55
Contract assets		**3,977,297,239.04**	4,042,186,086.76
Assets held for sale		**180,180,785.40**	203,550,763.80
Non-current assets due within one year		**4,415,634,438.60**	3,858,312,076.50
Other current assets		**3,677,624,069.41**	3,573,816,314.90
Total current assets		**190,274,499,582.40**	168,484,220,366.25
Non-current assets			
Long-term receivables		**11,699,628,194.10**	10,172,965,683.60
Long-term equity investments		**5,444,310,335.65**	5,340,553,607.62
Investment in other equity instruments		**4,410,966,522.29**	3,395,947,023.27
Other non-current financial assets		**1,031,489,832.80**	902,292,850.10
Investment property		**624,425,534.53**	621,930,393.42
Fixed assets		**41,405,578,475.15**	37,894,423,285.01
Construction in progress		**7,547,631,541.56**	7,980,410,006.36
Right-of-use assets		**5,088,583,597.54**	5,034,097,940.33
Intangible assets		**23,350,606,816.46**	22,759,467,050.26
Development expenditure		**203,268,746.54**	339,108,712.35
Goodwill		**25,141,612,842.86**	24,019,149,507.73
Long-term prepaid expenses		**301,562,254.04**	312,130,240.35
Deferred tax assets		**5,103,710,895.04**	4,905,290,205.76
Other non-current assets		**981,967,049.57**	1,504,100,980.08
Total non-current assets		**132,335,342,638.13**	125,181,867,486.24
Total assets		**322,609,842,220.53**	293,666,087,852.49

Liabilities and shareholders' equity	*Notes*	**30 June 2023 (unaudited)**	31 December 2022 (audited)
Current liabilities			
Short-term loans		**3,426,254,957.08**	4,609,106,808.74
Financial liabilities held for trading		**159,447,426.88**	85,556,345.40
Notes payable	*5*	**24,408,230,471.83**	22,024,750,934.33
Accounts payable	*6*	**58,563,388,632.59**	45,560,077,179.76
Contract liabilities		**14,599,553,119.97**	13,086,786,850.63
Payroll payable		**6,503,955,101.73**	6,133,750,533.67
Taxes payable		**1,959,120,103.08**	1,665,377,748.46
Other payables		**8,312,459,983.22**	8,190,858,301.41
Liabilities classified as held for sale		**178,132,739.40**	201,695,038.80
Non-current liabilities due within one year		**12,519,792,124.38**	11,215,162,500.91
Other current liabilities		**8,695,639,639.35**	6,969,573,180.76
Total current liabilities		**139,325,974,299.51**	119,742,695,422.87
Non-current liabilities			
Long-term borrowings		**22,816,460,922.92**	22,782,303,500.82
Bonds payable		**5,886,871,914.00**	6,056,952,787.80
Lease liabilities		**4,409,887,088.63**	4,424,326,131.24
Long-term payables		**9,561,114,862.37**	8,015,209,194.73
Long-term payroll payable		**7,616,630,521.86**	6,863,810,957.10
Accruals and provisions		**801,131,773.77**	671,834,753.46
Deferred income		**4,638,467,360.93**	4,650,817,121.11
Deferred tax liabilities		**4,621,042,397.55**	4,449,817,821.47
Other non-current liabilities		**13,383,415,727.78**	11,897,668,001.48
Total non-current liabilities		**73,735,022,569.81**	69,812,740,269.21
Total liabilities		**213,060,996,869.32**	189,555,435,692.08
Shareholders' equity			
Share capital		**8,726,556,821.00**	8,726,556,821.00
Capital reserve		**11,350,199,586.08**	11,350,199,586.08
Less: Treasury shares		**1,036,022,358.39**	1,036,022,358.39
Other comprehensive income	*11*	**2,016,678,725.79**	739,485,609.80
Special reserve		**308,844,477.16**	307,793,867.29
Surplus reserve		**2,765,811,169.85**	2,765,811,169.85
Retained earnings		**52,864,444,377.04**	50,330,429,225.83
Total equity attributable to the shareholders of the parent		**76,996,512,798.53**	73,184,253,921.46
Minority interests		**32,552,332,552.68**	30,926,398,238.95
Total shareholders' equity		**109,548,845,351.21**	104,110,652,160.41
Total liabilities and shareholders' equity		**322,609,842,220.53**	293,666,087,852.49

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

30 June 2023

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 2022. 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 2022.

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 categorized 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 recognised 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").

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.

Item	Engines	Automobiles and automobile components	Agricultural equipment	Intelligent logistics	Inter-segment elimination	Total
Incurred during this period						
Segment revenue:						
Sale to external customers	23,362,556,951.67	32,113,420,188.24	8,461,447,670.98	42,197,842,072.81	–	106,135,266,883.70
Inter-segment sale	5,845,194,405.41	1,145,864,883.04	89,539,528.30	50,813,167.79	(7,131,411,984.54)	–
Total	29,207,751,357.08	33,259,285,071.28	8,550,987,199.28	42,248,655,240.60	(7,131,411,984.54)	106,135,266,883.70
Segment results	3,404,226,060.65	(15,867,247.81)	453,187,783.22	1,938,450,281.93	(393,199,416.85)	5,386,797,461.14
Adjustment:						
Interest income	–	–	–	–	–	1,156,307,939.25
Dividend income and unallocated income	–	–	–	–	–	438,598,682.22
Corporate and other unallocated expenses	–	–	–	–	–	(57,097,620.98)
Finance expenses	–	–	–	–	–	(1,177,297,262.00)
Profit before tax	–	–	–	–	–	5,747,309,199.63

Item	Engines	Automobiles and automobile components	Agricultural equipment	Intelligent logistics	Inter-segment sale elimination	Total
30 June 2023						
Segment assets	85,199,389,328.71	65,864,132,537.31	6,869,227,824.21	118,359,585,225.81	(53,672,328,875.34)	222,620,006,040.70
Adjustment:						
Corporate and other unallocated assets						99,989,836,179.83
Total assets						322,609,842,220.53
Segment liabilities	40,964,599,043.04	53,664,474,288.72	12,506,783,343.15	67,372,325,076.21	(10,093,135,153.74)	164,415,046,597.38
Adjustment:						
Corporate and other unallocated liabilities						48,645,950,271.94
Total liabilities						213,060,996,869.32
Incurred in this period						
Other segment information:						
Share of profit and loss from:						
(Loss)/gain from associates and joint ventures	(128,511,165.44)	68,821,800.78	(7,463,376.13)	46,769,734.00	–	(20,383,006.79)
Loss of impairment of inventories	(25,209,222.61)	(17,104,345.21)	(8,634,897.50)	(164,146,249.19)	–	(215,094,714.51)
(Loss)/gain of credit impairment of receivables and lease receivable	(52,242,107.72)	(196,539,991.23)	2,509,542.46	(58,373,768.56)	–	(304,646,325.05)
Loss of impairment of assets	–	–	(397,121.18)	(34,320,912.18)	–	(34,718,033.36)
Depreciation and amortisation	(843,745,460.74)	(676,532,309.05)	(177,182,330.69)	(4,149,106,913.23)	–	(5,846,567,013.71)
Gain from disposal of fixed assets	15,615,030.53	380,128.67	1,300,575.24	46,794,922.70	–	64,090,657.14
Investment in associates and joint ventures	3,269,149,435.40	1,254,650,021.34	20,191,081.02	900,319,797.89	–	5,444,310,335.65
Capital expenditure	1,449,125,319.67	985,474,056.94	153,242,380.68	5,937,464,487.66	–	8,525,306,244.95

Item	Engines	Automobiles and automobile components	Agricultural equipment	Intelligent logistics	Inter-segment elimination	Total
Incurred in the previous period (restated)						
Segment revenue:						
Sale to external customers	16,974,273,794.51	21,736,545,830.79	8,896,683,698.48	39,161,803,680.20	–	86,769,307,003.98
Inter-segment sale	2,717,184,014.09	635,399,452.03	38,740,509.20	57,698,529.20	(3,449,022,504.52)	–
Total	19,691,457,808.60	22,371,945,282.82	8,935,424,207.68	39,219,502,209.40	(3,449,022,504.52)	86,769,307,003.98
Segment results	1,223,234,281.47	(623,575,851.99)	364,130,401.42	1,291,194,923.51	(99,101,880.75)	2,155,881,873.66
Adjustment:						
Interest income	–	–	–	–	–	1,072,474,869.46
Dividend income and unallocated income	–	–	–	–	–	801,241,691.45
Corporate and other unallocated expenses	–	–	–	–	–	(59,503,061.09)
Finance expenses	–	–	–	–	–	(546,115,310.43)
Profit before tax	–	–	–	–	–	3,423,980,063.05

Item	Engines	Automobiles and automobile components	Agricultural equipment	Intelligent logistics	Inter-segment sale elimination	Total
31 December 2022						
Segment assets	68,239,419,418.82	52,232,604,699.52	6,774,340,868.36	107,402,285,965.21	(32,011,848,610.15)	202,636,802,341.76
Adjustment:						
Corporate and other unallocated assets						91,029,285,510.73
Total assets						293,666,087,852.49
Segment liabilities	34,434,414,530.82	44,858,707,520.41	10,921,232,564.34	56,003,644,189.38	(7,272,238,423.97)	138,945,760,380.98
Adjustment:						
Corporate and other unallocated liabilities						50,609,675,311.10
Total liabilities						189,555,435,692.08
Incurred in this period						
Other segment information:						
Share of profit and loss from:						
(Loss)/gain from associates and joint ventures	83,683,738.24	(170,774,137.78)	(156,804,262.12)	100,247,037.90	–	(143,647,623.76)
Loss of impairment of inventories	(57,179,766.25)	(124,141,273.87)	16,558,930.26	(266,605,810.33)	–	(431,367,920.19)
(Loss)/gain of credit impairment of receivables and lease receivable	(12,618,059.91)	(231,610,948.31)	8,941,504.77	(177,132,806.40)	–	(412,420,309.85)
Loss of impairment of assets	(302,755,837.96)	–	–	(141,084,812.97)	–	(443,840,650.93)
Depreciation and amortisation	(1,714,662,881.39)	(1,523,246,658.97)	(278,968,211.33)	(7,631,070,027.49)	–	(11,147,947,779.18)
(Loss)/gain from disposal of fixed assets	(2,255,566.62)	11,036,921.33	808,651.19	32,898,651.40	–	42,488,657.30
Investment in associates and joint ventures	3,311,290,393.29	1,201,199,390.33	–	828,063,824.00	–	5,340,553,607.62
Capital expenditure	3,654,748,952.96	1,604,098,229.31	185,172,659.74	10,486,293,711.60	–	15,930,313,553.61

Group information

Information about products and services

Revenue from external transactions

Item	**From 1 January 2023 to 30 June 2023**	From 1 January 2022 to 30 June 2022
Powertrain, complete vehicles and machineries and key components	**44,340,289,228.87**	29,818,471,371.94
Other components	**5,900,525,027.11**	5,580,849,189.41
Intelligent logistics	**42,197,842,072.81**	39,161,803,680.20
Agricultural equipment	**8,461,447,670.98**	8,619,619,263.63
Others	**5,235,162,883.93**	3,588,563,498.80
Total	**106,135,266,883.70**	86,769,307,003.98

Geographic information

Revenue from external transactions

Item	**From 1 January 2023 to 30 June 2023**	From 1 January 2022 to 30 June 2022
China	**50,566,347,314.22**	42,595,764,514.94
Other countries and regions	**55,568,919,569.48**	44,173,542,489.04
Total	**106,135,266,883.70**	86,769,307,003.98

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

Total non-current assets

Item	**30 June 2023**	31 December 2022
China	**32,965,983,043.04**	33,117,968,164.81
Other countries and regions	**77,123,564,150.86**	72,687,403,558.70
Total	**110,089,547,193.90**	105,805,371,723.51

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

(1) Classification of notes receivable

Item	30 June 2023	31 December 2022
Bank acceptance bills	**12,045,203,693.26**	9,491,886,182.48
Commercial acceptance bills	**61,675,055.14**	110,700,160.99
Total	**12,106,878,748.40**	9,602,586,343.47

All of the above notes receivable are due within one year.

(2) Notes receivable pledged by the Group as at the end of period/year:

Item	30 June 2023	31 December 2022
Bank acceptance bills	**6,967,066,764.07**	6,324,081,527.25

(3) Notes receivable endorsed or discounted as at period end/year and not yet expired as at the balance sheet date:

	30 June 2023		31 December 2022	
	Derecognised	**Not derecognised**	Derecognised	Not derecognised
Bank acceptance bills	**69,497,733.66**	**–**	10,170,000.00	–

As at 30 June 2023, the Group had not transferred any notes into accounts receivable due to issuers' failure in performance (31 December 2022: 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 or material losses due to a default by the bank.

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.

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

Age	**30 June 2023**	31 December 2022
Within 1 year	**26,471,159,901.74**	20,528,709,966.91
1 to 2 years	**1,044,507,431.14**	1,421,597,883.19
2 to 3 years	**754,799,673.37**	262,341,986.76
Over 3 years	**2,610,618,124.40**	2,403,481,239.17
Sub-total	**30,881,085,130.65**	24,616,131,076.03
Less: Provision for bad debts	**3,487,414,549.99**	3,197,607,459.44
Total	**27,393,670,580.66**	21,418,523,616.59

(2) Disclosure of accounts receivable by category of provision for bad debts:

	30 June 2023				
	Gross carrying amount		**Provision for Bad debts**		**Carrying amount**
Category	**Amount**	**Proportion** *(%)*	**Amount**	**Percentage of provision** *(%)*	
Provision for bad debts on an individual basis	**5,210,761,656.95**	**16.87**	**2,597,879,359.09**	**49.86**	**2,612,882,297.86**
Provision for bad debts on a collective basis	**25,670,323,473.70**	**83.13**	**889,535,190.90**	**3.47**	**24,780,788,282.80**
– credit losses are provided for using impairment matrix based on aging analysis	**10,511,463,024.59**	**34.04**	**770,927,078.82**	**7.33**	**9,740,535,945.77**
– credit losses are provided for using overdue ages as credit risk characteristics	**13,973,342,742.01**	**45.25**	**108,999,597.97**	**0.78**	**13,864,343,144.04**
– Accounts receivable portfolio with good credit history	**1,185,517,707.10**	**3.84**	**9,608,514.11**	**0.81**	**1,175,909,192.99**
Total	**30,881,085,130.65**	**100.00**	**3,487,414,549.99**	**11.29**	**27,393,670,580.66**

	31 December 2022				
	Gross carrying amount		Provision for Bad debts		Carrying amount
Category	Amount	Proportion (%)	Amount	Percentage of provision (%)	
Provision for bad debts on an individual basis	5,264,751,188.55	21.39	2,485,020,803.34	47.20	2,779,730,385.21
Provision for bad debts on a collective basis	19,351,379,887.48	78.61	712,586,656.10	3.68	18,638,793,231.38
– credit losses are provided for using impairment matrix based on aging analysis	6,610,417,935.90	26.85	605,005,709.05	9.15	6,005,412,226.85
– credit losses are provided for using overdue ages as credit risk characteristics	11,822,205,856.59	48.03	93,400,273.87	0.79	11,728,805,582.72
– Accounts receivable portfolio with good credit history	918,756,094.99	3.73	14,180,673.18	1.54	904,575,421.81
Total	24,616,131,076.03	100.00	3,197,607,459.44	12.99	21,418,523,616.59

(a) As at 30 June 2023, the Group's accounts receivable assessed for expected credit losses individually are presented as follows:

Customers	**Gross carrying amount**	**Provision for Bad debts**	**Percentage of provision** (%)	**Reasons**
Customer 1	892,409,920.78	558,654,155.10	62.60	Bad repayment ability
Customer 2	449,860,507.00	48,000,000.00	10.67	Significant decrease in recovery rate
Customer 3	268,720,531.17	131,438,112.00	48.91	Bad repayment ability
Customer 4	214,223,741.41	183,408,527.53	85.62	Bad repayment ability
Customer 5	146,827,821.71	31,080,000.00	21.17	Bad repayment ability
Customer 6	111,878,808.83	111,878,808.83	100.00	Bad repayment ability
Customer 7	83,967,083.03	12,595,062.45	15.00	Increase in recovery risks
Customer 8	75,871,191.17	75,871,191.17	100.00	Bad repayment ability
Customer 9	56,927,140.00	56,927,140.00	100.00	Long credit age
Customer 10	49,159,575.31	49,159,575.31	100.00	Long credit age
Others	2,860,915,336.54	1,338,866,786.70	46.80	Long credit age, etc.
Total	5,210,761,656.95	2,597,879,359.09		

(b) As at 30 June 2023, the Group's accounts receivable for which credit losses are provided for using impairment matrix based on aging analysis are presented as follows:

	30 June 2023		
Age	**Gross carrying amount**	**Lifetime expected credit loss**	**Expected credit loss rate** *(%)*
Within 1 year	**9,603,282,504.88**	**289,986,207.51**	**3.02**
1 to 2 years	**289,294,854.35**	**41,385,215.81**	**14.31**
2 to 3 years	**240,989,071.67**	**82,691,644.51**	**34.31**
3 to 4 years	**58,851,041.45**	**39,586,133.47**	**67.26**
4 to 5 years	**28,758,037.29**	**26,990,362.57**	**93.85**
Over 5 years	**290,287,514.95**	**290,287,514.95**	**100.00**
Total	**10,511,463,024.59**	**770,927,078.82**	**7.33**

(c) As at 30 June 2023, the Group's accounts receivable for which credit losses are provided for using overdue ages as credit risk characteristics are presented as follows:

	30 June 2023		
Age	**Gross carrying amount**	**Lifetime expected credit loss**	**Expected credit loss rate** *(%)*
Not yet overdue or overdue for less than 90 days	**13,157,462,998.18**	**72,275,503.27**	**0.55**
Overdue for more than 90 days but less than 180 days	**530,187,495.44**	**11,975,248.27**	**2.26**
Overdue for more than 180 days	**285,692,248.39**	**24,748,846.43**	**8.66**
Total	**13,973,342,742.01**	**108,999,597.97**	**0.78**

(d) As at 30 June 2023, provisions for credit losses for the Group's accounts receivable with good credit history are presented as follows:

	30 June 2023		
Item	**Gross carrying amount**	**Lifetime expected credit loss**	**Expected credit loss rate** *(%)*
Accounts receivable portfolio with good credit history	**1,185,517,707.10**	**9,608,514.11**	**0.81**

(3) Movements in provision for bad debts:

Provision for bad debts	Lifetime expected credit loss (without impairment of credit)	Lifetime expected credit loss (with impairment of credit)	Total
Balance as at 31 December 2022	**765,435,159.92**	**2,432,172,299.52**	**3,197,607,459.44**
Provision for the period	**180,465,482.03**	**182,283,999.42**	**362,749,481.45**
Reversal during the period	**(39,693,118.74)**	**(29,265,744.87)**	**(68,958,863.61)**
Written-off during the period	**(3,586,919.19)**	**(35,130,334.29)**	**(38,717,253.48)**
Other increases during the period	**–**	**1,853,921.94**	**1,853,921.94**
Adjustment for exchange differences	**17,957,567.36**	**14,922,236.89**	**32,879,804.25**
Balance as at 30 June 2023	**920,578,171.38**	**2,566,836,378.61**	**3,487,414,549.99**

(4) As at 30 June 2023, the top five balances in respect of accounts receivable by closing balance are presented as follows:

Name of entity	Gross carrying amount	Proportion (%)	Provision for bad debts
First place	**1,085,873,989.20**	**3.52**	**–**
Second place	**892,409,920.78**	**2.89**	**558,654,155.10**
Third place	**550,541,553.02**	**1.78**	**10,965,560.38**
Fourth place	**449,860,507.00**	**1.46**	**48,000,000.00**
Fifth place	**400,748,555.74**	**1.30**	**2,015,964.59**
Total	**3,379,434,525.74**	**10.95**	**619,635,680.07**

As at 30 June 2023, the Group had restricted accounts receivable amounting to RMB63,589,641.23 (31 December 2022: RMB63,589,641.23).

5. NOTES PAYABLE

Item	**30 June 2023**	31 December 2022
Commercial acceptance bills	**18,173,561.14**	26,487,386.88
Bank acceptance bills	**24,390,056,910.69**	21,998,263,547.45
Total	**24,408,230,471.83**	22,024,750,934.33

As at 30 June 2023, the Group had no outstanding notes payable which were due (31 December 2022: Nil).

6. ACCOUNTS PAYABLE

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

Item	**30 June 2023**	31 December 2022
Within 3 months	**50,708,661,800.65**	35,141,572,697.24
3 to 6 months	**5,559,750,408.58**	6,533,752,194.31
6 to 12 months	**1,108,037,544.45**	2,117,650,225.70
Over 12 months	**1,186,938,878.91**	1,767,102,062.51
Total	**58,563,388,632.59**	45,560,077,179.76

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

As at 30 June 2023, there was no payable which was material and aged over one year (31 December 2022: Nil).

7. REVENUE AND COST OF SALES

(1) Revenue and cost of sales

	From 1 January 2023 to 30 June 2023		From 1 January 2022 to 30 June 2022	
Item	**Revenue**	**Cost**	Revenue	Cost
Revenue from principal operations	**104,410,247,157.44**	**83,882,039,570.28**	85,530,668,101.79	70,469,603,042.02
Other revenue	**1,725,019,726.26**	**1,621,612,009.09**	1,238,638,902.19	919,154,703.95
Total	**106,135,266,883.70**	**85,503,651,579.37**	86,769,307,003.98	71,388,757,745.97

(2) Reporting segment

Item	Engines	Automobiles and automobile components	Intelligent logistics	Agricultural equipment	Total
Classified by major regions of operation					
Including: Mainland China	18,074,649,074.75	22,081,127,268.26	2,628,352,800.00	7,782,218,171.21	50,566,347,314.22
Other countries and regions	5,287,907,876.92	10,032,292,919.98	39,569,489,272.81	679,229,499.77	55,568,919,569.48
Total	23,362,556,951.67	32,113,420,188.24	42,197,842,072.81	8,461,447,670.98	106,135,266,883.70
Classified by time for recognition of revenue					
Including: Transferred at a certain point of time	23,232,544,354.58	32,047,360,877.98	21,671,565,912.81	8,447,676,415.59	85,399,147,560.96
Provided over a certain period of time	117,372,739.33	44,388,218.08	16,238,424,800.00	11,634,605.29	16,411,820,362.70
Sub-total of revenue arising from the contracts with customers	23,349,917,093.91	32,091,749,096.06	37,909,990,712.81	8,459,311,020.88	101,810,967,923.66
Revenue under the Standard on Lease	12,639,857.76	21,671,092.18	4,287,851,360.00	2,136,650.10	4,324,298,960.04
Total	23,362,556,951.67	32,113,420,188.24	42,197,842,072.81	8,461,447,670.98	106,135,266,883.70

(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 2023, 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.

8. TAXES AND SURCHARGES

Item	**From 1 January 2023 to 30 June 2023**	From 1 January 2022 to 30 June 2022
City maintenance and construction tax	**42,799,408.07**	21,231,696.27
Educational surtax	**32,137,754.74**	14,245,412.02
Property tax	**131,753,726.16**	97,734,576.72
Stamp duty	**59,241,362.54**	42,190,955.64
Others	**66,675,694.37**	46,583,375.06
Total	**332,607,945.88**	221,986,015.71

9. INCOME TAX EXPENSES

Item	**From 1 January 2023 to 30 June 2023**	From 1 January 2022 to 30 June 2022
Current tax expenses	**1,065,297,232.38**	630,704,425.38
Deferred tax expenses	**(103,396,515.63)**	(165,717,520.90)
Total	**961,900,716.75**	464,986,904.48

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

Item		From 1 January 2023 to 30 June 2023	From 1 January 2022 to 30 June 2022
Total profit		**5,747,309,199.63**	3,423,980,063.05
Tax at statutory tax rate	*(Note 1)*	**1,436,827,299.91**	855,995,015.76
Effect of different tax rates applicable to the Company and some subsidiaries	*(Note 2)*	**(424,528,357.72)**	(258,865,875.68)
Adjustments to current tax of previous periods		**22,731,885.85**	(58,212,048.95)
Profits and losses attributable to associates and joint ventures		**18,731,823.54**	(10,749,076.35)
Income not subject to tax		**(25,783,842.15)**	(95,259,248.82)
Expenses not deductible for tax		**121,132,568.97**	74,628,963.04
Effect of tax incentives on eligible expenditures		**(376,854,595.37)**	(361,227,045.28)
Effect of utilisation of deductible losses and deductible temporary difference of unrecognised deferred tax assets from prior years		**(46,817,023.12)**	(70,954,037.25)
Effect of unrecognised deductible losses and deductible temporary difference		**236,460,956.84**	389,630,258.01
Tax expense at the Group's effective tax rate		**961,900,716.75**	464,986,904.48

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

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

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

10. EARNINGS PER SHARE (EPS)

The basic EPS is calculated by dividing the net profit of the current period 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	**From 1 January 2023 to 30 June 2023**	From 1 January 2022 to 30 June 2022
Earnings		
Net profit of the current period attributable to ordinary shareholders of the Company	**3,899,023,175.98**	2,391,013,134.13
Shares		
Weighted average number of the ordinary shares outstanding of the Company	**8,639,291,296.00**	8,724,803,487.67
Basic EPS (RMB/share)	**0.45**	0.27

The Group holds no potential shares that are significantly dilutive.

11. OTHER COMPREHENSIVE INCOME

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

		Incurred during this period						
Item	31 December 2022	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	Less: Income tax expenses	Attributable to parent company after tax	Attributable to minority interests after tax	Less: Amount recognised in other comprehensive income in previous period and recognised in retained earnings in current period	**30 June 2023**
I. Those other comprehensive income not to be reclassified into profit or loss	1,444,770,266.79	848,513,093.48	–	(104,541,930.63)	794,839,815.33	(50,868,652.48)	–	**2,239,610,082.12**
Changes arising from re-measuring of defined benefit plan	833,225,450.27	(170,773,695.49)	–	47,672,841.20	(65,072,944.67)	(58,027,909.62)	–	**768,152,505.60**
Other comprehensive income not to be reclassified into profit or loss using the equity method	(112,762,386.40)	4,265,958.00	–	–	(4,708,656.85)	8,974,614.85	–	**(117,471,043.25)**
Change in fair value of investment in other equity instruments	724,307,202.92	1,015,020,830.97	–	(152,214,771.83)	864,621,416.85	(1,815,357.71)	–	**1,588,928,619.77**
II. Other comprehensive income to be reclassified into profit or loss	(705,284,656.99)	1,397,253,517.29	(21,928,168.62)	(10,466,621.32)	482,353,300.66	882,505,426.69	–	**(222,931,356.33)**
Other comprehensive income to be reclassified into profit or loss using the equity method	(11,391,380.32)	4,034,951.90	–	–	4,034,951.90	–	–	**(7,356,428.42)**
Cashflow hedging reserve	127,955,731.90	43,980,049.84	(21,928,168.62)	(10,466,621.32)	(239,828.58)	11,825,088.48	–	**127,715,903.32**
Exchange differences on foreign currency translation	(821,849,008.57)	1,349,238,515.55	–	–	478,558,177.34	870,680,338.21	–	**(343,290,831.23)**
Total of other comprehensive income	739,485,609.80	2,245,766,610.77	(21,928,168.62)	(115,008,551.95)	1,277,193,115.99	831,636,774.21	–	**2,016,678,725.79**

12. DIVIDENDS

On 30 August 2023, the Company passed a board resolution to distribute to all shareholders a cash dividend of RMB2.26 (including tax) for every 10 shares held, without any capitalisation of reserve, temporarily based on 8,639,291,296 shares eligible for profit distribution (calculated by deducting 87,265,525 shares in the securities account designated for share repurchase from the total share capital of the Company of 8,726,556,821 shares) as at 30 June 2023. 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 interim dividend for 2023.

The interim dividend distribution for 2023 has been pre-authorised at the annual general meeting held on 28 June 2023, and will be implemented after the Board has considered and approved the dividend distribution plan.

13. COMPARATIVE FIGURES

There was an acquisition through combination under common control by the Company in September 2022. The acquiree was the Components Branch of Heavy Machinery. The Company has restated the consolidated income statement for the period from 1 January 2022 to 30 June 2022.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board, I would like to present the reviewed interim results of the Company for the six months ended 30 June 2023.

I. REVIEW OF OPERATING CONDITIONS

Since 2023, the recovery of global economy has been characterised by prominent differentiation, and different economies and industries have shown an "unevenly hot and cold" trend. The domestic economic operation entered a plateau phase after experiencing a pulse recovery at the beginning of the year. Under the combined effect of economic recovery and improvement, continuous release of policy effect and lower base in the corresponding period of last year, there were more favorable factors for the development of the industry. However, affected by factors such as the complicated and severe international environment and insufficient domestic demand, the industry was still facing great pressure. From January to June, the heavy-duty truck industry of China delivered a sales volume of 488,000 units, representing a year-on-year increase of 29%; the construction machinery industry delivered a sales volume of 379,000 units (including 188,000 units of diesel forklift trucks), representing a year-on-year decrease of 12%; the agricultural equipment industry delivered a sales volume of 227,000 unites, representing a year-on-year decrease of 17.4%.

During the reporting period, in the face of complicated development conditions, the Company made systematic planning and reasonable arrangement and implemented precise policies to continuously deepen reforms, actively expand segment markets, continuously increase investment in research and development and stringently prevent operational risks, which maintained a continuous improvement in the overall operating quality and a stable development. In the first half of the year, the Company's revenue increased by 22.3% as compared with that in the corresponding period of 2022 to approximately RMB106,135 million. Net profit attributable to the shareholders of the Company amounted to approximately RMB3,899 million, representing an increase of approximately 63.1% as compared with that in the corresponding period of 2022. Basic earnings per share was RMB0.45, representing an increase of approximately 64.7% as compared with that in the corresponding period of 2022.

1. Power System Business

With the high-quality development driven by scientific and technological innovation, we continued to reaffirm our leading position in the industry. By establishing product R&D systems for different segment markets and enhancing R&D capabilities throughout the whole process, we have been able to satisfy demands of customers more comprehensively and quickly. We fully enhanced power performance, reliability and affordability of our light-duty power products to continuously improve our product competitiveness, so as to gain reputation in the market. High-horsepower and high-end products continued to exert their strengths, and products such as WP14H, WP14T, WP15H, WP15T and WP15NG have set new industry benchmarks in trunk logistics, green cold chain, express delivery, port transportation, hazardous chemicals transportation and other markets, and become customers' preferred brand of power products. Supply volume of the high-end large-diameter engines in the high-end markets such as data centre, mine emergency power supply and mining truck, has been rising steadily, which have become a new growth point of the Company and demonstrated remarkable results of the product structure adjustment. **With significant differentiated advantage in powertrains, our core competitiveness became more outstanding.** The new generation of powertrain products with high thermal efficiency had obvious advantages of high reliability and high transmission efficiency, and continued to lead the new era of energy saving for high-horsepower heavy-duty trucks in China. The newly launched WP7H excavator hydraulic powertrain and WP15H excavator hydraulic powertrain with strong power and high reliability have become excellent excavating tools for a variety of users. The WP17T engine + Linde Hydraulics powertrain has been applied to 80-ton excavators for bulk production for the first time. It is the best mining excavator in the new generation due to its reliable performance and significantly lower fuel consumption as compared with excavators at the same ton level. High-horsepower intelligent CVT tractors have been put into the market in large quantities, which has quickly established our core competitive advantage of high-end agricultural equipment and effectively promoted the transformation and upgrading of China's agricultural machinery industry.

During the reporting period, the market shares of the Company in various segment markets increased steadily which maintained our leading position in various product markets. Sales volume of engines amounted to 367,000 units, representing a year-on-year increase of 29%, among which the market share of domestic heavy-duty engines with 500hp or above reached 31.7%, representing a year-on-year increase of 19.7 percentage points and a significant increase in profitability. The export volume amounted to 39,000 units, representing a year-on-year increase of 52%. Sales volume of gear boxes amounted to 425,000 units, representing a year-on-year increase of 33%. The export volume amounted to 22,000 units, representing a year-on-year increase of 93%. Sales volume of axles amounted to 361,000 units, representing a year-on-year increase of 31%. Our high-end strategic products continued to make contribution, with the revenue of large-diameter engines achieving RMB1.71 billion, representing a year-on-year growth of 77%, and the domestic revenue of high-end hydraulic products achieving RMB500 million, representing a year-on-year growth of 46%.

2. ***Commercial Vehicle Business***

Focusing on the strategy of being led by complete vehicles and machineries, the Company accelerated the structural upgrading of the industrial chain, and continuously enhanced the competitiveness of its products. Shaanxi Heavy Duty Automotive Co., Ltd. ("Shaanxi Zhongqi"), a controlling subsidiary of the Company, seized the market opportunities, continued to adjust and optimise its product structure and business structure and achieved substantial growth in product sales, with the market growth rate ranking first for several consecutive months. In the first half of the year, it recorded a total sales volume of heavy-duty trucks of 61,000 units, representing a year-on-year increase of 58%. The export volume amounted to 26,000 units, representing a year-on-year increase of 97%. **With the continuous enhancement in our core competitive advantages, we achieved great breakthroughs in key segment markets.** By seizing the rising opportunity of natural gas heavy-duty trucks, in the first half of the year, the total sales volume of natural gas products of Shaanxi Zhongqi exceeded 10,000 units, representing a year-on-year increase of 241% and an increase in market share of 2.8%, which demonstrated users' recognition of its high reliability, light weight, high horsepower and low gas consumption. Construction dump trucks continued to dominate the market and ranked first in the industry with leading edge. Cargo trucks achieved growths in both sales volume and market share, with sales volume having increased by 107% year-on-year and market share having increased by 2.2 percentage points. **Adhering to innovation-driven development, we seized the commanding point of heavy-duty truck technologies.** We actively promoted upgrades in high-end heavy-duty trucks and successfully launched the upgraded Delong X6000 17H840 high-horsepower high-end product, marking a new record in the domestic heavy-duty truck market again and leading the development of high-horsepower tractor market in China. By actively promoting the layout of new energy heavy-duty truck industry, integrating industry resources and matching the industry-leading self-developed electric drive and electric control technology, we realised bulk delivery in Xinjiang, Sichuan and Heilongjiang to fill the market gap, which greatly enhanced our brand influence.

3. *Agricultural Equipment Business*

Since 2023, there has been a significant downward trend in the domestic agricultural machinery market. In face of the complicated environment such as the transition from National III to National IV and overdraft of subsidies, the Company focused on businesses of intelligent agricultural machinery and intelligent agriculture business and conducted in-depth research on segment markets to constantly promote high-end and intelligent products and services, fully demonstrating our resilience in development. **With comprehensive increase in market shares in various segment markets, we maintained our leading market position.** In the first half of the year, relying on the excellent product performance, high-horsepower intelligent tractors, large-input grain harvesting machineries and compound seeders of Weichai Lovol Intelligent Agricultural remained popular in the market, with sales volume continuing to maintain a leading position in the PRC. **We actively played the leading role in the industry and led agricultural machinery and equipment to high-end intelligence.** The P2404-7V high-horsepower CVT intelligent tractor of Weichai Lovol realised the perfect combination of the best power and the best fuel, which had the comprehensive working efficiency improved by 30% and the comprehensive fuel consumption reduced by 10%. It has been delivered to users in Northeast China, Inner Mongolia and Xinjiang in batches, and has been widely recognised by the market. The prototype of 12kg/s crawler-type and 18kg/s wheel-type grain combine harvester was completed, and the product performance reached the international level. Focusing on modern agricultural production and smart farm construction, we realised the integrated application of core technologies such as whole-process intelligent agricultural machinery, farm management platform and precision operation, and solved the problem of scientific farming. At the same time, we established an agricultural socialised service system with whole-process custody as the core, providing new business entities with a full-scenario service solution for the whole process of grain production.

4. Intelligent Logistics Business

KION Group AG ("KION"), an overseas controlling subsidiary of the Company, is a globally leading supplier in the area of intralogistics, and its business mainly includes industrial forklift trucks, storage technology and related 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 sales revenue of EUR5.6 billion, representing a year-on-year growth of 2%. Revenue from industrial vehicle and service business increased significantly, and the operating performance far exceeded expectations.

5. New Business Format, New Energy and New Technology

The Company has thoroughly implemented the new development concept to accelerate the establishment of a new pattern of business development and realise the scale development of new energy business. **The electric powertrain product platform has been fully launched, and key technologies have reached the industry-leading level.** We independently developed a light-duty truck electric drive axle powertrain integrating "high-speed flat-wire motor platform + domain controller" with high integration and cost-effective to optimise the overall performance of complete vehicles, and the overall efficiency increased by more than 5%. Light-duty truck and heavy-duty truck hybrid power systems were applied in small quantities, reaching a maximum mileage of a single vehicle of more than 130,000 kilometers. With the strategic cooperation with BYD to jointly build a power battery R&D and manufacturing base, we continued to strengthen the development of the new energy industry chain, innovation chain, and value chain. **Our fuel cell business has made a world-leading breakthrough, leading the development of multiple energy technologies in the industry.** The world's first high-power metal-supported commercial solid oxide fuel cell SOFC commercialised product with a combined heat and power efficiency of 92.55% has been released, setting the world's highest record and providing green and low-carbon solutions for distributed energy and microgrids. The hydrogen fuel cell business continued to lead the development of the industry. The cumulative mileage of buses equipped with Weichai's hydrogen fuel cell engines exceeded 30 million kilometers with a product life span of 30,000 hours.

II. DIVIDENDS AND CAPITALISATION OF RESERVE

On 28 June 2023, the Company's 2022 profit distribution proposal was considered and approved at the Company's 2022 annual general meeting to distribute to the shareholders of 8,639,291,296 shares eligible for distribution (including 6,696,251,296 A shares and 1,943,040,000 H shares), based on the Company's existing total share capital of 8,726,556,821 shares and deducting 87,265,525 shares held by the Company through the securities account designated for share repurchase a cash dividend of RMB1.58 (including tax) for every 10 shares held, without any capitalisation of reserve.

On 30 August 2023, pursuant to the shareholders' mandate, the Board of the Company intended to distribute to all shareholders a cash dividend of RMB2.26 (including tax) for every 10 shares held, without any capitalisation of reserve, temporarily based on 8,639,291,296 shares eligible for profit distribution (calculated by deducting 87,265,525 shares in the securities account designated for share repurchase from the total share capital of the Company of 8,726,556,821 shares) as at 30 June 2023. If the total number of shares eligible for profit distribution changes when the 2023 interim dividend distribution proposal is implemented, based on the total number of shares which shall be eligible for profit distribution on the record date at the time of the implementation of the A shares distribution proposal, 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 2023 interim dividend.

III. OUTLOOK AND PROSPECTS

Looking into the second half of 2023, under the influence of the gradual recovery of the global supply chain, tightening monetary policy and economic growth deceleration, the overall global liquidity and financing environment is expected to be generally tight whereas the global economic growth will continue to slow down. On the basis of restorative growth in the first half of the year, China's economy is expected to accelerate the recovery of the micro-foundation, and continue to improve market expectations thus moving towards expansionary growth. Under the national economic tone of "stabilising infrastructure, expanding consumption, protecting people's livelihood, and preventing risks", and coupled with export demand, the recovery of consumption will play a supporting role in bulk logistics and trunk logistics and drive the overall sales level of heavy-duty trucks. The gradual acceleration of infrastructure investment will form a physical workload, which will drive the demand for construction vehicles such as dump trucks and mixer trucks. As evidenced by the spring plowing three-summer operation experience, customers' recognition of National IV agricultural equipment products has increased significantly, and their concerns about products and services have been gradually diminished. The demand for renewal of agricultural machinery will gradually pick up in the second half of the year.

In the second half of the year, the Company will adhere to the technology-led and innovation driven approach, continuously enhance product competitiveness, continue to deepen enterprise reform, improve quality and efficiency, seize the market, secure orders, and maintain high-quality development.

We will continue to deepen the segment markets and make breakthroughs in multiple areas. By seizing popular market opportunities in gas vehicles and trucks, we will conduct promotion activities around key areas to accelerate the sales of products, actively promote the development and launch of new products, accelerate the development and promotion of products in new markets, and achieve strategic breakthroughs in the high-horsepower market. We will give full play to the differentiated competitive advantages of powertrain, conduct precise marketing, and quickly match resources to ensure a steady increase in market share. **Through continuously increasing the intensity of scientific and technological innovation, we will accelerate the realisation of self-reliance and self-improvement in science and technology.** Focusing on the competitive advantages of traditional power products, we strive to maintain our leading position by carrying out in-depth research on performance indicators such as economy, reliability and power performance. We will also actively explore the research of new generation of emission control technology for better product reserves, and accelerate the application, development and promotion of WPDI, methanol engine, and hydrogen internal combustion engine. We will build complete test capabilities for electric drive components, motor assemblies and powertrains, and continue to increase research and development efforts on core technologies such as self-developed motors, self-developed motor controllers, and new energy powertrains, in order to make breakthroughs in fuel cell core technology and accelerate the realisation of marketisation. **Through deepening reforms and reinforcing our foundation, we aim to move towards a world-class enterprise.** We will strengthen incentives for technological achievements and performance evaluation of functional departments to continuously improve management efficiency and R&D efficiency, promote construction of process management system to focus on strategic requirements and business objectives, and further improve and optimise the process architecture system. We will also systematically plan WOS promotion and evaluation to build a WOS management practice sharing platform, and boost the management of the entire industry chain.

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 2023 (the "Period" or the "reporting 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. Our development vision is to become a world leading, well-respected and sustainably developing multinational group of intelligent industrial equipment, with complete vehicles and machineries as the leading business, and with powertrain as the core technology support. Over the years, the Company has been dedicated to the dual-wheel drive of product management and capital operation and striving to develop competitive products in terms of three key aspects: quality, technology and cost efficiency, thereby developing a new pattern of synergetic development among business segments including powertrains (including engines, gear boxes, axles and hydraulics), complete vehicles and machineries, agricultural equipment and intelligent logistics.

1. Commercial Vehicles, Construction Machinery and Agricultural Equipment Industries

In the first half of 2023, as the economy and society fully resumed normal operation and the effect of macro-policies unleashed significantly, the national economy began to rebound with steady and progressive high-quality development. However, the global political and economic situation was complicated and the foundation for the sustained recovery and development of the domestic economy was still not solid, and hence it was still facing great pressure.

The heavy-duty truck market performed generally well in the first half of 2023. During the Period, the heavy-duty truck market achieved sales of approximately 488,000 units, representing a year-on-year increase of approximately 29%. The performance of the domestic construction machinery market was still unsatisfactory due to multiple factors. The bottoming trend continued throughout the first half of the year. The construction machinery industry achieved sales of approximately 379,000 units (including approximately 188,000 diesel forklifts) in the first half of the year, representing a year-on-year decrease of approximately 12%. Since 2023, due to the superimposed influence of multiple factors such as upgrading from National III to National IV and subsidy overdraft, the domestic agricultural machinery market has experienced a sharp decline. During the Period, the sales volume of the agricultural equipment industry amounted to approximately 227,000 units, representing a year-on-year decrease of approximately 17.4%.

2. Industrial Trucks and Supply Chain Solutions

The international industrial truck market in the EMEA and Americas regions saw a substantial fall in order numbers in the Period. The robust figures for the first half of 2022 had been bolstered by customers placing orders earlier than scheduled intended in response to longer delivery times. By contrast, the order numbers in the APAC region went up noticeably in the Period.

The global market for supply chain solutions continued to be affected by economic uncertainties in the first half of 2023. The research institute Interact Analysis (2023) currently forecasts a fall in new warehouse space for 2023 as a whole, compared with the very strong figure for the previous year. But the positive medium- and long-term trends in the supply chain solutions market remain intact.

II. The Group's Business

During the Period, the market shares of the Group in various segment markets increased steadily which maintained our leading position in various product markets. 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. Powertrains, Complete Vehicles and Machineries and Key Components

The Company has always adhered to scientific and technological innovation in driving high-quality development and continuously consolidating its leading position in the industry. It has established a product research and development system for each segment market and improved its full-process research and development capabilities to meet customer needs in a more comprehensive and rapid way. With the Company's significant differentiated advantages of the powertrain, its core competitiveness continued to increase.

During the Period, the Company focused on the leading strategy of complete vehicles and complete machineries, accelerated the upgrading of the industrial chain structure, and continued to enhance product competitiveness. Shaanxi Heavy Duty Automotive Co., Ltd. ("Shaanxi Zhongqi"), a controlling subsidiary of the Company, seized market opportunities and continued to adjust and optimize its product and business structures. Its products achieved a substantial growth in sales and its market growth rate ranked first for many consecutive months.

During the Period, the Company sold a total of approximately 367,000 units of engines, representing a year-on-year increase of 29%, among which the market share of domestic heavy-duty engines with 500hp or above reached 31.7%, representing a year-on-year increase of approximately 19.7 percentage points and a significant increase in profitability. Sales volume of gear boxes and axles amounted to approximately 425,000 units and approximately 361,000 units respectively, representing a year-on-year increase of approximately 33% and 31%, respectively. In the first half of the year, it recorded a total sales volume of heavy-duty trucks of approximately 61,000 units, representing a year-on-year increase of approximately 58%.

During the Period, the engine business contributed sales revenue of approximately RMB23,363 million to the Group, representing a year-on-year increase of approximately 37.6%, while the automobile and auto parts business contributed sales revenue of approximately RMB32,113 million to the Group, representing a year-on-year increase of approximately 47.7%.

2. *Intelligent Logistics*

Revenue from industrial trucks & services business increased significantly during the Period. The operating result far exceeded expectations, increasing by approximately 19.9% year-on-year from approximately EUR3,449 million for the corresponding period last year to EUR4,135 million. However, the number of new vehicle orders in industrial trucks & services business declined by approximately 30% year-on-year to approximately 122,000 units due to slower market growth. The total value of order intake declined by approximately 18.0% year-on-year from approximately EUR4,827 million for the corresponding period last year to approximately EUR3,957 million. On the other hand, after several years of strong growth, the market for warehouse automation solutions has become relatively weak and customer demand has weakened significantly, with the total value of order intake of the first half of the year amounting to approximately EUR1,371 million, a year-on-year decrease of approximately 26.5% compared to the corresponding period last year.

During the Period, the intelligent logistics business contributed approximately RMB42,198 million to the Group's sales revenue, representing a year-on-year increase of approximately RMB3,036 million or approximately 7.8% compared to approximately RMB39,162 million for the corresponding period last year.

3. Agricultural Equipment

Since 2023, the domestic agricultural machinery market has experienced a sharp decline in the face of the complicated environment such as upgrading from National III to National IV and subsidy overdrafts. The Company focused on the development of intelligent agricultural machinery and intelligent agricultural business, conducted in-depth research on segment markets, and continuously promoted high-end and intelligent products and services, which fully demonstrated the resilience of development. The market share of each segment market has increased in general with continuously leading market position. During the Period, the agricultural equipment business contributed sales revenue of approximately RMB8,461 million to the Group.

III. Financial Review

1. The Group's Results of Operations

a. Revenue

In the first half of 2023, the Group's revenue amounted to approximately RMB106,135 million, representing an increase of approximately RMB19,366 million or approximately 22.3% from approximately RMB86,769 million in the corresponding period in 2022, mainly attributable to the combined effect of economic recovery and improvement, continuous release of policy effects and the lower base in the corresponding period last year, which resulted in the increase of favorable factors for industry development and sales growth. Revenue from principal operations amounted to approximately RMB104,410 million, representing an increase of approximately RMB18,879 million or approximately 22.1% from approximately RMB85,531 million in the corresponding period last year.

b. Gross Operating Margin

During the Period, the Group's gross operating margin was 19.4%, representing a rebound of 1.7% as compared with that of the corresponding period last year. Among them, the domestic segment was mainly affected by factors including the rebound in overall sales revenue, the dilution of fixed production costs and the increasing profitability of products, while the overseas segment mainly benefited from the increase of sales price and the stabilisation of material cost, which resulted in the increase in the gross profit margin of the overseas segment.

c. *Distribution and Selling Expenses*

The distribution and selling expenses increased by approximately RMB1,192 million or 23.8% from approximately RMB5,013 million in the corresponding period of 2022 to approximately RMB6,205 million during the Period. The increase of distribution and selling expenses was primarily attributable to an increase in after-sales and repair fee and marketing expenses as affected by the significant increase in turnover. During the Period, the proportion of distribution and selling expenses to revenue was approximately 5.8%, which was almost the same as the corresponding period last year.

d. *General and Administrative Expenses*

General and administrative expenses increased by approximately RMB745 million or 19.2% from approximately RMB3,879 million in the corresponding period of 2022 to approximately RMB4,624 million during the Period. The increase in general and administrative expenses was mainly due to the recovery of business expansion which resulted in an increase in staff costs and external support fee. During the Period, the proportion of general and administrative expenses to revenue was approximately 4.4%, which was almost the same as approximately 4.5% for the corresponding period last year.

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

During the Period, the Group's EBIT was approximately RMB7,077 million, representing an increase of approximately RMB3,076 million or 76.9% from approximately RMB4,001 million in the corresponding period last year. The increase in EBIT was primarily attributable to the increase in sales and significant economies of scale, and the Group's effective control of expenses, which led to an increase in the EBIT margin of the Group from approximately 4.7% in the corresponding period of 2022 to approximately 6.7% during the Period.

f. *Finance Expenses*

During the Period, finance expenses increased by RMB547 million as compared with that of the corresponding period last year, mainly due to the further increase in the scale of interest-bearing liabilities and the relatively high increase in interest rates resulting from interest rate hikes, which resulted in an increase in interest expenses of approximately RMB753 million as compared with that of the corresponding period last year. On the other hand, during the Period, the exchange rate of RMB against the US dollar presented an overall upward trend, and the foreign exchange gain increased significantly by approximately RMB151 million as compared with that of the corresponding period last year.

g. Provision for Impairment

In accordance with the Accounting Standards for Business Enterprises, Stock Listing Rules of the Shenzhen Stock Exchange and the relevant provisions of the Company's accounting policies, based on the principle of prudence, the Company has conducted impairment tests on its assets with signs of impairment within the scope of the consolidated financial statements as at 30 June 2023 and made corresponding impairment provisions for assets with signs of impairment. According to the test results, provision made for the impairment by the Company during the Period amounted to approximately RMB555 million, of which the provision for credit losses amounted to approximately RMB305 million, provision for decline in value of inventories amounted to approximately RMB215 million, provision for impairment of goodwill amounted to approximately RMB18 million, provision for impairment of fixed assets and intangible assets amounted to approximately RMB10 million and provision for impairment of right-of-use assets amounted to approximately RMB7 million.

h. Income Tax Expenses

The Group's income tax expenses increased by approximately 106.9% from approximately RMB465 million in the corresponding period in 2022 to approximately RMB962 million during the Period, which was mainly attributable to a significant increase in total profit. The Group's average effective tax rate increased from approximately 13.6% in the corresponding period last year to approximately 16.7% during the Period.

i. Net Profit and Net Profit Margin

The Group's net profit for the Period was approximately RMB4,785 million, representing an increase of approximately RMB1,826 million or 61.7% from approximately RMB2,959 million in the corresponding period last year. Net profit margin for the Period was approximately 4.5%, which increased by 1.1 percentage points from approximately 3.4% in the corresponding period last year.

j. Liquidity and Cash Flow

During the Period, the Group generated operating cash flows of approximately RMB12,893 million. A portion of such proceeds was applied to repayment of debts, payment of investment monies and payment of the acquisition of property, plant and equipment for the expansion of the Group's business.

As of 30 June 2023, the Group's cash and cash equivalents (net of interest-bearing debts) amounted to net cash of RMB30,871 million. Based on the above calculations, the Group is in a net cash position.

As at 30 June 2023, the Group's gearing ratio (interest-bearing debts/(interest-bearing debts + shareholders' equity)) was approximately 24.8% (as at 31 December 2022: approximately 26.1%).

2. *Financial Position*

a. *Assets and Liabilities*

As at 30 June 2023, the Group had total assets of approximately RMB322,610 million, of which approximately RMB190,274 million were current assets. As at 30 June 2023, the Group had cash and cash equivalents of approximately RMB76,747 million (as at 31 December 2022: approximately RMB70,842 million). As at the same date, the Group's total liabilities amounted to approximately RMB213,061 million, of which approximately RMB139,326 million were current liabilities. The current ratio was approximately 1.37x (as at 31 December 2022: 1.41x).

b. *Capital Structure*

As at 30 June 2023, the Group had total equity of approximately RMB109,549 million, of which approximately RMB76,997 million was attributable to equity holders of the Company and the remaining balance was minority interests.

The borrowings of the Group as at 30 June 2023 amounted to approximately RMB36,106 million, which included bonds of approximately RMB6,434 million and bank borrowings of approximately RMB29,672 million.

The bank borrowings included fixed interest rate bank borrowings of approximately RMB8,209 million and floating interest rate bank borrowings of approximately RMB21,463 million.

Borrowings repayable on demand or within a period not exceeding one year were approximately RMB6,856 million; borrowings repayable within a period of more than one year but not exceeding two years were approximately RMB6,395 million; borrowings repayable within a period of more than two years but not exceeding five years were approximately RMB16,345 million; and borrowings repayable within a period of more than 5 years were approximately RMB76 million. Other than Euro-denominated borrowings, USD-denominated borrowings and GBP-denominated borrowings equivalent to approximately RMB20,180 million, approximately RMB1,043 million and approximately RMB254 million respectively, the borrowings were Renminbi-denominated borrowings.

The revenue of the Group is mainly in Renminbi and Euro and the Group does not consider its currency risk significant. The key objectives of the Group's capital management are to maintain the Group's going concern and a sound capital ratio so as to support business development and maximise the value to shareholders. The Group's overall strategy remains unchanged from prior years.

c. *Pledge of Assets*

As at 30 June 2023, bank deposits, notes receivable and receivable financing of approximately RMB18,169 million (as at 31 December 2022: approximately RMB16,220 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 and accounts receivable amounting to approximately RMB9,119 million (as at 31 December 2022: approximately RMB8,326 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 2023, the Group provided certain distributors and agents bank guarantee amounting to approximately RMB997 million (as at 31 December 2022: approximately RMB873 million) to secure their obtaining and use of banking facilities.

As at 30 June 2023, the Group provided buy-back guarantee liability in respect of potential failure of the leasees under finance leases to settle instalment payments plus interest with a risk exposure of buy-back guarantee liability amounted to approximately RMB1,956 million (as at 31 December 2022: approximately RMB1,831 million).

e. *Commitments*

As at 30 June 2023, the Group had capital commitments of approximately RMB5,481 million (as at 31 December 2022: approximately RMB6,952 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 2023, the Group had no external investment commitments (as at 31 December 2022: nil).

f. *Intangible assets*

As at 30 June 2023, the Group's total intangible assets amounted to approximately RMB23,351 million, of which land use rights amounted to approximately RMB2,796 million, trademark rights amounted to approximately RMB8,240 million, customer relationship amounted to approximately RMB4,395 million, technology know-how amounted to approximately RMB1,325 million, and license and software etc. amounted to approximately RMB6,595 million. Intangible assets arising from in-house research and development as at the end of the Period accounted for 25.22% of the balance of intangible assets.

g. *Hedging arrangements*

KION, a subsidiary of the Company, conducted cash flow hedging on forward currency contracts designated to the exchange rate risk of forecast sale, forecast purchase and firm commitment. The total cash flow of the hedged item amounted to RMB3,619,902,897.24 (EUR459,547,663.13), of which the amount due within 1 year was RMB2,996,026,502.35 (EUR380,346,384.12), and the remaining portion will become due in 2024. The hedged items would affect the profit and loss for the period from 2023 to 2024. There was no material invalid hedge within the Period. During the Period, the gain on fair value changes of the hedging instrument included in the other comprehensive income amounted to RMB54,506,024.94 (EUR6,848,000.00) and income transferred to profit or loss for the period amounted to RMB21,928,168.62 (EUR2,755,000.00).

On 15 January 2020, Weichai Power (Hong Kong) International Development Co., Limited ("Hong Kong Power", a subsidiary of the Company) used the interest rate swap instrument as hedging instrument, and conducted cash flow hedging on the floating rate borrowings amounting to EUR241 million against the cash flow fluctuation incurred by change in interest rates. The hedged items would affect the profit and loss for the period of 2023 to 2024. There was no material invalid hedge within the Period. During the Period, the loss on fair value changes of the hedging instrument included in the other comprehensive income amounted to RMB10,525,975.10 (EUR1,426,385.38). There was no amount transferred into profit or loss for the period.

On 31 December 2018, KION, a subsidiary of the Group, entered into interest rate swap contracts to conduct fair value hedging on the interest rate risk of fixed-rate medium-term notes issued with par value of EUR100,000,000.00. As at 30 June 2023, the aforesaid hedged items of the Group were presented as bonds payable in the financial statement with a book value of RMB587,883,727.20 (EUR74,632,000.00). During the Period, the book value of the changes and adjustments of fair value of hedged items accrued to hedged items was RMB2,387,413.36 (EUR317,000.00). There was no material invalid hedge within the Period.

KION, a subsidiary of the Group, signed an amortised interest rate swap contract to hedge the interest rate risk of lease receivables at fair value. The interest rate swap contract as a hedging instrument reflects the notional amount and maturity of the portfolio of hedged items and will mature in 2029. Overall, this fair value hedge exposes the lease receivable to a variable interest rate consistent with its relevant currency zone. Therefore, from an economic perspective, this variable rate is equivalent to the variable rate for refinancing the portfolio of hedged items. On 30 June 2023, the abovementioned hedged items of the Group were accounted for in the financial statements as long-term receivables and non-current assets due within one year, with a carrying amount of RMB 16,115,262,632.70 (EUR2,045,837,000.00), and the accumulative adjustment of the fair value change of the hedged item included in the carrying amount of the hedged item amounted to RMB388,325,275.80 (EUR49,298,000.00). The change in fair value of the ineffective portion of the hedged item during the Period amounted to RMB6,517,429.00 (EUR 865,000.00).

3. *Other Financial Information*

a. *Employees*

As at 30 June 2023, the Group had approximately 89,000 employees (including approximately 41,000 employees of KION). During the Period, the Group paid remuneration of approximately RMB16,740 million. The Group has established and refined a remuneration incentive policy to promote the high quality and rapid development of the enterprise by evaluating the value of various types of personnel and referencing the market remuneration levels, setting competitive remuneration standards, reasonably setting personnel remuneration levels, determining the salary scale based on position and performance, and adjusting salary based on performance appraisals.

b. *Major Investment, Acquisition and Disposal*

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

c. *Subsequent Events*

On 30 August 2023, under the authority granted by the shareholders of the Company, the Board considered and approved the distribution to all shareholders of cash dividend of RMB2.26 (including tax) for every 10 shares held, without any capitalisation of reserve, based on the total number of shares eligible for profit distribution on the record date at the time of the implementation of distribution plan in the future.

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 2023 is set out below:

RMB million

Name of investment project		Total amount of proceeds proposed to be applied to the relevant project	Total Amount of proceeds applied as of 30 June 2023	Amount of unutilised proceeds ("Unutilised Proceeds") as of 30 June 2023	Application plan of Unutilised Proceeds				
Name of project	**Name of subproject**				**1 July 2023 to 1 December 2023**	**Year 2024**	**Year 2025**	**Year 2026**	**Year 2027**
Fuel Cell Industry Chain Development Project	Hydrogen-fueled cell and key components industrialisation project	500.00	144.63	355.37	27.79	99.51	100.43	85.42	42.21
	Solid oxide fuel cell and key components industrialisation project	500.00	50.51	449.49	29.61	103.04	150.00	120.46	46.38
	Key components of fuel cell powertrain research and development and construction capabilities project	1,000.00	362.08	637.92	90.05	206.01	172.20	122.35	47.32
Full Series of H Platform High-end Road-going Engines of China VI or above Emission Standards Project	New million units digitalised power industry base stage I project	3,000.00	519.78	2,480.22	187.27	724.01	684.21	674.92	209.79
	H platform engines intelligent manufacturing upgrade project	1,000.00	414.85	585.15	48.68	244.04	262.6	29.83	–

Name of investment project		Total amount of proceeds proposed to be applied to the relevant project	Total Amount of proceeds applied as of 30 June 2023	Amount of unutilised proceeds ("Unutilised Proceeds") as of 30 June 2023	Application plan of Unutilised Proceeds				
Name of project	Name of subproject				1 July 2023 to 1 December 2023	Year 2024	Year 2025	Year 2026	Year 2027
Large Diameter High-end Engine Industrialisation Project	Large diameter high-end engine laboratory project	1,075.00	426.13	648.87	21.03	209.35	194.84	150.76	72.89
	High efficiency and high speed self-owned brand engine industrialisation project	685.00	456.75	228.25	35.19	193.07	–	–	–
	Large diameter high-end engine development project	1,240.00	595.01	644.99	44.26	180.44	256.1	191.91	60.79
Full Series hydraulic pressure powertrain and large-scale continuously variable transmission (CVT) powertrain industrialisation project		3,000.00	698.21	2,301.79	255.45	897.51	898.4	250.44	–
Replenishment of working capital		1,000.00	800.72	199.28	*Expected to be applied by the end of 2027*				
	Total	**13,000.00**	**4,468.66**	**8,531.34**					

It is expected that the remaining proceeds, being approximately RMB9.029 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 and any shortfall in the investment amounts for such projects will be made up by utilising the internal funds of the Company or through other financing methods. 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 and 30 March 2023).

OTHER INFORMATION

Directors' and Supervisors' Interests in Shares and Underlying Shares

As at 30 June 2023, 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 *(Note 1)*	–	0.67%
Zhang Quan	Beneficial owner	13,684,324 *(Note 1)*	–	0.16%
Sun Shaojun	Beneficial owner	13,684,324 *(Note 1)*	–	0.16%
Yuan Hongming	Beneficial owner	1,000,440	–	0.011%
	Interest held by spouse	444	–	0.000005%
		1,000,884	–	0.011%

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 2023 (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**
Richard Robinson Smith	KION Group AG (“KION”)	Beneficial owner	50,000 ordinary shares	0.04%

Save as disclosed above, as at 30 June 2023, 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 2023)

		Before the movement		Increase/decrease in the movement (+, –)					After the movement	
		No. of shares	Percentage	New shares issued	Bonus issue	Capitalisation of reserve	Others	Sub-total	No. of shares	Percentage
I.	Restricted circulating shares	1,735,186,683	19.88%				–1,292,087	–1,292,087	1,733,894,596	19.87%
	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	92,655,675	1.06%				–1,292,087	–1,292,087	91,363,588	1.05%
	including: Shares held by domestic natural persons	92,655,675	1.06%				–1,292,087	–1,292,087	91,363,588	1.05%
II.	Non-restricted circulating shares	6,991,370,138	80.12%				1,292,087	1,292,087	6,992,662,225	80.13%
	1. RMB ordinary shares	5,048,330,138	57.85%				1,292,087	1,292,087	5,049,622,225	57.87%
	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 2023)

Total number of Shareholders The number of shareholders is 350,205 among which 349,968 are shareholders of "A" shares and 237 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%	1,938,710,526		–
Weichai Group Holdings Limited	State-owned legal person	16.30%	1,422,550,620	1,345,905,600	–
Hong Kong Securities Clearing Company Limited	Overseas legal person	6.33%	552,809,577		–
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	0.74%	64,469,893		
Tan Xuguang	Domestic natural person	0.67%	58,842,596	44,131,947	–
National Social Security Fund 114 Portfolio	Funds, wealth management products, etc.	0.55%	47,804,357		–
National Manufacturing Transformation and Upgrade Fund Co., Ltd.	Domestic non-state-owned legal person	0.49%	42,682,926		

Shareholdings of the top ten non-restricted shareholders

Name of shareholder	**Number of the non-restricted shares held**	**Types of shares**
HKSCC Nominees Limited	1,938,710,526	Overseas listed foreign shares
Hong Kong Securities Clearing Company Limited	552,809,577	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	64,469,893	RMB ordinary shares
National Social Security Fund 114 Portfolio	47,804,357	RMB ordinary shares
National Manufacturing Transformation and Upgrade Fund Co., Ltd.	42,682,926	RMB ordinary shares
Huaxia Fund – Agricultural Bank of China – Huaxia China Securities Financial Asset Management Plan	33,002,800	RMB ordinary shares
Dacheng Fund – Agricultural Bank of China – Dacheng China Securities Financial Asset Management Plan	31,855,600	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. As at the end of the reporting period, the Company's securities account designated for repurchased shares holds 87,265,525 shares of the Company, representing 1% 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 2023, 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%
					25,978,602	5.35%	1.19%
	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%

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
Citigroup Inc.	Interest of corporation controlled by you	Long	–	–	2,570,860	0.13%	0.03%
	Approved lending agent	Long	–	–	131,669,697	6.77%	1.51%
					134,240,557	6.90%	1.54%
	Interest of corporation controlled by you	Short	–	–	1,450,000	0.07%	0.02%
Platinum Investment Management Limited	Investment manager	Long	–	–	38,745,643	1.99%	0.44%
	Trustee	Long	–	–	77,321,948	3.98%	0.89%
					116,067,591	5.97%	1.33%
M&G Plc	Interest of corporation controlled by you	Long	–	–	114,756,000	5.91%	1.32%

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 2023.

EMOLUMENT POLICY

The Group is strictly in compliance with laws and regulations such as the Labour Law and the Labour Contract Law of the PRC, and formulates a remuneration system and incentive policies that suit the actual situation of the enterprise by combining the development strategy of the enterprise, the characteristics of the industry and the ability to pay for labour costs.

The Group adopts a differentiated and standardised annual salary system and a non-annual salary system according to different job positions such as management, research and development and production, where the non-annual salary system is subdivided into salary systems such as performance-based salary system, piece-rate (hourly) salary system and shift production daily salary system.

By evaluating the position value of all kinds of personnel and referencing the market remuneration level, we have set the salary standard with competitive advantages by reasonably setting the salary level hierarchy of personnel, determining the salary level by position and the salary distribution plan by performance, and adjusting the salary according to the performance appraisal, increasing the incentives for talents in key positions such as research and development, marketing and technical staffs. At the same time, we have implemented incentive mechanisms for innovation projects, patent specialisation, management innovation and other subsidies for overseas positions and staff housing, and established a sound salary incentive policy to promote high-quality and rapid development of enterprises.

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

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

PURCHASE, SALE OR REDEMPTION OF SECURITIES OF THE COMPANY

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

PRE-EMPTIVE RIGHTS

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

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") comprises five independent non-executive Directors of the Company. The Chairman of the Audit Committee is 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.

AUDITORS

The Company appointed KPMG Huazhen LLP as the Company's auditors on 28 June 2023.

APPROVAL OF THE FINANCIAL STATEMENTS

The reviewed consolidated financial statements for the Period were approved by the Board on 30 August 2023.

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

The 2023 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 2023

As at the date of this announcement, the executive Directors of the Company are Mr. Tan Xuguang, Mr. Zhang Quan, Mr. Ma Changhai, Mr. Wang Decheng, Mr. Sun Shaojun, Mr. Yuan Hongming, and Mr. Ma Xuyao; the non-executive Directors of the Company are Mr. Zhang Liangfu, Mr. Richard Robinson Smith and Mr. Michael Martin Macht; and the independent non-executive Directors of the Company are Ms. Jiang Yan, Mr. Yu Zhuoping, Mr. Chi Deqiang, Mr. Zhao Fuquan and Mr. Xu Bing.