WEICHAI

潍柴動力股份有限公司
WEICHAI POWER CO., LTD.

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

(Stock Code: 2338)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30TH JUNE, 2006 (UNAUDITED)

The board of directors (the "Board") of Weichai Power Co., Ltd. (the "Company") is pleased to announce the unaudited interim results of the Company and its subsidiaries (the "Group") for the six months ended 30th June, 2006 (the "Period"). The interim results have been reviewed by the Company's international auditors, Deloitte Touche Tohmatsu (Certified Public Accountants in Hong Kong) together with the Audit Committee of the Company:

FINANCIAL HIGHLIGHTS

- Turnover amounted to approximately RMB3,493.6 million, representing an increase of approximately 8.2% over the same period 2005.
- Profit for the Period amounted to approximately RMB320.7 million, representing an increase of approximately 28.2%.
- Basic earnings per share was approximately RMB0.97, representing an increase of approximately RMB0.21 per share or 27.6% over the same period 2005.
- The Board of Director of the Company proposes an interim dividend of RMB0.20 per ordinary share for 2006, representing of an increase of approximately 21.2% when compared to that of 2005.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board, I am pleased to present the unaudited interim results of the Group for the Period.

1. Review of Operations

In 2006, the PRC government has continued to implement its stable financial policies with the national economy maintaining its growth in a rapid but stable pace. For the first six months of the year, China recorded an increase in its GDP by 10.9% over the same period last year, while fixed asset investments had a period-on-period increase of 29.8%.

With the rapid growth of the national economy and the gradual sophistication of the expressway network nationwide, logistics, transportation and automobile industries in China have entered a phase of robust growth. Concurrently, following the perfection and implementation of a series of industry policies, such as《GB1589》,《GB7258》,《貨運汽車及汽車列車推薦車型工作規則的通知》(Notice Concerning the Working Rules on Recommended Types for Trucks and Vehicles) and《收費公路試行計重收費指導意見》(Guiding Opinion on the Trial of Charge-by-Weight on Toll Roads), we believe that these policies will further guide and facilitate the continuous development of high-speed, heavy-duty trucks. According to the China Association of Automobile Manufacturers, during the Period under review, the aggregate sales of heavy-duty trucks in China reached 153,334 units, representing a period-on-period growth of 4.51%, in particular, the demand for high-speed, heavy-duty trucks (with 280 horsepower or above) surged by over 70%. This development momentum generated excellent opportunities for the sales of the Company's high-speed engines. During the Period under review, the Company has been actively expanding into new markets by establishing long-term strategic partnerships with 中國第一汽車集團公司 (China First Automobiles Group Corporation), 陝西重型汽車有限公司 (Shaanxi Heavy-duty

Company Limited), 北汽福田汽車有限公司 (Beiqi Foton Motor Co., Ltd.), 重慶紅岩重型汽車有限公司 (Chongqing Hongyan Heavy Duty Motor Co., Ltd), 包頭北方奔馳重型汽車有限責任公司 (Baotou North-Benz Heavy-Duty Truck Co., Ltd), 安徽華菱重型汽車有限公司 (Anhui Hualing Heavy-Duty Truck Co., Ltd.) and 安徽江淮汽車股份有限公司 (Anhui Jianghuai Automotive Co., Ltd.). For the Period under review, total sales of engines for heavy-duty trucks were approximately 44,197 units, representing a period-on-period increase of approximately 10.2%. The increase in sales overcame the impact of losses in several ancillary markets arising from the segregation of ownership of Weichai Factory from 中國重型汽車集團有限公司 (China Heavy Duty Truck Group Co., Ltd.) and still continued to maintain a relatively stable market share in heavy duty trucks when compared with that of the same period in 2005.

In the meantime, demand for construction machinery went into overdrive with the increase in infrastructure investments in PRC, such as the gradual implementation of large-scale projects such as the "West to East Gas Pipelines", the "South to North Water Channels" and the "Qinghai-Tibet Railway", and the State's focus on the "3 Agricultural Issues ("三農")" in actively promoting rural urbanisation. During the Period under review, a total of 97,331 units of construction machinery were sold in PRC, representing an increase of 15% over the same period last year. Such increase was mainly driven by large construction machinery (such as wheel loaders and excavators with a load capacity of 5 tonnes or above), which maintained a strong growth of 18%. During the Period under review, our sales of engines for construction machinery were approximately 36,425 units, representing a period-on-period increase of approximately 41.6%. The Company continued to play a leading role in the market for wheel loaders with a load capacity of 5 tonnes (and above), with a relatively stable market share when compared with that of the same period in 2005.

During the Period under review, the Company sold approximately 83,027 units of various types of diesel engines, representing an increase of approximately 20.9% over the same period last year. Sales rose by approximately 8.2% over the same period last year to approximately RMB3,493.6 million, while profit for the Period increased by approximately 28.2% over the same period last year to approximately RMB320.7 million. Basic earnings per share was approximately RMB0.97, representing an increase of approximately 27.6% over the same period last year.

In June 2006, "Landking" ("藍擎") series, the Company's proprietary Euro III emission standard compliant high-speed heavy-duty diesel engines, passed the provincial accreditation; and the "Weichai" trademark owned by the Company was recognised as a well-known trademark by the Trademark Bureau of the State Administration for Industry and Commerce in the same month. In March 2006, heavy-duty engine products produced by the Company were given complete exemption from inspection in respect of environmental-friendly production by the State Environmental Protection Administration of China. The Company was granted a certificate for environmental/occupational health and safety management from CAQC Certification Inc. in January. In May 2006, the Company was granted the honorary title of "Top 100 Suppliers for Parts and Components for Automobiles" (全國百佳汽車零部件供應商) for the third time. In April 2006, the Company was accredited as a "model enterprise of independent innovation" by the Propaganda Department of the Central Government. Major media in the PRC, such as CCTV, People's Daily, Economic Daily, Science and Technology Daily, Guangming Daily and Dazhong Daily, had extensive reports on the Company's experience on developing a model enterprise of independent innovation.

2. Dividend

Putting shareholders' interests and return as its top priority, especially those of the minority shareholders, the Company has been maintaining a relatively stable dividend policy. Taking into account all relevant factors, including the continuous and relatively steady cash flow recorded by the Company and the need for sustainable future development, the Board has recommended the payment of an interim dividend of RMB0.20 per share for the Period, representing an increase of RMB0.035 per share over the 2005 interim dividend of RMB0.165 per share, and the dividend payout ratio was approximately 20.6%. To optimise the return to our shareholders, the Company will continue its endeavour in realising a long-term, continuous and steady dividend payout.

3. Acquisition

As stated in the announcement of the Company dated 12 May 2006, the Company acquired 55% equity interest in Weichai Power (Weifang) Investment Co., Ltd., for a consideration of approximately RMB684.7 million. The acquisition consolidated the Company's position as the single largest shareholder of TAGC, with a 28.12% equity interest in 湘火炬汽車集團股份有限公司 (Torch Automobile Group Co., Ltd.) ("TAGC") held through Weichai Power (Weifang) Investment Co., Ltd., a wholly-owned subsidiary of the Company. We believe that this will enable the Company to exploit further potential business opportunities, effectively integrate resources and capitalise on the synergy with the TAGC group in the near future, with a view to creating better returns for our Shareholders.

4. Outlook and Prospects

Looking ahead, despite the fact that competition within the China diesel engines market is getting ferocious and challenging, the Directors have full confidence in the outlook of the Company's future operations. In addition to fortifying and consolidating the Company's leading position in the heavy-duty trucks (15 tonnes and above) and wheel loaders (5 tonnes and above) markets, the Company will actively seek to develop new market areas, such as coaches and the international ancillary markets, so as to further expand and strengthen customer base and the Company's business.

The Company will fully launch the development work of the Landking market and speed up the research and development work of Euro IV diesel engines, targeting for completion at the end of 2006.

Meanwhile, we will adhere to our cooperation strategy with foreign corporations, keep ourselves abreast of the global trends of diesel engines development, collaborate with world-renowned enterprises and famous brands and adopt international advanced technology in our products, with a view to leading the development of the high-speed heavy-duty diesel engine industry and creating better returns for our shareholders.

5. Appreciation

Last but not the least, I would like to take this opportunity to express my sincere appreciation to all our shareholders, the general public and our customers for their care and support, as well as all our staff, my fellow Directors and senior management for their hard work and dedication.

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30TH JUNE, 2006

		Six months ended	
		30.6.2006	30.6.2005
	NOTES	***RMB'000***	*RMB'000*
		(unaudited)	*(unaudited)*
Turnover		**3,493,590**	3,228,268
Cost of sales		**(2,608,557)**	(2,480,661)
Gross profit		**885,033**	747,607
Other income		**32,103**	30,594
Selling and distribution costs		**(288,982)**	(175,474)
Administrative expenses		**(149,846)**	(148,648)
Research and development expenses		**(75,905)**	(45,376)
Other expenses		**(87)**	(107)
Share of results of an associate		**16,523**	—
Finance costs		**(27,823)**	(15,438)
Profit before taxation		**391,016**	393,158
Income tax expense	4	**(70,351)**	(142,935)
Profit for the period	5	**320,665**	250,223
Attributable to:			
Equity holders of the parent		**318,742**	250,223
Minority interests		**1,923**	—
		320,665	250,223
Dividend paid	6	**54,450**	49,500
Basic earnings per share	7	**RMB0.97**	RMB0.76

CONDENSED CONSOLIDATED BALANCE SHEET

AT 30TH JUNE, 2006

	30.6.2006	31.12.2005
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
NON-CURRENT ASSETS		
Property, plant and equipment	**1,619,974**	1,608,840
Prepaid lease payments — non-current portion	**59,852**	60,491
Intangible assets	**171,115**	202,226
Interest in an associate	**1,051,058**	561,191
Available-for-sale financial assets	**20,000**	20,000
Deposits paid for acquisition of property, plant and equipment	**312,517**	143,960
Deferred tax assets	**3,913**	1,850
	3,238,429	2,598,558
CURRENT ASSETS		
Inventories	**580,666**	645,578
Trade and bills receivables	**1,821,397**	1,162,049
Deposits, prepayments and other receivables	**240,536**	122,826
Prepaid lease payments — current portion	**1,278**	1,278
Tax recoverable	**193**	—
Pledged bank deposits	**316,551**	371,670
Bank balances and cash	**403,511**	709,996
	3,364,132	3,013,397
CURRENT LIABILITIES		
Trade and bills payables	**2,254,757**	1,811,506
Other payables and accruals	**659,189**	379,253
Amount due to a related party	**64,750**	63,272
Tax payable	**174,059**	185,370
Dividend payable	**54,450**	—
Bank borrowings — due within one year	**99,956**	279,441
Warranty provision	**53,140**	18,559
	3,360,301	2,737,401
NET CURRENT ASSETS	**3,831**	275,996
TOTAL ASSETS LESS CURRENT LIABILITIES	**3,242,260**	2,874,554
NON-CURRENT LIABILITIES		
Amount due to a related party	**92,552**	123,593
Bank and other borrowings — due after one year	**422,532**	290,000
	515,084	413,593
	2,727,176	2,460,961
CAPITAL AND RESERVES		
Share capital	**330,000**	330,000
Reserves	**2,332,873**	2,068,581
Equity attributable to equity holders of the parent	**2,662,873**	2,398,581
Minority interests	**64,303**	62,380
	2,727,176	2,460,961

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared under the historical cost basis.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31st December, 2005.

In the current period, the Group has applied, for the first time, a number of new standards, amendments and interpretations issued by the HKICPA (hereinafter collectively referred to as "new HKFRS(s)") that are effective for accounting periods beginning on or after 1st December, 2005 or 1st January, 2006. The adoption of the new HKFRSs has had no material effect on how the results for the current or prior accounting periods are prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not applied the following new standards, amendments and interpretations that have been issued but are not yet effective. The Directors of the Company anticipate that the application of these standards, amendments and interpretations will have no material impact to the results and financial positions of the Group.

HKAS 1 (Amendment)	Capital Disclosures[1]
HKFRS 7	Financial Instruments: Disclosures[1]
HK(IFRIC) — INT 7	Applying the Restatement Approach under HKAS 29 "Financial Reporting in Hyperinflationary Economies"[2]
HK(IFRIC) — INT 8	Scope of HKFRS 2 "Share-based Payment"[3]
HK(IFRIC) — INT 9	Reassessment of embedded derivatives[4]

[1] Effective for annual periods beginning on or after 1st January, 2007.

[2] Effective for annual periods beginning on or after 1st March, 2006.

[3] Effective for annual periods beginning on or after 1st May, 2006.

[4] Effective for annual periods beginning on or after 1st June, 2006.

3. SEGMENT INFORMATION

The Group was principally engaged in the business of manufacture and sale of diesel engines and related parts and substantially all of the Group's turnover and operating results were derived from the People's Republic of China (the "PRC") and accordingly, no analysis of business and geographical segment is presented.

4. INCOME TAX EXPENSE

	Six months ended	
	30.6.2006	30.6.2005
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
PRC Enterprise Income Tax	**72,414**	142,935
Deferred tax	**(2,063)**	—
	70,351	142,935

Pursuant to the Notice of Ministry of Finance and the State Administration of Taxation concerning certain preferential policies on enterprise income tax (財務部、國家稅務總局《關於企業所得稅若干優惠政策的通知》) and the Notice of the State Administration of Taxation concerning proper implementation of the continuing administrative work after the cancellation delegation of the examination and approval procedure for enterprise income tax (國家稅務總局《關於做好已取消和下放管理的企業所得稅審批項目後續管理工作的通知》), the Group's PRC Enterprise Income Tax is calculated at the statutory income tax rate of 33% (2005: 33%) of its assessable profit, except that assessable profit derived from the production in the high technology development zone is taxed at a preferential rate of 15% (2005: 15%).

Pursuant to the notice issued by Jiang Jing Municipal Tax Bureau, the Company's Chongqing branch is also subject to PRC Enterprise Income Tax at a preferential rate of 15% (2005: 15%).

The Company's Hong Kong branch is subject to Hong Kong Profits Tax at 17.5% (2005: 17.5%) on its estimated assessable profit. No provision for Hong Kong Profits Tax has been made as the branch had no assessable profit for the year.

There was no significant unprovided deferred taxation during the period or at the balance sheet date.

5. PROFIT FOR THE PERIOD

	Six months ended	
	30.6.2006	30.6.2005
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Profit for the period has been arrived at after charging:		
Depreciation of property, plant and equipment	**84,255**	44,399
Amortisation of intangible assets	**31,111**	38,889
Amortisation of prepaid lease payments	**639**	639
and after crediting:		
Bank interest income	**6,706**	5,699

6. DIVIDEND

In June 2006, a dividend of RMB0.165 per share amounting to RMB54,450,000 was approved to be paid to shareholders as the final dividend for 2005.

In June 2005, a dividend of RMB0.15 per share amounting to RMB49,500,000 was paid to shareholders as the final dividend for 2004.

The Directors have determined that an interim dividend of RMB0.20 (six months ended 30th June, 2005: RMB0.165) per share should be paid to the shareholders of the Company whose names appear in the Register of Members on 22nd September, 2006.

7. BASIC EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the period attributable to equity holders of parent of approximately RMB318,742,000 (six months ended 30th June, 2005: RMB250,223,000) and on the number of 330,000,000 (six months ended 30th June, 2005: 330,000,000) ordinary shares in issue during the period.

MANAGEMENT DISCUSSION AND ANALYSIS

The Company is one of the leading high-speed, heavy-duty diesel engine manufacturers in China, supplying mainly to certain major domestic truck and construction machinery manufacturers. The Company's core products are six-cylinder, 110–266kw output, 9.7 litre displacement WD615 diesel engines and WD618 diesel engines with an output of 265–323kw. During the Period under review, the Company continued its trial production of its newly invented Euro III diesel engines WP10 and WP12, with a 10–12 litre displacement and higher power up to 480 horsepower, on a market testing basis by using our new production lines.

Industry Review

During the Period under review, the economy of the People's Republic of China (the "PRC") continued to record impressive growth. The gross domestic product ("GDP") expanded by approximately 9.9% for the year of 2005 and 10.9% for the Period. In line with the strong economy growth and the rapid urbanization stimulated by 11th Five Year Plan of the PRC, both the heavy-duty truck and construction machinery markets showed a significant recovery after the downturn caused by the promulgation of certain industry policies in 2005, as discussed in our 2005 annual report. During the Period under review, sales of heavy-duty trucks and construction machines (wheel loaders) in China increased by approximately 9% and 13% respectively compared with the same period in 2005.

Heavy-duty trucks industry

Thanks to the rapid shift in focus and demand in the market in China from light and medium sized heavy-duty trucks to heavy-duty trucks with the load capacity of 15 tones (and above), the total units of diesel engine sold for heavy-duty truck increased by approximately 10.2% from 40,123 (in the six months ended 30th June, 2005) units to approximately 44,197 units for the Period. A sizable proportion of the unit sales of heavy-duty trucks with a load capacity of 15 tones (and above) in the PRC market was concentrated in a few manufacturers, which also included the major customers of the Company, such as: 陝西重型汽車有限公司 (Shaanxi Heavy-duty Company Limited) ("Shaanxi Motor"), 重慶紅岩重型汽車有限公司 (Chongqing Hongyan Heavy Duty Motor Company Limited) ("Chongqing Hongyan"), 北京福田汽車有限公司 (Beijing Foton Motor Company Limited) ("Beijing Foton"), 包頭北方奔馳重型汽車有限責任公司 (Baotou North-Benz Heavy-duty Truck Co., Ltd) ("North-Benz") and 安徽華菱汽車集團有限公司 (Anhui Huling Automobile Group Co., Ltd).

Construction machinery — Wheel loaders industry

During the Period under review, China's construction machinery market also showed a very strong recovery following a depressed market in 2005 due to the implementation of a series of micro-economy tightening measures by the PRC central government. The total units of diesel engine sold for construction machinery with a load capacity of 5 tones (and above) increased by approximately 41.6% from approximately 25,732 units (in the six months ended 30th June, 2005) to approximately 36,425 units for the Period. A sizeable proportion of the sales of construction machinery with a load capacity of 5 tonnes (and above) in the PRC was concentrated in a few manufacturers, which also included the major customers of the Company, such as: 廣西柳工機械股份有限公司 (Guangxi Liugong Machinery Co., Ltd) ("Guangxi Liugong"), 上海龍工機械有限公司 (Shanghai Longgong Machinery Company Limited) ("Shanghai Longgong"), 福建龍岩工程機械(集團)有限公司 (Fujian Longyan Construction (Group) Company Limited) ("Fujian Longyan") and 山東臨工工程機械股份有限公司 (Shandong Lingong Construction Machinery Co., Ltd) ("Shandong Lingong").

Sales of WD615 and WD618 series engines

During the Period under review, the Group's turnover increased by approximately 8.2% from RMB3,228.3 million in the corresponding period in 2005 to approximately RMB3,493.6 million in 2006. The turnover of the Group was derived mainly from the sale of diesel engines used in heavy-duty trucks and construction machinery, which in total accounted for approximately 83.3% and also represented approximately 49.9% and 33.4% of all kinds of the total turnover of the Group, respectively. During the Period under review, the Group sold approximately 83,027 units of all kinds of diesel engines, compared to 68,646 units in the corresponding period in 2005, representing an increase of approximately 20.9%, while the average unit selling price of the Group remained relatively stable. Of the diesel engines sold for the Period, approximately 44,197 units (2005: 40,123 units) were truck engines, representing a increase of approximately 10.2% when compared to that for the same period in 2005. During the Period under review, approximately 36,425 units (2005: 25,732 units) of diesel engines for construction machinery were sold, representing an increase of approximately 41.6%, when compared to that for the same period in 2005.

Sales of engine parts

Apart from the production and sale of diesel engines, the Group is also engaged in the production and sale of engine parts. The production and sale of engine parts not only contributed to the revenue of the Group, but also ensured the generation of revenue from the provision of after-sales services on the parts. During the Period under review, the Group recorded an approximately 31.0% increase in sales of engine parts from RMB353.3 million in the corresponding period in 2005 to approximately RMB462.7 million in 2006. The surge was mainly attributable to the increase in accumulated sales volume of diesel engines in previous years. The sales of engine parts represented approximately 13.2% (2005: 10.9%) of the Group's total turnover in the Period.

OVERSEAS MARKET

On 24th July, 2006, the Group signed an agreement with a major heavy-duty truck maker in Europe. Under this agreement, the Group is expected to supply 17,500 units of new generation of diesel engines within next three years. This move signifies a significant step of the Group in diversifying its business and revenue geographically into the international market.

FINANCIAL REVIEW

Turnover

The Group's turnover increased by approximately 8.2% from RMB3,228.3 million (first six months of 2005) to approximately RMB3,493.6 million for the Period in 2006. The increase in turnover was the result of a rebounce in demand in the heavy-duty trucks and construction machinery industries for diesel engines. During the Period under review, the Company sold approximately 83,027 units of diesel engines in total, compared to 68,646 units in the same period in 2005, representing a increase of approximately 20.9% while the unit average selling price of its diesel engines remained relatively stable.

Gross profit and gross profit margin

During the Period under review, the Group's gross profit increased by approximately 18.4% from RMB747.6 million (first six months of 2005) to approximately RMB885.0 million for the Period in 2006 as a result of increase in the sales volume from 68,646 units (first six months of 2005) to approximately 83,027 units of diesel engines for the Period in 2006. Gross profit margin increased from 23.2% to approximately 25.3%, which was mainly due to the increase in the sale of heavy-duty trucks diesel engines in 2006 which have a relatively higher gross profit margin and cost control efficiency.

Selling and distribution costs

Selling and distribution costs increased from RMB175.5 million (first six months of 2005) to approximately RMB289.0 million for the Period in 2006. As a percentage of turnover, selling and distribution costs increased from 5.4% (first six months of 2005) to approximately 8.3% for the Period in 2006, which was mainly due to the increase in repair and maintenance expenses and after-sales services charges resulting from the extension of warranty period for certain major customs from an average of 180 days starting from the second half of 2005 to one year and substantial increase in the number of after-sales services centers from an average of 1,281 in the first half of 2005 to 1,354 in the Period.

Administrative expenses

Administrative expenses of the Group increased by approximately 0.8% from RMB148.6 million in the first half of 2005 to approximately RMB149.8 million for the Period in 2006. The increase in administrative expenses was mainly due to the increase in the depreciation charged during the Period. As a percentage of turnover, the administrative expenses decreased from 4.6% in the first half of 2005 to approximately 4.3% for the Period in 2006. The decrease in administrative expenses was mainly due to the increase in the economy scale of the Group with most of administration expenses are relatively fixed to some extent.

Net profit margin

The Group's profit for the Period increased from RMB250.2 million in the first half of 2005 to approximately RMB320.7 million for the Period in 2006, whilst the net profit margin increased substantially from approximately 7.8% in the first half of 2005 to approximately 9.2% for the Period in 2006. The increase in the net profit margin was mainly due to the gross profit margin increase and the substantial decrease of income tax expense due to the decrease of the effective income tax rate from approximately 36.4% in 2005 to approximately 18.0% in 2006 due to substantially all of Group's production and sales were derived from the State high technology development zone, in which its assessable profit is taxed at a preferential rate of 15% compared to the statutory income tax rate of 33%.

Liquidity and financial resources

During the Period under review, the Group maintained a relatively healthy cash flow and capital resources, which were reasonably allocated to appropriate use.

As at 30th June, 2006, the net cash and cash equivalents of the Group amounted to approximately RMB403.5 million (30th June, 2005: RMB941.6 million).

As at 30th June, 2006, the Group's total assets were RMB6,602.6 million (30th June, 2005: RMB4,784.7 million) and total liabilities were RMB3,875.4 million (30th June, 2005: RMB2,396.7 million) and the total equity reached RMB2,727.2 million (30th June, 2005: RMB2,388.0 million).

The Group will have sufficient financial resources to fund its operations, as well as its current investment needs and development plans, in its ordinary course of business.

Capital structure

During the Period under review, the Group's bank borrowings were primarily denominated in RMB while its cash and cash equivalents were held in RMB and Hong Kong dollars.

It is the intention of the Group to maintain an appropriate mix of equity and debt to ensure an efficient capital structure from time to time. As at 30th June, 2006, the Group had debts of approximately RMB522.5 million in aggregate and the gearing ratio was approximately 7.9% (30th June, 2005: 0.42%) (total debt/total asset).

Business and geographical segments

During the Period under review, the Group was principally engaged in the business of manufacture and sale of diesel engines and related parts and substantially all of the Group's turnover and operating results were derived from the PRC and accordingly, no analysis of business and geographical segment is presented.

Pledge of assets

At 30th June, 2006, bank deposits and bills receivable of approximately RMB358.6 million (30th June, 2005: RMB242.1 million) were pledged to banks to secure bills payable issued and bills receivables discounted by the Group.

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 at the balance sheet dates approximates the carrying amount.

Foreign exchange risk exposure

As almost all of the operations of the Group are located in the PRC. Its operating expenses as well as most of capital expenditure of the Group were denominated in RMB for the Period. Therefore, the Group did not experience any material difficulties or effects on its operations or liquidity as a result of fluctuations in currency exchange during the Period. The Directors believe that the Group will have sufficient foreign exchange currency to meet its foreign exchange requirements.

Contingent liabilities

The Group had no material contingent liabilities as at 30th June, 2006.

Capital commitments

As at 30th June, 2006, the Group had approximately RMB340.5 million capital commitments contracted (30th June, 2005: RMB128.7 million), principally for the capital expenditure in respect of purchase of property, machinery and equipment.

Capital expenditure, significant investment and material acquisitions

During the Period under review, the Group's capital expenditure amounted to approximately RMB96.2 million (30th June, 2005: RMB666.2 million). This was mainly attributable to the acquisition and installation of new production lines, modification of existing production lines, research and development of Euro III diesel engines, but excluding the acquisition of a 55% equity interest in 濰柴動力(濰坊)投資有限公司 (Weichai Power (Weifang) Investment Co., Ltd.) ("InvestCo").

In May 2006, the Company entered into agreement to purchase 55% of the equity interest in InvestCo. The said purchase was approved at the annual general meeting of the Company on 30th June, 2006 and has been completed. InvestCo is now a wholly owned subsidiary of the Company and the sole business and asset of InvestCo is an approximately 28.12% shareholding in TAGC. Further information relating to InvestCo was set out in the major transaction circular of the Company dated 14th June, 2006.

Post balance sheet event

Trading in the H shares of the Company has been suspended since 21st August, 2006 pending the release of an announcement. As at the date of this results announcement, the said announcement has not been finalised. Shareholders of the Company should take note of such announcement and the event concerning the said suspension of trading in the H shares of the Company.

Human resources practice

As at 30th June, 2006, the Company had a total of over 7,700 employees. As the Company believes that a loyal and motivated work force is key to its success, the Company has long been investing in employees' development efforts by organizing various training courses to broaden their horizon. Employees are remunerated based on their performance, experience and the prevailing industry practices, with compensation policies and packages being reviewed on a yearly basis. Bonus and commission are also awarded to employees based on internal performance evaluation.

The Group has established an incentive scheme for its senior management. Under this scheme, up to 5% of the audited annual profit after tax of the Group will be paid as bonus to the Directors and other senior management staff each year.

DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30th June, 2006, the interests (and short positions) of the Directors, chief executive and Supervisors in the shares, underlying shares and debentures of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code"), were as follows:

Name of Director	Capacity	Number of domestic shares or foreign shares held	Percentage of the issued share capital of the Company
Tan Xuguang	Beneficial owner	4,300,000 *(Note 1)*	1.3%
Xu Xinyu	Beneficial owner	1,000,000 *(Note 1)*	0.3%
Sun Shaojun	Beneficial owner	1,000,000 *(Note 1)*	0.3%
Zhang Quan	Beneficial owner	1,000,000 *(Note 1)*	0.3%
Liu Huisheng	Beneficial owner	600,000 *(Note 1)*	0.2%
Yeung Sai Hong *(Note 3)*	Held by controlled corporation	23,500,000 *(Note 2)*	7.1%
Li San Yim *(Note 4)*	Held by spouse and controlled corporation	21,500,000 *(Note 1)*	6.5%
Julius G. Kiss *(Note 5)*	Held by controlled corporation	10,750,000 *(Note 2)*	3.3%

Name of Director	Capacity	Number of domestic shares or foreign shares held	Percentage of the issued share capital of the Company
Name of Supervisor			
Wang Yong	Beneficial owner	350,000 *(Note 1)*	0.1%

Notes:

1. These are domestic shares of the Company. Domestic shares are ordinary shares issued by the Company, with a Renminbi-denominated par value of RMB1.00 each, which are subscribed for and paid up in Renminbi or credited as fully paid up.

2. These are foreign shares of the Company. Foreign shares are ordinary shares issued by the Company, with a Renminbi-denominated par value of RMB1.00 each, which are subscribed for and paid up in a currency other than Renminbi.

3. Yeung Sai Hong, a Non-Executive Director, was directly and indirectly interested in 90% of the issued share capital of Peterson Holdings Company Limited ("Peterson"), which in turn held 23,500,000 foreign shares of the Company.

4. Li San Yim, a Non-Executive Director, and his spouse, Ni Yinying, were interested in 69.16% and 30.84%, respectively in the registered capital of 福建龍岩工程機械(集團)有限公司 (Fujian Longgong Construction Machinery (Group) Company Limited ("Fujian Longgong")), which in turn held 21,500,000 domestic shares of the Company, and therefore Li San Yim was deemed to be interested in these shares of the Company.

5. Julius G. Kiss, a Non-Executive Director, was indirectly interested in the entire issued share capital of IVM Technical Consultants Wien Gesellschaft m.b.H. ("IVM"), which in turn held 10,750,000 foreign shares of the Company.

Save as disclosed above, none of the Directors, Supervisors or chief executives had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 30th June, 2006.

SUBSTANTIAL SHAREHOLDERS

The register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that, as at 30th June, 2006, other than the Directors and chief executive of the Company, the following shareholders had notified the Company of their relevant interests in the issued share capital of the Company.

Name	Capacity	Number of domestic shares *(Note 7)* or foreign shares *(Note 8)* held	Percentage of share capital comprising only domestic shares and foreign shares	Number of H shares held *(Note 9)*	Percentage of share capital comprising only H shares	Percentage of total issued share capital
濰坊柴油廠 (Weifang Diesel Engine Works) ("Weichai Factory")	Beneficial owner	77,647,900	38.16%	Nil	—	23.53%
山東省國有資產監督管理委員會 State-owned Assets Supervision and Administration of Shandong province *(Note 1)*	Beneficial owner	77,647,900	38.16%	Nil	—	23.53%
Peterson Holdings Company Limited ("Peterson") *(Note 2)*	Beneficial owner	23,500,000	11.55%	Nil	—	7.12%

Name	Capacity	Number of domestic shares *(Note 7)* or foreign shares *(Note 8)* held	Percentage of share capital comprising only domestic shares and foreign shares	Number of H shares held *(Note 9)*	Percentage of share capital comprising only H shares	Percentage of total issued share capital
Tingho Nominees Limited *(Note 2)*	Held by controlled corporation	23,500,000	11.55%	Nil	—	7.12%
Fujian Longgong	Beneficial owner	21,500,000	10.57%	Nil	—	6.52%
Ni Yinying *(Note 3)*	Held by controlled corporation and spouse	21,500,000	10.57%	Nil	—	6.52%
濰坊市投資公司 ("Weifang Investment Company") *(Note 4)*	Beneficial owner	19,311,550	9.49%	Nil	—	5.85%
深圳市創新投資集團有限公司 ("Shenzhen Chuangxin Investment Group Company Limited")	Beneficial owner	21,500,000	10.57%	Nil	—	6.52%
深圳市投資管理公司 ("Shenzhen Investment Management Company") *(Note 5)*	Held by controlled corporation	21,500,000	10.57%	Nil	—	6.52%
IVM	Beneficial owner	10,750,000	5.28%	Nil	—	3.26%
ADTECH Advanced Technologies AG ("ADTECH") *(Note 6)*	Held by controlled corporation	10,750,000	5.28%	Nil	—	3.26%
The Capital Group Companies Inc.	Investment manager	Nil	—	12,669,000	10.02%	3.84%
Fidelty International Limited	Investment manager	Nil	—	11,379,000	8.99%	3.45%
Commonwealth Bank of Australia	Investment manager	Nil	—	9,136,000	7.22%	2.77%
JP Morgan Chase & Co.	Investment manager	Nil	—	7,771,100	6.14%	2.35%
FMR Corp.	Investment manager	Nil	—	7,321,000	5.79%	2.22%

Name	Capacity	Number of domestic shares *(Note 7)* or foreign shares *(Note 8)* held	Percentage of share capital comprising only domestic shares and foreign shares	Number of H shares held *(Note 9)*	Percentage of share capital comprising only H shares	Percentage of total issued share capital
Government of Singapore Investment Corporate Pte Ltd.	Investment manger	Nil	—	6,336,687	5.01%	1.92%

Notes:

1. State-owned Assets Supervision and Administration Commission of Shandong Province ("Shangdong SASAC") held the entire registered capital of Weichai Factory. For details, please refer to the announcement of the Company dated 22nd March, 2006.

2. Yeung Sai Hong, a Non-Executive Director, was beneficially interested in the entire issued share capital of Tingho Nominees Limited, which in turn held 100% of Advantage Investment Corporation Limited, which was interested in 90% of the issued share capital of Peterson. Peterson was the registered owner of these shares.

3. The registered capital of Fujian Longgong was held as to 69.16% by Li San Yim, a Non-Executive Director, and as to 30.84% by Ni Yinying, the spouse of Li San Yim, and therefore Ni Yinying was deemed to be interested in the shares of the Company held by Fujian Longgong.

4. Weifang Investment Company was a State-owned enterprise.

5. Shenzhen Investment Management Company was interested in approximately 33.73% of the registered capital of Shenzhen Chuangxin Investment Group Company Limited.

6. ADTECH was wholly owned by Julius G. Kiss, a Non-Executive Director, and ADTECH was interested in the entire issued share capital of IVM.

7. Domestic shares are ordinary shares issued by the Company, with a Renminbi-denominated par value of RMB1.00 each, which are subscribed for and paid up in Renminbi or other currencies or credited as fully paid up.

8. Foreign shares are ordinary shares issued by the Company, with a Renminbi-denominated par value of RMB1.00 each, which are subscribed for and paid up in a currency other than Renminbi.

9. H shares are overseas listed shares in the share capital of the Company, with a Renminbi-denominated par value of RMB1.00 each and are subscribed for and traded in Hong Kong dollars, and they are currently listed on the Main Board of the Stock Exchange.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 18th September, 2006 to 22nd September, 2006 (both days inclusive) during which no transfer of shares will be registered. In order to qualify for the interim dividend, all documents on transfer of H Shares of the Company, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong H-Share Registrar and Transfer Office, Computershare Hong Kong Investor Services Limited at 46/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:00 p.m. on 17th September, 2006.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

At no time during the Period was the Company or 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.

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF SECURITIES OF THE COMPANY

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

AUDIT COMMITTEE

The Audit Committee comprises all three independent non-executive directors of the Company. The Chairman of the Audit Committee is Mr. Koo Fook Sun, Louis, an independent non-executive director. Mr. Koo is an experienced investment banker with appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") for the purpose of such appointment.

Throughout the Period, the Audit Committee discharged its responsibilities, reviewed and discussed the financial results and internal control system of the Company. In accordance with the requirements of Appendix 16 of the Listing Rules, the Audit Committee has reviewed the consolidated financial statements for the Period. The non-PRC auditors of the Company, Messrs. Deloitte Touche Tohmatsu have reviewed the consolidated financial statements and stated that they are not aware of any material modifications that should be made to the interim report for the Period.

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

The Company complied with the code provisions of the Code on Corporate Governance Practices in Appendix 14 to the Listing Rules throughout the Period. None of the Directors is aware of any information that would reasonably indicate that the Company was not for any time during the Period under review in compliance with the code provisions of the Code on Corporate Governance Practices in Appendix 14 to the Listing Rules.

COMPLIANCE WITH THE MODEL CODE

During the Period under review, 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 for Securities Transaction by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code"). Having made specific enquiry of all Directors, the Directors have confirmed that they complied with the required standard set out in the Model Code for the Period under review.

APPROVAL OF THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The unaudited condensed consolidated financial statements for the Period were approved by the Board on 31st August, 2006.

PUBLICATION OF THE RESULTS ON WEBSITE

The financial information required to be disclosed under paragraphs 46 (1) to 46 (6) of Appendix 16 of the Listing Rules will be published on the website of the Stock Exchange at www.hkex.com.hk in due course.

On behalf of the Board
Tan Xuguang
Chairman and CEO

Hong Kong, 31st August, 2006

The Directors of the Company as at the date of this announcement are as follows:

Four executive directors, namely Mr. Tan Xuguang (Chairman), Mr. Xu Xinyu, Mr. Sun Shaojun, Mr. Zhang Quan, eight non-executive directors, namely Mr. Yeung Sai Hong, Mr. Chen Xue jian, Mr. Yao Yu, Mr. Li San Yim, Mr. Liu Huisheng, Ms. Zhang Fusheng, Mr. Julius G. Kiss, Ms. Han Xiaoqun and three independent non-executive directors, namely Mr. Koo Fook Sun, Louis, Mr. Zhang Xiaoyu and Mr. Fang Zhong Chang.

Please also refer to the published version of this announcement in ***South China Morning Post.***