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WEICHAI

潍柴动力股份有限公司

WEICHAI POWER CO., LTD.

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

(Stock Code: 2338)

**ANNOUNCEMENT OF FINAL RESULTS
FOR THE YEAR ENDED 31ST DECEMBER, 2008**

FINANCIAL HIGHLIGHTS

- Turnover amounted to approximately RMB32,567 million, up by approximately 13.13%.
- Profit attributable to equity holders of the Company amounted to approximately RMB1,929 million, down by approximately 4.27%.
- Basic earnings per share was approximately RMB2.32, down by approximately 14.71%.

The board of directors (the “Board”) of Weichai Power Co., Ltd. (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31st December, 2008 (the “Year”), prepared in accordance with Hong Kong Financial Reporting Standards (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, and accounting principles generally accepted in Hong Kong, together with comparative figures for the year of 2007 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31st December, 2008

	Notes	2008 RMB'000	2007 RMB'000
REVENUE	4	32,567,190	28,786,183
Cost of sales		(26,908,591)	(22,650,518)
Gross profit		5,658,599	6,135,665
Other income and gains	4	218,875	115,431
Selling and distribution costs		(958,817)	(951,212)
Administrative expenses		(1,117,368)	(1,183,823)
Research and development costs		(379,525)	(323,225)
Loss on disposal of disposal group held for sale		(49,775)	(101,446)
Other expenses		(327,705)	(161,959)
Finance costs	5	(297,844)	(253,120)
Share of profits and losses of:			
A jointly-controlled entity		523	—
Associates		(6,265)	(3,169)
PROFIT BEFORE TAX	6	2,740,698	3,273,142
Tax	7	(328,989)	(479,566)
PROFIT FOR THE YEAR		<u>2,411,709</u>	<u>2,793,576</u>
Attributable to:			
Equity holders of the Company		1,928,955	2,014,904
Minority interests		<u>482,754</u>	<u>778,672</u>
		<u>2,411,709</u>	<u>2,793,576</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic	9	<u>RMB2.32</u>	<u>RMB2.72</u>

CONSOLIDATED BALANCE SHEET

At 31st December, 2008

		2008	2007
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		6,920,953	5,737,584
Investment properties		80,663	32,333
Prepaid land lease payments		278,570	297,633
Goodwill		538,016	538,016
Other intangible assets		271,727	281,442
Investment in a jointly-controlled entity		20,932	—
Investments in associates		179,772	220,106
Available-for-sale investments		178,187	75,358
Deposits paid for acquisition of property, plant and equipment		943,780	926,571
Deferred tax assets		351,903	205,788
Total non-current assets		9,764,503	8,314,831
CURRENT ASSETS			
Inventories	<i>10</i>	5,850,617	4,200,010
Trade and bills receivables	<i>11</i>	6,930,008	5,909,502
Prepayments, deposits and other receivables		1,271,235	897,929
Prepaid land lease payments		19,671	19,662
Pledged deposits		2,511,809	856,109
Cash and cash equivalents		3,352,138	1,819,554
		19,935,478	13,702,766
Assets of a disposal group classified as held for sale		249,886	574,896
Total current assets		20,185,364	14,277,662
CURRENT LIABILITIES			
Trade and bills payables	<i>12</i>	10,627,951	7,264,773
Other payables and accruals		2,916,253	2,315,533
Dividends payable to minority shareholders		79,775	31,765
Debentures		1,700,000	900,000
Interest-bearing bank and other borrowings		1,308,304	1,540,584
Tax payable		534,476	438,252
Warranty provision		446,343	180,635
		17,613,102	12,671,542
Liabilities directly associated with the assets classified as held for sales		185,611	296,434

	<i>Notes</i>	2008 <i>RMB'000</i>	2007 <i>RMB'000</i>
Total current liabilities		<u>17,798,713</u>	<u>12,967,976</u>
NET CURRENT ASSETS		<u>2,386,651</u>	<u>1,309,686</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>12,151,154</u>	<u>9,624,517</u>
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		777,700	161,307
Deferred tax liabilities		<u>46,976</u>	<u>65,022</u>
Total non-current liabilities		<u>824,676</u>	<u>226,329</u>
Net assets		<u>11,326,478</u>	<u>9,398,188</u>
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital		833,046	520,654
Reserves		7,056,412	5,633,730
Proposed final dividend	8	<u>108,296</u>	<u>229,088</u>
		7,997,754	6,383,472
Minority interests		<u>3,328,724</u>	<u>3,014,716</u>
Total equity		<u>11,326,478</u>	<u>9,398,188</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

Weichai Power Co., Ltd. is a joint stock limited liability company established in the People's Republic of China (the "PRC") on 23 December 2002. The Company's "H" shares and "A" shares are listed on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") and The Shenzhen Stock Exchange from 11 March 2004 and 30 April 2007 onwards, respectively. The registered office of the Company is located at 197, Section A, Fu Shou East Street, High Technology Industry Development Zone, Weifang, Shandong Province, the PRC.

During the Year, the Group were involved in the following principal activities:

- manufacture and sale of diesel engines and related parts;
- manufacture and sale of automobiles and other major automobile components;
- manufacture and sale of minor automobile components; and
- import and export services.

2. IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS")

The Group has adopted the following new interpretations and amendments to HKFRSs for the first time for the current year's financial statements. Except for in certain cases giving rise to new and revised accounting policies and additional disclosures, the adoption of these new interpretations and amendments has had no significant effect on these financial statements.

HKAS 39 and HKFRS 7 Amendments	Amendments to HKAS 39 <i>Financial Instruments: Recognition and Measurement</i> and HKFRS 7 <i>Financial Instruments: Disclosures — Reclassification of Financial Assets</i>
HK(IFRIC)-Int 11	<i>HKFRS 2 — Group and Treasury Share Transactions</i>
HK(IFRIC)-Int 12	<i>Service Concession Arrangements</i>
HK(IFRIC)-Int 14	<i>HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction</i>

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 First-time Adoption of HKFRSs and HKAS 27 Consolidated and Separate Financial Statements — Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate ¹
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards ²
HKFRS 2 Amendments	Amendments to HKFRS 2 Share-based Payment — Vesting Conditions and Cancellations ¹
HKFRS 3 (Revised)	Business Combinations ²
HKFRS 8	Operating Segments ¹
HKAS 1 (Revised)	Presentation of Financial Statements ¹
HKAS 23 (Revised)	Borrowing Costs ¹
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ²
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 Financial Instruments: Presentation and HKAS 1 Presentation of Financial Statements — Puttable Financial Instruments and Obligations Arising on Liquidation ¹
HKAS 39 Amendment	Amendment to HKAS 39 Financial Instruments: Recognition and Measurement — Eligible Hedged Items ²
HK(IFRIC)-Int 13	Customer Loyalty Programmes ³
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate ¹
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation ⁴
HK(IFRIC)-Int 17	Distribution of Non-cash Assets to Owners ²
HK(IFRIC)-Int 18	Transfers of Assets from Customers ²

Apart from the above, the HKICPA has also issued *Improvements to HKFRSs** which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. Except for the amendment to HKFRS 5 which is effective for the annual periods on or after 1 July 2009, other amendments are effective for annual periods beginning on or after 1 January 2009 although there are separate transitional provisions for each standard.

¹ Effective for annual periods beginning on or after 1 January 2009

² Effective for annual periods beginning on or after 1 July 2009

³ Effective for annual periods beginning on or after 1 July 2008

⁴ Effective for annual periods beginning on or after 1 October 2008

* *Improvements to HKFRSs* contains amendments to HKFRS 5, HKFRS 7, HKAS 1, HKAS 8, HKAS 10, HKAS 16, HKAS 18, HKAS 19, HKAS 20, HKAS 23, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 34, HKAS 36, HKAS 38, HKAS 39, HKAS 40 and HKAS 41.

In October 2008, the HKICPA issued its first *Improvements to HKFRSs* which sets out amendments to a number of HKFRSs. The Group expects to adopt the amendments from 1 January 2009. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments are expected to have a significant financial impact on the Group.

3. SEGMENT INFORMATION

Segment information is presented by way of the Group's primary segment reporting basis, by business segment. In determining the Group's geographical segments, revenues are attributed to the segments based on the location of customers, and assets are attributed to the segments based on the location of the assets. No further geographical segment information is presented as over 90% of the Group's revenue is derived from customers based in Mainland China, and over 90% of the Group's assets are located in Mainland China.

The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

- (a) manufacturing and sale of diesel engines and related parts ("Diesel engines");
- (b) manufacturing and sale of automobiles and major automobile components other than diesel engines ("Automobiles and other major automobile components");
- (c) manufacturing and sale of non-major automobile components ("Non-major automobile components"); and
- (d) provision of import and export services ("Import & export services").

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Business segments

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 December 2008 and 2007.

Year ended 31st December 2008

	Diesel engines RMB'000	Automobiles and other major auto- mobile components RMB'000	Non-major automobile components RMB'000	Import & export services RMB'000	Eliminations RMB'000	Consolidated RMB'000
Segment revenue:						
Sales to external customers	10,912,567	20,396,342	884,512	373,769	—	32,567,190
Inter-segment sales	2,990,771	295	24,880	—	(3,015,946)	—
Total	<u>13,903,338</u>	<u>20,396,637</u>	<u>909,392</u>	<u>373,769</u>	<u>(3,015,946)</u>	<u>32,567,190</u>
Segment results	<u>1,804,721</u>	<u>1,296,426</u>	<u>38,038</u>	<u>8,006</u>		3,147,191
Interest and dividend income and unallocated gains						218,875
Corporate and other unallocated expenses						(272,007)
Finance costs						(297,844)
Loss on disposal of disposal group held for sale						(49,775)
Share of profits and losses of associates and a jointly-controlled entity	(1,294)	(3,378)	—	(1,070)		(5,742)
Profit before tax						2,740,698
Tax						(328,989)
Profit for the year						<u>2,411,709</u>
Assets and liabilities						
Segment assets	12,535,031	15,791,548	963,040	459,544		29,749,163
Investment in a jointly-controlled entity	20,932	—	—	—		20,932
Investments in associates	44,407	132,641	—	2,724		179,772
Total assets						<u>29,949,867</u>
Segment liabilities	9,296,590	8,611,254	466,895	248,650		18,623,389
Total liabilities						<u>18,623,389</u>
Other segment information:						
Capital expenditure	580,828	1,388,982	41,373	—		2,011,183
Depreciation and amortisation	362,252	389,408	42,769	205		794,634
Loss/(gain) on disposal of items of property, plant and equipment	(317)	1,162	(43)	(131)		671
Write-down of inventories to net realisable value	99,641	83,606	2,745	—		185,992
Impairment loss on trade and other receivables	20,660	88,919	667	6,394		116,640
Product warranty provision	<u>390,346</u>	<u>301,979</u>	<u>6,621</u>	<u>—</u>		<u>698,946</u>

Year ended 31st December 2007

	Diesel engines <i>RMB'000</i>	Automobiles and other major auto- mobile components <i>RMB'000</i>	Non-major automobile components <i>RMB'000</i>	Import & export services <i>RMB'000</i>	Eliminations <i>RMB'000</i>	Consolidated <i>RMB'000</i>
Segment revenue:						
Sales to external customers	8,754,086	17,943,219	841,335	1,247,543	—	28,786,183
Inter-segment sales	2,541,135	—	61,001	—	(2,602,136)	—
Total	<u>11,295,221</u>	<u>17,943,219</u>	<u>902,336</u>	<u>1,247,543</u>	<u>(2,602,136)</u>	<u>28,786,183</u>
Segment results	<u>2,005,167</u>	<u>1,613,539</u>	<u>30,996</u>	<u>27,703</u>		3,677,405
Interest and dividend income and unallocated gains						115,431
Corporate and other unallocated expenses						(161,959)
Finance costs						(253,120)
Loss on disposal of disposal group held for sale						(101,446)
Share of profits and losses of associates						(3,169)
Profit before tax						3,273,142
Tax						(479,566)
Profit for the year						<u>2,793,576</u>
Assets and liabilities						
Segment assets	8,223,017	12,555,355	689,724	904,291		22,372,387
Investments in associates	65,258	132,678	142	22,028		220,106
Total assets						<u>22,592,493</u>
Segment liabilities	5,908,383	6,479,213	494,046	312,663		13,194,305
Total liabilities						<u>13,194,305</u>
Other segment information:						
Capital expenditure	731,168	662,004	90,648	3,817		1,487,637
Depreciation and amortisation	271,907	325,386	53,173	361		650,827
Gain on disposal of items of property, plant and equipment	944	1,073	267	4		2,288
Write-down of inventories to net realisable value	3,304	62,846	6,360	—		72,510
Impairment loss on trade and other receivables	23,715	27,921	1,659	1		53,296
Product warranty provision	<u>304,153</u>	<u>98,792</u>	<u>—</u>	<u>—</u>		<u>402,945</u>

4. REVENUE, OTHER INCOME AND GAINS

Revenue includes turnover and other revenue that arise in the Group's course of ordinary activities. The Group's turnover, which arises from the principal activities of the Group, represents the net invoiced value of goods sold, after allowances for returns and trade discounts, and the value of services rendered, net of sale taxes and surcharges.

An analysis of revenue, other income and gains is as follows:

	2008 <i>RMB'000</i>	2007 <i>RMB'000</i>
Revenue		
Turnover		
Sale of goods	31,481,811	27,242,135
Rendering of services	77,255	46,076
Other revenue		
Sales of scrap and other materials	1,003,338	1,494,320
Gross rental income	4,786	3,652
	<u>32,567,190</u>	<u>28,786,183</u>
Other income		
Bank interest income	48,827	26,530
Government subsidies	137,908	63,803
	<u>186,735</u>	<u>90,333</u>
Gains		
Gain on disposal of items of property, plant and equipment	—	2,288
Gain on disposal of available-for-sale investments	11,015	3,126
Others	21,125	19,684
	<u>32,140</u>	<u>25,098</u>
	<u>218,875</u>	<u>115,431</u>

5. FINANCE COSTS

	2008 <i>RMB'000</i>	2007 <i>RMB'000</i>
Interest on bank loans and other borrowings		
wholly repayable within five years	180,294	153,076
Interest on debentures	62,933	33,210
Interest on discounted bills receivable	57,724	65,898
Imputed interest expense on an amount due to a related party	2,789	6,363
	<hr/>	<hr/>
Total interest expense on financial liabilities		
not at fair value through profit or loss	303,740	258,547
Less: Interest capitalised	(5,896)	(5,427)
	<hr/>	<hr/>
	297,844	253,120
	<hr/>	<hr/>

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2008 RMB'000	2007 RMB'000
Cost of inventories sold	26,012,238	22,158,820
Cost of service provided	11,415	16,243
Write-down of inventories to net realisable value	185,992	72,510
Product warranty provision		
Additional provision	698,946	402,945
Amounts utilised during the year	(433,238)	(303,552)
	<u>265,708</u>	<u>99,393</u>
Staff costs (including directors' and supervisors' remuneration):		
Wages and salaries	1,596,670	1,454,532
Defined contribution pension scheme (<i>note i</i>)	155,981	123,182
Medical benefits costs (<i>note ii</i>)	36,171	21,806
Housing fund	51,363	47,413
Cash housing subsidies costs	60,512	45,296
	<u>1,900,697</u>	<u>1,692,229</u>
Net rental income	(2,656)	(3,118)
Bank interest income	(48,827)	(26,530)
Research and development costs	379,525	323,225
Minimal lease payment under operating leases:		
Plant and machinery	32,011	31,812
Land and buildings	58,722	47,955
Auditors' remuneration	21,539	24,144
Loss/(gain) on disposal of items of property, plant and equipment	671	(2,288)
Depreciation of property, plant and equipment	757,256	583,142
Depreciation of investment property	2,276	802
Recognition of prepaid land lease payments	19,499	20,312
Amortisation of other intangible assets	15,603	46,571
Impairment of trade and other receivables	116,640	53,296
Impairment of available-for-sale investments	2,722	—
Impairment of items of property, plant and equipment	25,380	—
Impairment of investment in an associate	142	—
Foreign exchange differences, net	<u>19,205</u>	<u>12,389</u>

Notes:

(i) Defined contribution pension scheme

All of the Group's full-time employees in Mainland China are covered by a government-regulated pension scheme and are entitled to an annual pension determined by their basic salaries upon their retirement. The PRC government is responsible for the pension liabilities to these retired employees. The Group is required to make annual contributions to the government-regulated pension scheme at 20% (2007: 20%) of the employees' basic salaries. This defined contribution pension scheme continued to be available to the Group's employees for the year. The related pension costs are expensed as incurred.

(ii) Medical benefits costs

The Group contributes on a monthly basis to defined contribution medical benefit plans organised by the PRC government. The PRC government undertakes to assume the medical benefit obligations of all existing and retired employees under these plans. Contributions to these plans by the Group are expensed as incurred. The Group has no further obligations for medical benefits and supplemental medical benefits for their qualified employees under these plans.

7. TAX

The Company and all its subsidiaries that operate in Mainland China are subject to the statutory corporate income tax rate of 25% (2007: 33%) for the year under the income tax rules and regulations of the PRC, except that:

- (1) The Company and certain subsidiaries are subject a preferential rate of 15% as they are assessed by relevant government authorities as High and New Technology Enterprises ("HNTE") for a period of three years commencing 1 January 2008. Pursuant to the PRC Income Tax Law, enterprises assessed as "HNTE" are entitled to a preferential income tax rate of 15%; and
- (2) Pursuant to Notice of the State Administration of Taxation concerning the Opinions on the Implementation of the Relevant Taxation Policies for the Western Development 《國家稅務總局關於落實西部大開發有關稅收政策具體實施意見的通知》, certain subsidiaries which are approved as domestic enterprises engaged in the industries encouraged by the State in Western Region 《西部地區國家鼓勵產業的內資企業》 are also subject to a preferential tax rate of 15%.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong for the year.

	2008 RMB'000	2007 RMB'000
Group:		
Current — Mainland China		
Charge for the year	458,193	688,132
Over-provision in prior years	(2,214)	—
Current — Elsewhere		
Charge for the year	1,206	—
Deferred	(128,196)	(208,566)
Total tax charge for the year	328,989	479,566

A reconciliation of the tax expense applicable to profit before tax using the statutory rates for the countries/jurisdictions in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rates is as follows:

Group — 2008

	Mainland China RMB'000	Elsewhere RMB'000	Total RMB'000
Profit before tax	2,784,336	(43,638)	2,740,698
Tax at the statutory tax rate	696,084	(5,749)	690,335
Preferential tax rate or concessions	(287,167)	—	(287,167)
Effect of tax rate change on opening deferred tax	(316)	—	(316)
Adjustments in respect of current tax of previous periods	(2,214)	—	(2,214)
Profits and losses attributable to a jointly-controlled entity and associates	701	141	842
Income not subject to tax	(6,786)	—	(6,786)
Expenses not deductible for tax	14,011	8,704	22,715
Tax incentives on eligible expenditures	(95,842)	—	(95,842)
Tax losses utilised from previous periods	(2,807)	—	(2,807)
Tax losses not recognised	10,532	—	10,532
Deductible temporary differences not recognised, net	(303)	—	(303)
Tax charge at the Group's effective rate	325,893	3,096	328,989

Group – 2007

	Mainland China <i>RMB'000</i>	Elsewhere <i>RMB'000</i>	Total <i>RMB'000</i>
Profit before tax	3,273,142	—	3,273,142
Tax at the statutory tax rate	1,080,137	—	1,080,137
Preferential tax rate or concessions	(670,797)	—	(670,797)
Effect of tax rate change on opening deferred tax	(5,936)	—	(5,936)
Profits and losses attributable to associates	1,046	—	1,046
Income not subject to tax	(29,271)	—	(29,271)
Expenses not deductible for tax	104,387	—	104,387
	<u>479,566</u>	<u>—</u>	<u>479,566</u>
Tax charge at the Group's effective rate			

The share of tax attributable to a jointly-controlled entity and associates amounting to RMB 236,000 (2007: Nil) and RMB 246,000 (2007: Nil), respectively, is included in “Share of profits and losses of a jointly-controlled entity and associates” on the face of the consolidated income statement.

8. DIVIDENDS

	2008 <i>RMB'000</i>	2007 <i>RMB'000</i>
Proposed final — RMB0.13 (2007: RMB0.44) per ordinary share	<u>108,296</u>	<u>229,088</u>

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the Company and the weighted average number of ordinary shares in issue during the year, as adjusted to reflect the bonus issue during the year.

No diluted earnings per share amounts have been presented for the years ended 31st December 2007 and 2008 as no diluting events existed during these years.

	2008 <i>RMB'000</i>	2007 <i>RMB'000</i>
Earnings		
Profit attributable to ordinary equity holders of the Company used in the basic earnings per share calculation	<u>1,928,955</u>	<u>2,014,904</u>
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	<u>833,046,000</u>	<u>739,443,000</u>

10. INVENTORIES

	2008 <i>RMB'000</i>	2007 <i>RMB'000</i>
Raw materials and consumables	2,229,472	1,091,609
Work in progress	583,189	656,358
Finished goods	3,037,956	2,452,043
	<u>5,850,617</u>	<u>4,200,010</u>

11. TRADE AND BILLS RECEIVABLES

	2008 <i>RMB'000</i>	2007 <i>RMB'000</i>
Trade receivables	3,256,425	1,968,951
Bills receivable	3,995,709	4,180,241
Impairment	(322,126)	(239,690)
	<u>6,930,008</u>	<u>5,909,502</u>

The Group's trading terms with its customers are mainly on credit except for new customers, where payment in advance or cash on delivery is normally required. The credit period is generally 90 days to 180 days, however, customers with established trading records could be granted a longer credit period. The Group seeks to maintain strict control over its outstanding receivables and has a credit control policy to minimise credit risk. Credit sales are made to customers with an appropriate credit history. Credit limits granted to customers are reviewed regularly. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

An aged analysis of the trade and bills receivables as at the balance sheet date, based on the invoice date and net of provision for impairment, is as follows:

	2008 <i>RMB'000</i>	2007 <i>RMB'000</i>
Within 3 months	4,998,810	3,977,798
3 to 6 months	1,417,465	1,738,859
6 to 12 months	386,053	39,136
1 to 2 years	79,219	95,894
2 to 3 years	24,449	39,519
3 to 4 years	18,923	17,041
4 to 5 years	5,089	1,255
	<u>6,930,008</u>	<u>5,909,502</u>

The trade and bills receivables included in a disposal group of RMB63,576,000 are all aged within three months.

The movements in provision for impairment of trade and bills receivables are as follows:

	2008 RMB'000	2007 RMB'000
At 1st January	239,690	232,043
Impairment losses recognised	107,946	53,756
Amount written off as uncollectible	(9,332)	(7,360)
Impairment losses reversed	(16,178)	(38,749)
	<u>322,126</u>	<u>239,690</u>

The above provision for impairment of trade and bills receivables of the Group is provision for both individually and collectively impaired trade and bills receivables with a carrying amount before impairment of RMB708,179,000 (2007: RMB672,839,000). For amounts which were past due at the balance sheet date, the Group has not provided for those receivables of which there has not been significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

The aged analysis of the trade and bills receivables that are not considered to be impaired is as follows:

	2008 RMB'000	2007 RMB'000
Neither past due nor impaired	6,416,275	5,377,463
Less than 1 year	26,406	36,065
1 to 2 years past due	65,038	58,242
2 to 3 years past due	21,686	2,437
3 to 4 years past due	12,006	1,892
4 to 5 years past due	2,544	254
	<u>6,543,955</u>	<u>5,476,353</u>

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

As at 31st December 2008, trade and bills receivables of approximately RMB338,815,000 (2007: RMB561,986,000) were pledged to secure bank loans and credit facilities of the Group.

The amounts due from related parties included above are analysed as follows:

	Group	
	2008	2007
	RMB'000	RMB'000
Weichai Holdings and its subsidiaries	28,953	2,314
Lonking Holdings and its subsidiaries	431	540
Subsidiaries	—	—
Jointly-controlled entity	5,036	—
Associates	42,627	60,551
Minority shareholders groups	224,505	8,442
	<u>301,552</u>	<u>71,847</u>

The amounts due from related parties are on credit terms similar to those offered to the major customers of the Group.

12. TRADE AND BILLS PAYABLES

	2008	2007
	RMB'000	RMB'000
Trade payables	6,442,175	5,344,474
Bills payable	4,185,776	1,920,299
	<u>10,627,951</u>	<u>7,264,773</u>

An aged analysis of the trade and bills payables as at the balance sheet date, based on the invoice date, is as follows:

	2008	2007
	RMB'000	RMB'000
Within 3 months	5,798,843	6,181,632
3 to 6 months	3,570,389	729,789
6 to 12 months	921,325	146,610
Over 1 year	337,394	206,742
	<u>10,627,951</u>	<u>7,264,773</u>

The trade and bills payables included in a disposal group of RMB21,985,000 are all aged within three months.

The amounts due to related parties included above are analysed as follows:

	Group	
	2008	2007
	<i>RMB'000</i>	<i>RMB'000</i>
Weichai Holdings and its subsidiaries	2,335	557
Subsidiaries	—	—
Jointly-controlled entity	5,096	—
Associates	67,819	27,978
Minority shareholders groups	213,151	200,113
	<u>288,401</u>	<u>228,648</u>

The trade payables are non-interest-bearing and are normally settled on 90-day terms. The amounts due to related parties are on credit terms similar to those offered by the major suppliers of the Group.

CHAIRMAN'S STATEMENT

Dear Shareholders:

On behalf of the Board, I would like to present the audited annual results of the Company for the year ended 31st December, 2008.

I. REVIEW OF OPERATIONS

2008 was a year of numerous challenges. During the year, China's economic growth has slowed down season on season, particularly in the 2nd-half in which we saw a greater contract in macro-economy, due to the global financial crisis and cyclical adjustment of China's economy. The full year GDP grew by 9.0% year on year, which is the lowest in 5 years. However, investment maintained growth at a fast pace as China's fixed asset investments surge 25.5% year on year, representing an increase of 0.7% over last year. This has brought a bigger development space for the heavy-duty vehicle and construction machinery industries in China.

In 2008, the development of the heavy-duty truck market varied significantly between the 1st-half and 2nd-half. During the 1st-half, the heavy-duty truck market maintained the record growth experienced in 2007 as sales of heavy-duty trucks reached approximately 380,000 units, accounted for approximately 70% of annual sales. In the 2nd-half, particularly since September, both the consumer confidence and investment confidence have been battered by the global financial crisis and cyclical adjustment of the industry and the market demand decreased sharply. The industry is facing severe challenges from this troubling situation. Fortunately, in line with the continuous improvement of the nationwide road network, the increase in the length and coverage of expressways and the implementation of steps to regulate the heavy-duty sector which included increasing crack down on truck overloading and the implementation of the charge-by-weight policy, the road cargo volume and cargo turnover experienced significant growth which propelled the sector development toward a product structure of high-tonnage and high-efficiency. All these have laid a solid foundation for the growth of the heavy-duty truck industry. Meanwhile, to effectively respond to the financial crisis, the central government immediately adjusted its macro-economic policies and launched another round of policies to boost domestic demand. The fuel tax reform, in particular, brought new development opportunities for the heavy-duty truck market. With the outstanding performance in the 1st-half, the heavy-duty truck market managed to achieve some growth during the reporting period, as sales of heavy-duty trucks reached approximately 540,000 units, representing a year-on-year growth of 10.87%.

During the reporting period, the heavy-duty truck market continued to show an overall growth, while the competition was increasing accordingly. According to the statistics of 中國汽車工業協會 (China Association of Automobile Manufacturers), the Company's major customers such as 陝西重型汽車有限公司 (Shaanxi Heavy-duty Motor Company Limited), 北汽福田汽車股份有限公司 (Beiqi Futian Motor Company Limited), 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 Automobile Group Co., Ltd.) and 安徽江淮汽車股份有限公司 (Anhui Jianghuai Automotive Co., Ltd.), etc. all recorded growth, hence driving the growth of the Company's product

sales. The Company's aggregate sales of heavy-duty truck engines reached approximately 197,000 units in 2008, representing a year-on-year increase of 30.37%, 19.29% higher than the average of the industry. According to the statistics of 中國汽車工業協會 (China Association of Automobile Manufacturers), the Company's market share in the 14 tonnes (and above) gross weight heavy-duty truck market reached 36.5%, representing an increase of 4.1% over last year. Shaanxi Heavy-duty Motor Company Limited, a subsidiary of the Company, reported an aggregate sales of approximately 64,000 units of heavy-duty trucks, representing an increase of 6.81% over last year. 陝西法士特齒輪有限責任公司 (Shaanxi Fast Gear Co. Ltd.), a subsidiary of the Company, reported an aggregate sales of approximately 465,000 units of gear boxes, representing an increase of 7.98% over last year.

At the same time, the development of the construction machinery market in China also demonstrated a trend of "high-low" due to the increase in material prices in the 1st-half and the intensifying of financial crisis in the 2nd-half. Since China is still undergoing rapid urbanization and industrialization, the implementation of strategies such as the Western China Development strategy, the Rise of Central China strategy, the invigoration of industrial base in the Northeast and development of new villages, and the demand from the reconstruction after the snow disaster and earthquake have driven the growth of China's infrastructural investments in areas such as hydraulic power, nuclear power, oil fields, railways, roads and ports. These in turn have partially offset the negative impact from financial crisis and brought the rapid growth of the construction machinery market. A total of approximately 470,000 units of construction machines were sold in China during the reporting period, representing an increase of 9% over last year, in which sales of wheel loaders with a load capacity of 5 tonnes (and above) amounted to approximately 105,000 units, representing an increase of 8.07% over last year. According to the statistics of 中國工程機械協會 (China Construction Machinery Association), the Company's major customers, such as 中國龍工控股有限公司 (China Infrastructure Machinery Holdings Limited), 廣西柳工機械股份有限公司 (Guangxi Liugong Machinery Co., Ltd.), 山東臨工工程機械有限公司 (Shandong Lingong Construction Machinery Co., Ltd.), 徐州工程機械集團有限公司 (Xuzhou Construction Machinery Group Inc.), 成都成工機械有限公司 (Chengdu Construction Machinery Co., Inc.), 山東山工機械有限公司 (Shandong SEM Machinery Co., Ltd.), all recorded growth over last year, hence driving the growth of the Company's product sales. The Company's sales of engines for construction machinery were approximately 88,000 units in 2008, representing a year-on-year growth of 3.80%. According to the information published on the website of 中國工程機械信息網 (China Construction Machinery Network), the Company had a market share of 81.1% in the market of wheel loaders with a load capacity of 5 tonnes (and above), representing a slight decrease of 1.9% over last year, and maintained its absolutely leading position in the sector.

In 2008, with our technology innovation, the Company continued to lead the power-transmission development in China. During the reporting period and following the implementation of the China III emission standard, our proprietary electronically-controlled high-pressure low-emission China III emission standard compliant high-power, high-speed "Landking" (藍擎) engines exhibited significant advantages and maintained its leading position in the heavy-duty truck engine market leveraged by its features such as fuel saving, reliable and environmental-friendly. In 2008, there is a new member in our "Landking"

family, as the Company successfully completed the research of the China V emission standard compliant high-power, high-speed engine three years ahead of the schedule set by the government, which has laid a solid foundation for the Company to further consolidate its leading position in internal combustion engine sector. Furthermore, WP5/WP7, new products of our proprietary strategic T-engine project, has passed the “two high” tests, namely high plateau test and high altitude and cold areas test, and was presented in our commercial fair. These two mid/low power engines fully comply with China III, China IV and China V emission standards and will be the perfect drive for coach, mid/high-duty truck and construction machinery. The launch of such engines marked a further strengthening of our research and development ability, greater competitive edges of our product portfolio, and even broader prospects for the Company’s development.

During the reporting period, the Company continued to place great emphasis on organic growth and innovative management. We have consolidated and improved the four modernized management approaches and the two process management tools adopted in recent years for more extensive application. The four modernized management approaches include comprehensive budget management, Lean Six Sigma management, excellent performance management and the utilization of information technology, while the two process management tools consist of operating warning analysis and leverage management. The implementation of the above measures has further enhanced the Company’s corporate management platform. Besides, we engaged domestically and internationally renowned consultant firms to carry out the “Three Inspections” campaign, which mainly focused on reviewing our strategies, operation and management quality. The campaign has enabled the Group to have a clearer development strategy for the future, as well as a healthier operation of logistics, capital flow and information flow. In respect of parent-subsidiary supervision, the Company further strengthened synergies between the parent company and the subsidiaries by improving its governance structure and streamlining its supervising system.

In the year of 2008, the Company was hit by the most severe global financial crisis in almost a century. However, based on the significant development achieved in the last economic growth cycle, the Company managed to maintain a sufficient cash flow by issuing warning in advance, tackling problems in a proactive manner, conducting thorough market research and effectively exploiting internal potential. Meanwhile, the Company also seized the opportunities amid the current crisis by further expanding investment in product research and development, improving our capability of independent innovation, unwaveringly accelerating the progress of our strategic projects such as the Landking Environmental-friendly Power Project, the New Energy Power Project and the 5-to-7-Litre Engine Project. All these have fully prepared the Group for the next economic growth cycle.

The Company sold approximately 296,000 units of different models of diesel engines in the reporting period, representing an increase of 20.76% over 2007. Revenue increased by approximately 13.13% over 2007 to approximately RMB32,567 million. The net profit attributable to shareholders was RMB1,929 million, representing a decrease of 4.27% over 2007. The basic earnings per share decreased by approximately 14.71% over 2007 to approximately RMB2.32.

II. DIVIDEND AND SHARE ISSUING BY CONVERSION OF CAPITAL RESERVE

Putting shareholders' interests and return as its top priority, the Company has been maintaining a relatively stable dividend policy. The Company shall review and develop its dividend policy as an A+H dual-listed company taking account into various relevant factors, including the general practice of dividend distribution by domestic A share companies. Accordingly, the Board proposed to declare a final dividend of RMB0.13 per share for the year ended 31st December, 2008.

In mid-2008, the Company has implemented the resolution of share issuing by conversion of capital reserve proposed in the interim of 2008, pursuant to which it made the distribution at the rate of 6 shares for every 10 shares by conversion of the capital reserve based on the total share capital of 520,653,552 shares of the Company. Upon the issue, the total share capital of the Company was increased to 833,045,683 shares.

III. ACQUISITION AND CONSOLIDATION

On 28th June, 2008, the Company and 北汽福田汽車股份有限公司 (Beiqi Futian Motor Company Limited ("Beiqi Futian")) entered into an enforceable Strategic Alliance Framework Agreement, pursuant to which the Company (as a strategic investor) would subscribe 20 million new shares issued by Beiqi Futian by private placement, accounting for 2.18% of Beiqi Futian's share capital as enlarged by the private placement. Meanwhile, both parties also agreed to closely collaborate in product match, new product development, service network, technology research, marketing, brand promoting and advertising, so as to complement each other and achieve resources sharing.

During the reporting period, with the view to improve the technology and product structure of the Company and achieve sustainable and stable development, the Company has acquired, with the consent of Weichai Group Holdings Limited ("Weichai Holdings"), the 50% state-owned equity interests of Weichai Peterson Gas Engine Company Limited (濰柴培新氣體機公司) held by Weichai Holdings and introduced Canadian Westport Innovations Inc., a foreign-owned company equipped with core technology of new energy engines to invest and participate in the research and manufacture of new energy gas engines to establish a joint venture called Weichai Power Westport New Energy Engine Co. Ltd., aiming at further extending the industry chain of the Company and establishing ourselves as an international company offering high-power, high-speed and heavy-duty trucks and new vehicle energy.

Despite the on-going global financial crisis, the Company actively consolidated its domestic and overseas resources and successfully acquired Moteurs Baudouin, a France-based engine manufacturer, through its subsidiary, Weichai Power (Hong Kong) International Development Limited, at a consideration of 2.99 million Euro. This acquisition not only marked the first step of the Company's overseas merger and acquisition, but also provided the Company with the products and technology of 16-litre high-power diesel engines, laying a solid foundation for the Company to enhance its product portfolio and strengthen its core competitiveness.

IV. OUTLOOK AND PROSPECTS

Looking ahead, 2009 will be a year full of both challenges and opportunities. On the one hand, China's real economy will not only experience its own cyclical adjustments, but also the ongoing impact of the global financial crisis. Enterprises will encounter severe challenges in external environment due to the decline of domestic demand, export and investor sentiment. On the other hand, there is still high growth potential in China's economy. Domestic demand still has a big room for growth due to the great imbalance in the development between urban and rural areas as well as different regions. Meanwhile, the government has already set out the principal tasks for the economy in 2009, which are "to boost domestic demand, to sustain economic growth, to adjust the structure of the economy and to give top priority to ensure people's well-being". While a proactive fiscal policy and moderately loose monetary policy will be in place throughout the year, the goal for 8% economic growth in 2009 still rests in the fastest growing economy in the world.

The Company is cautiously optimistic about the development of the related industries. In the heavy-duty truck market, 2009 will see a further decline in the demand for heavy-duty trucks due to the implementation of the China III Emission Standard and the financial crisis. But with the implementation of the fuel tax reform, there will be a sharp decrease in the costs of vehicle maintenance despite the relative increase in mileage fee. As a result, the logistics and transport markets will continue to prosper and transport vehicles will keep on developing in the heavy-duty direction. Meanwhile, the State Council and the government in Shandong province have launched their automobile industry restructuring and revitalization plans. As a priority area in the plan, heavy-duty vehicles will certainly play a positive role in promoting the steady and sustainable development of the heavy-duty sector. On another front, the construction machinery market will gain some impetus from the central government's 4-trillion fixed assets investment plan. While projects in highways, railways and other infrastructure will be initiated one after another, programs for modern logistics, energy saving and emission reduction as well as people's well-being will also be in place. According to the law of the industry's development, the construction machinery market will secure a positive growth in 2009.

Given the implementation of the China III Emission Standard, we anticipate that there will be fierce competition in China's engine market in the coming years. Leveraging on our advanced technology and loyal customer base, we have consolidated our leading position in the high-power engine market and the directors have full confidence in the prospect of the Company. Meanwhile, the Company will continue to explore emerging markets including coaches, non-loaders construction machinery and medium to heavy-duty trucks with its newly developed 5-to-7-litre engines. With the core of Landking engines, the Company will unswervingly build up its strengths in market diversification to form a coordinated market layout.

The Company will spare no effort in the marketing of its China III compliant high-power high-speed engines. We will utilize our unique resources and technical edge to meet the requirements in the areas of environmental protection, energy conservation and the high-efficiency requirement of heavy-duty trucks. We shall continue to lead and foster the rapid development of the high-power high-speed diesel engines industry in China.

At the same time, under the principle of “unifying strategy, independent operation, resources sharing”, we will accelerate the segmental development of commercial vehicles, power chain and automobile components. We shall further integrate the Company’s resources, fully utilize synergies and improve our capability against risks, building the Company as a global leading transport and construction equipment supplier with power chain as the core.

V. APPRECIATION

Last but not 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 for their hard work and dedication in last year.

MANAGEMENT DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS

The Directors are pleased to provide a management discussion and analysis of the results of operations of the Group for the year ended 31st December, 2008, as follow:

I. INDUSTRY ANALYSIS

The Company is one of the largest manufacturers of high-power, high-speed diesel engines in the PRC and a leading company in the power chain market. It is equipped with the most comprehensive supply chain of engines, gear boxes and axles.

1. Heavy-duty Vehicle Industry

During the year, the sales of the heavy-duty truck in the PRC remained robust. According to the statistics of 中國汽車工業協會 (China Association of Automobile Manufacturers), the domestic sales of heavy-duty trucks amounted to approximately 540,000 units, representing a year-on-year growth of approximately 10.87%. This is mainly attributed to:

First, during the year, the country's macro-economy continued to have a strong growth momentum. According to the National Bureau of Statistics of China, GDP recorded a year-on-year increase of 9.0% while fixed asset investment recorded a year-on-year increase of 25.5%. The heavy-duty truck industry benefited from the favourable macro-economic environment.

Second, during the year, due to the implementation of Euro III starting from 1st July, 2008, the high-power, high-speed and heavy-duty vehicle industry has become the market focus which led to a strong demand for heavy-duty vehicles. All these have laid a solid foundation for the heavy-duty vehicle industry.

Third, the State prioritized its support towards the development of rural areas, environmental protection, development of the Western region, and the growth of the industries based in the Northeast. This, coupled with the full opening of the domestic financial sector and the rapid growth of export, generated a pulling effect on the demand side of the heavy-duty vehicle market during the year.

Forth, the continuous improvement of the nationwide road network, the increase in the length and coverage of expressways and the implementation of steps to regulate the heavy-duty sector which included increasing crack down on truck overloading and the implementation of the charge-by-weight policy, have laid a solid foundation for the growth of the heavy-duty truck industry. Meanwhile, to effectively respond to the financial crisis, central government immediately adjusted its macro-economic policies and launched another round of policies to boost domestic demand. The fuel tax reform, in particular, brought new development opportunities for the heavy-duty truck market.

2. Construction Machinery Industry

During the year, according to the statistics of 中國工程機械工業協會 (China Construction Machinery Association), a total of approximately 470,000 units of construction machines were sold in China, representing an increase of approximately 9% over last year, in which sales of wheel loader with a load capacity of 5 tonnes (and above) amounted to approximately 105,000 units, representing an increase of approximately 8.07% over last year. The construction machinery industry continued to grow at a healthy and fast pace. This is mainly attributed to:

The construction machinery industry has entered a medium to long-term rapid growth period. The PRC economy is entering the developing stage of heavy industrialization. According to the experience of some developed countries, heavy industrialization results in long-term prosperity in the construction machinery industry. While the PRC's huge infrastructure construction is still under development, the investment in the urbanization of rural areas, construction of new villages, railways, road infrastructure and public infrastructure will foster a continuous growth of domestic demand, and the modest macro control and the soaring export growth will offset the cyclical fluctuation, the construction machinery industry will maintain its rapid growth.

In 2008, the construction machinery market in China also hit by the intensifying of financial crisis. However, China's infrastructural investments continued to grew, and the development in areas such as hydraulic power, nuclear power, oil fields, railways, roads and ports kept accelerated. All of these together with the demand from the reconstruction after the snow disaster and earthquake have partially offset the negative impact from financial crisis and brought the rapid growth of the construction machinery market.

II. THE GROUP'S BUSINESS

An analysis of the Group's business segments is set out in note 3 to the consolidated financial statements. The following are the highlights of the operations of major products lines of the Group.

1. Sales of Diesel Engines

For use in Heavy-duty Trucks

The Group is the largest supplier of diesel engines to major manufacturers of heavy-duty trucks with a load capacity of 15 tonnes (and above) in the PRC. The key customers included: 陝西重型汽車有限公司 (「陝西重汽」) (Shaanxi Heavy-duty Motor Company Limited), 北汽福田汽車股份有限公司 (「北汽福田」) (Beiqi Futian Motor Company Limited), 包頭北方奔馳重型汽車有限責任公司 (「陝西重汽」) (Baotou North-Benz Heavy-Duty Truck Co., Ltd.), 安徽華菱重型汽車有限公司 (Anhui Hualing Heavy-Duty Automobile Group Co., Ltd.) and 安徽江淮汽車股份有限公司 (Anhui Jianghuai Automotive Co., Ltd.), etc. Due to the reasons mentioned above in the “Industry Analysis”, these customers expanded their market share rapidly in the PRC during the year. During the year, the Group sold approximately 296,000 units of diesel engines in total, compared to approximately 245,000 units in 2007, representing an increase of approximately 20.76%. Of the diesel engines sold during the year, approximately 197,000 units (2007: 151,000 units) were truck engines, representing an increase of approximately 30.37% compared to 2007.

For use in Construction Machinery

The Group is also the largest supplier of diesel engines to major manufacturers of construction machinery (mainly wheel loaders) with a load capacity of 5 tonnes (and above) in the PRC. The key customers of the Group are: 廣西柳工機械股份有限公司 (Guangxi Liugong Machinery Co., Ltd.), 中國龍工控股有限公司 (China Infrastructure Machinery Holdings Limited), 山東臨工工程機械有限公司 (Shandong Lingong Construction Machinery Co., Ltd.), 徐州工程機械集團有限公司 (Xuzhou Construction Machinery Group Inc.), 成都成工機械有限公司 (Chengdu Construction Machinery Co., Inc.), 山東山工機械有限公司 (Shandong SEM Machinery Co., Ltd.), etc. During the year, the Group sold approximately 88,000 units (2007: 85,000 units) of construction machinery engines, representing an increase of approximately 3.80% compared to that in 2007.

2. Sale of Heavy-duty Trucks

During the year, the Group sold approximately 64,000 units of heavy-duty trucks, compared to approximately 60,000 units in 2007, representing an increase of approximately 6.81%. Prior to intra-group elimination, the Truck Business contributed revenues RMB14,579 million to the Group during the year.

3. Sale of Heavy-duty Gear Box

During the year, the Group sold approximately 465,000 units of heavy-duty gear boxes, compared to approximately 430,000 units in 2007, representing an increase of approximately 7.98%. Prior to intra-group elimination, the Gear Boxes Business contributed revenues approximately RMB4,889 million to the Group during the year.

4. Sale of Engine and Heavy-duty Truck Parts

Apart from the production and sale of diesel engines for trucks and construction machinery, heavy-duty trucks and heavy-duty gear boxes, the Group also engaged in the production and sales of engine parts and other truck parts such as: spark plugs, axles, chassis, air-conditioner compressors etc. During the year, the Group recorded an approximately 19.06% increase in sales of engine parts and truck parts to approximately RMB1,515 million. The surge was mainly attributable to the increase in accumulated sales volume of diesel engines in the previous years.

III. FINANCIAL REVIEW

1. The Group's Results of Operations

a. Turnover

The Group's turnover increased from approximately RMB28,786 million in 2007 to approximately RMB32,567 million in 2008, an increase of approximately 13.13%. The increase in turnover was mainly attributable to the rising demand for heavy-duty trucks and diesel engines for use in heavy-duty trucks. During the year, the Group sold approximately 197,000 units of diesel engines for use in heavy-duty trucks in total, compared to approximately 151,000 units in 2007, representing an increase of approximately 30.37%. During the Period, the Group reported an aggregate sales of 64,000 units of heavy-duty trucks, compared to approximately 60,000 units in 2007, representing an increase of approximately 6.81%. The unit average selling price of the diesel engines and heavy-duty trucks remained relatively stable.

b. Gross Profit and Gross Profit Margin

During the year, the Group's gross profit decreased by approximately 7.78% from approximately RMB6,136 million in 2007 to approximately RMB5,659 million in 2008. Gross profit margin decreased from approximately 21.31% in 2007 to approximately 17.38% in 2008, which was mainly due to the increasing price of raw material.

c. Other Income

Other income increased by approximately 89.62% to approximately RMB219 million in 2008 from approximately RMB115 million in 2007. The increase was mainly due to increases in interest income and government subsidies on VAT refund.

d. *Distribution Costs*

Distribution costs increased by 0.80% to approximately RMB959 million in 2008 from approximately RMB951 million in 2007. As a percentage of turnover, distribution costs decreased from approximately 3.30% in 2007 to approximately 2.94% in 2008, which was mainly due to the improvement of cost efficiency as a result from the significant increase in the Company's scale of operations.

e. *Administrative Expenses*

Administrative expenses of the Group decreased by approximately 5.61% from approximately RMB1,184 million in 2007 to approximately RMB1,117 million in 2008. The decrease in administrative expenses was mainly due to the strict control on the administrative expenses imposed by the Company. As a percentage of turnover, the administrative expenses decreased from approximately 4.11% in 2007 to approximately 3.43% in 2008, which was mainly due to the decrease of the administrative expenses and the significant increase in the Company's scale of operations.

f. *Operating Profit before Finance Costs*

During the year, the Group's operating profit decreased by approximately 13.83% to approximately RMB3,039 million in 2008 from approximately RMB3,526 million in 2007. The Group's operating margin decreased from approximately 12.25% in 2007 to approximately 9.33% in 2008, which was mainly due to the lower gross profit margin.

g. *Finance Costs*

Finance costs increased by approximately 17.66% to approximately RMB298 million in 2008 from approximately RMB253 million in 2007. This increase was mainly due to the increase in borrowings and interest rate.

h. *Income Taxes*

The Group's income tax expenses decreased by approximately 31.40% to approximately RMB329 million in 2008 from approximately RMB480 million in 2007. During the period, the Group's average effective tax rate decreased from approximately 14.7%% in 2007 to approximately 12.0% in 2008.

i. *Net Profit and Net Profit Margin*

The Group's net profit for the year decreased from approximately RMB2,794 million in 2007 to approximately RMB2,412 million in 2008, whilst the net profit margin also decreased from approximately 9.70% in 2007 to approximately 7.41% in 2008.

j. *Issuing Shares by Conversion of Capital Reserve*

On 20th August, 2008, the Board of the Company passed a resolution, pursuant to which the Company made the distribution to all shareholders at the rate of 6 shares for every 10 shares by conversion of capital reserve based on the total share capital of 520,653,552 shares of the Company as at 30th June, 2008, being the date of record. Upon the share issuing, the total share capital of the Company increased by 312,392,131 shares to 833,045,683 shares.

k. *Liquidity and Cash Flow*

During the year, the Group generated RMB4,444 million in operating cash flows, part of which were applied in expanding the Group's operations by acquisition of property, plant and equipment; and in reducing its borrowings. As at 31st December, 2008, the Group had a net debt (interest-bearing debts net of cash and cash equivalents) of RMB573 million (as at 31st December, 2007: RMB894.5 million). Based on the net debt calculation above, the debt to equity ratio is 5.06% (as at 31st December, 2007: 9.5%).

2. Financial Position

a. *Assets and Liabilities*

As at 31st December, 2008, the Group had total assets of approximately RMB29,950 million, of which approximately RMB20,185 million were current. As at 31st December, 2008, the Group had cash and cash equivalents of approximately RMB3,352 million (as at 31st December, 2007: RMB1,820 million). On the same date, the Group's total liabilities amounted to approximately RMB18,623 million, of which approximately RMB17,799 million were current. The current ratio was approximately 1.13x (as at 31st December, 2007: 1.10x).

b. *Capital Structure*

At 31st December, 2008, the Group had total equity of approximately RMB11,326 million, of which approximately RMB7,998 million was attributable to equity holders of the Company, the balance being minority interests. The Group currently does not rely heavily on borrowings. The borrowings of the Group as at 31st December, 2008 amounted to approximately RMB3,786 million, which included debenture of RMB1,700 million and bank borrowings of RMB2,086 million. As a policy, the Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debts and equity balance. The Group's overall strategy remains unchanged from prior years.

c. *Pledge of Assets*

As at 31st December, 2008, bank deposits and trade and bills receivables of approximately RMB2,851 million (as at 31st December, 2007: RMB1,418 million) were pledged to banks to secure banks loans, bills payables and bills receivables issued 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 and bills payable. The fair value of the bank deposits at the balance sheet dates approximates the carrying amount.

Certain other assets were also pledged by the Group to secure the Group's borrowings. Details are set out in note 39 to the financial statements in the annual report.

d. *Contingent Liabilities*

As at 31st December, 2008, the Group had approximately RMB1,754 million (as at 31st December, 2007: RMB2,297 million) guarantees given to banks in connection with facilities granted to and utilised by third parties.

e. *Capital Commitments*

As at 31st December, 2008, the Group had approximately RMB1,168 million capital commitments contracted (as at 31st December, 2007: RMB845 million), principally for the capital expenditure in respect of acquisition of property, plant and equipment.

3. Financial Risks and Exposure

A detailed analysis of the Group's exposure to various risks including the interest rate risk, foreign currency risk, credit risk...etc. are set out in note 44 to the financial statements in the annual report.

DIRECTORS' AND SUPERVISORS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31st December 2008, the interests of the directors, supervisors and their associates in the shares and underlying shares 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 pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (“Model Code”), were as follows:

Name of Director	Capacity	Number of “A” shares held	Percentage of the issued share capital of the Company
Tan Xuguang	Beneficial owner	6,880,000 (<i>Note 1</i>)	0.8%
Xu Xinyu	Beneficial owner	1,600,000 (<i>Note 1</i>)	0.2%
Sun Shaojun	Beneficial owner	1,600,000 (<i>Note 1</i>)	0.2%
Zhang Quan	Beneficial owner	1,600,000 (<i>Note 1</i>)	0.2%
Liu Huisheng	Beneficial owner	960,000 (<i>Note 1</i>)	0.1%
Yeung Sai Hong (<i>Note 3</i>)	Held by controlled corporation	37,600,000 (<i>Note 2</i>)	4.5%
Li San Yim (<i>Note 4</i>)	Held by spouse and controlled corporation	34,400,000 (<i>Note 1</i>)	4.1%
Julius G. Kiss (<i>Note 5</i>)	Held by controlled corporation	17,200,000 (<i>Note 2</i>)	2.1%
Name of supervisor			
Ding Yingdong	Beneficial owner	560,000 (<i>Note 1</i>)	0.1%

Notes:

- These were previously 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 during the current financial year.
- These were previously foreign shares of the Company. The foreign 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 a currency other than Renminbi. These shares became “A” shares of the Company upon the “A” share listing of the Company on the Shenzhen Stock Exchange during the current financial year.
- Yeung Sai Hong, a Non-executive Director, was directly and indirectly interested in the issued share capital of Peterson Holdings Company Limited (“Peterson”), which in turn held 37,600,000 shares in the Company.
- 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 Longyan Construction Machinery (Group) Company Limited (“Fujian Longgong”)) which in turn held 34,400,000 shares in 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 17,200,000 shares in the Company.

Save as disclosed above, none of the directors, supervisors, nor their associates had any interests or short positions in any shares or underlying shares or debentures of the Company or any of its associated corporations as at 31st December, 2008.

DIRECTORS’ INTERESTS IN CONTRACTS

Mr. Li San Yim, being a beneficial shareholder of Fujian Longyan Construction Machinery (Group) Company Limited and Shanghai Longgong Machinery Company Limited, was interested in a contract for the supply of diesel engines and diesel engine parts by the Company to these two companies. Mr. Yeung Sai Hong, being a beneficial shareholder of Peterson (CNG) Equipment Limited, was interested in a contract for supply of diesel engines and related parts by the Company to Weifang Weichai Peterson Gas Diesel Engines Company Limited. Further details of the transactions undertaken in connection therewith are included in the section headed “Continuing connected transactions” in the Annual Report. Save as disclosed above, no director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party during the year.

DETAILS OF CHANGES IN SHARE CAPITAL AND SUBSTANTIAL SHAREHOLDERS’ SHAREHOLDINGS

(I) Changes in shareholdings

1. Changes in share capital

Movement of the Company’s share capital during the year are as follows:

	Beginning of the Year		Increase/decrease during the Year (+, -)				End of the Year	
	No. of shares	Percentage %	New shares issued	Transfer of surplus to capital	Others	Sub-total	No. of shares	Percentage (%)
I. Restricted circulating shares	218,640,747	41.99%	—	131,184,448	-258	131,184,190	349,824,937	41.99%
1. State-owned shares	15,140,586	2.91%	—	9,084,351	—	9,084,351	24,224,937	2.91%
2. State-owned legal person shares	101,450,000	19.48%	—	60,870,000	—	60,870,000	162,320,000	19.48%
3. Shares held by other domestic entities including:	67,800,161	13.02%	—	40,680,097	-258	40,679,839	108,480,000	13.02%
Shares held by non-State-owned legal persons	53,000,000	10.18%	—	31,800,000	—	31,800,000	84,800,000	10.18%
Shares held by domestic natural persons	14,800,161	2.84%	—	8,880,097	-258	8,879,839	23,680,000	2.84%
4. Shares held by other foreign entities including:	34,250,000	6.58%	—	20,550,000	—	20,550,000	54,800,000	6.58%
Shares held by overseas legal persons	34,250,000	6.58%	—	20,550,000	—	20,550,000	54,800,000	6.58%
Shares held by overseas natural persons	—	—	—	—	—	—	—	—
II. Non-restricted circulating shares	302,012,805	58.01%	—	181,207,683	258	181,207,941	483,220,746	58.01%
1. RMB ordinary shares	175,512,805	33.71%	—	105,307,683	258	105,307,941	280,820,746	33.71%
2. Domestic listed foreign shares	—	—	—	—	—	—	—	—
3. Overseas listed foreign shares	126,500,000	24.30%	—	75,900,000	—	75,900,000	202,400,000	24.30%
4. Others	—	—	—	—	—	—	—	—
III. Total number of shares	520,653,552	100%	—	312,392,131	—	312,392,131	833,045,683	100%

Notes:

1. Since Mr. Zhang Yupu, an ex-officer of the Company, has resigned for personal reason for less than six months, the 258 shares in the Company held by him has been locked-up pursuant to relevant rules. As at the end of the reporting period, the lock-up period of such shares was expired and such shares became non-restricted shares.
2. There are no internal staff shares during the reporting period.
3. Pursuant to an ordinary resolution passed on 3rd November, 2008 regarding a bonus issue of 6 shares for every 10 shares held by the shareholders as of 2nd December, 2008, the issued capital of the Company was increased from RMB520,654,000 to RMB833,046,000 by capitalisation of share premium of RMB312,392,000.

2. *Time over which shares are restricted from listing for trade*

Time	Additional shares that can be listed and traded upon expiry of the restricted period	Remaining restricted shares	Remaining non-restricted shares	Description
30th April 2010	349,824,937	—	—	Under the commitments of the holders of noncirculating shares of the Company and 24 natural person promoter shareholders, none of their shares can be transferred within 36 months commencing from the Company's listing on the Shenzhen Stock Exchange.

3. *Shareholdings of the top ten restricted shareholders and the restrictions*

Serial No	Names of restricted shares shareholders	Number of restricted shares held	Time permitted to be listed and traded in the market	Number of shares permitted to be listed and traded in the market	Restriction
1.	濰柴控股集團有限公司 (Weichai Group Holdings Limited) (“Weichai Holdings”)	124,236,640	30th April, 2010	—	Under the commitments of the 8 legal person shareholders (including Weichai Holdings) and Zhuzhou State-owned Assets no shares held
2.	Peterson Holdings Company Limited	37,600,000	30th April, 2010	—	by them shall be transferred or managed by other person or repurchased by
3.	福建龍岩工程機械(集團)有限公司 (Fujian Longyan Construction Machinery (Group) Company Limited)	34,400,000	30th April, 2010	—	the Company within 36 months commencing from the Company’s listing on the Shenzhen Stock Exchange.
4.	深圳市創新投資集團有限公司 (Shenzhen Chuangxin Investment Group Company Limited)	34,400,000	30th April, 2010	—	Under the commitments of the 24 natural person shareholders (including Tan Xuguang), no shares held by them shall be
5.	濰坊市投資公司 (Weifang Investment Company)	30,898,480	30th April, 2010	—	beneficially transferred or repurchased by the Company within 36 months
6.	株洲市國有資產投資經營有限公司 (Zhuzhou State-owned Assets Administration Management Company Limited)	24,224,937	30th April, 2010	—	commencing from the Company’s listing on the Shenzhen Stock Exchange.
7.	奧地利IVM技術諮詢維也納有限公司 (IVM Technical Consultants Wien Gesellschaft m.b.H)	17,200,000	30th April, 2010	—	
8.	山東省企業託管經營股份有限公司 (Shandong Enterprise Trust Operation Company Limited)	16,000,000	30th April, 2010	—	
9.	廣西柳工集團有限公司 (Guangxi Liugong Group Limited)	7,184,880	30th April, 2010	—	
10.	Tan Xuguang	6,880,000	30th April, 2010	—	

(II) Shareholdings of the Substantial Shareholders

Total number of Shareholders

The number of shareholders is 80,406, among which 80,111 are shareholders of “A” shares and 295 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
Long position					
HKSCC Nominees Limited	Foreign shareholder	24.19%	201,477,718	—	N/A
濰柴控股集團有限公司 (Weichai Group Holdings Limited)	State-owned legal person	14.92%	124,304,000	124,236,640	—
Peterson Holdings Company Limited	Overseas legal person	4.51%	37,600,000	37,600,000	—
深圳市創新投資集團有限公司 (Shenzhen Chuangxi Investment Group Co.,Ltd)	Domestic non-state-owned legal person	4.13%	34,400,000	34,400,000	—
福建龍岩工程機械(集團)有限公司 (Fujian Longyan Construction Machinery (Group) Company Limited)	Domestic non-state-owned legal person	4.13%	34,400,000	34,400,000	—
濰坊市投資公司 (Weifang Investment Company)	State-owned legal person	3.71%	30,898,480	30,898,480	—
株洲市國有資產投資經營有限公司 (Zhuzhou State-owned Assets Administration Management Company Limited)	State-owned shares legal person	2.91%	24,224,937	24,224,937	12,112,000
奧地利IVM技術諮詢維也納有限公司 (IVM Technical Consultants Wien Gesellschaft m.b.H)	Overseas legal person	2.06%	17,200,000	17,200,000	—
山東省企業託管經營股份有限公司 (Shandong Enterprise Trust Operation Company Limited)	Domestic non-state-owned legal person	1.92%	16,000,000	16,000,000	—
Industrial and Commercial Bank of China — 易方達價值成長混合型證券投資基金	Domestic non-state-owned legal person	1.14%	9,511,107	—	—

Save as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 31st December, 2008.

Shareholdings of the top ten non-restricted shareholders

Name of shareholder	Number of the non-restricted shares held	Types of shares
HKSCC Nominees Limited	201,477,718	Overseas listed foreign shares
Industrial and Commercial Bank of China — 易方達價值成長混合型證券投資基金	9,511,107	RMB ordinary shares
Industrial and Commercial Bank of China — 廣發穩健增長證券投資基金	8,400,511	RMB ordinary shares
Bank of China — 華寶興業先進成長股票型證券投資基金	6,000,000	RMB ordinary shares
Shanghai Pudong Development Bank — 廣發小盤成長股票型證券投資基金	5,662,814	RMB ordinary shares
China Construction Bank — 富國天博創新主題股票證券投資基金	5,603,499	RMB ordinary shares
大成價值增長證券投資基金	4,765,434	RMB ordinary shares
Industrial and Commercial Bank of China — 諾安價值增長股票證券投資基金	4,748,450	RMB ordinary shares
China Construction Bank — 華寶興業行業精選股票型證券投資基金	4,293,834	RMB ordinary shares
Industrial and Commercial Bank of China — 易方達價值精選股票型證券投資基金	4,170,000	RMB ordinary shares

Description of the connected relationship or acting in concert relationship among the aforesaid shareholders:

1. Among the aforementioned shareholders, 易方達價值成長混合型證券投資基金 and 易方達價值精選股票型證券投資基金 are both managed by a fund manager, namely 易方達基金管理公司; 廣發穩健增長證券投資基金 and 廣發小盤成長股票型證券投資基金 are both managed by a fund manager, namely 廣發基金管理公司; 華寶興業先進成長股票證券投資基金 and 華寶興業行業精選股票型證券投資基金 are both managed by a fund manager, namely 華寶興業基金管理公司.
2. Save as the aforementioned, it's 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.

DETAILS OF THE DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES

I. Shareholdings of the directors, supervisors and chief executives

Nine of the directors, supervisors and chief executives of the Company, namely Tan Xuguang, Xu Xinyu, Sun Shaojun, Zhang Quan, Liu Huisheng, Ding Yingdong, Dai Lixin, Feng Gang and Tong Dehui, are natural-person promoter shareholders and have undertaken that they will not transfer any shares of the Company within 36 months commencing from its listing on the Shenzhen Stock Exchange. Upon such restriction period is expired, the share held thereon can be transferred in accordance with the relevant rules of China Securities Regulatory Commission and Shenzhen Stock Exchange.

II. Appointment and resignation of the directors, supervisors and officers

1. On 30th June, 2008, the 2008 second provisional meeting of the Board of the Company considered and approved the resignation of Mr. Zhang Yupu as the Executive President of the Company, and approved the appointment of Mr. Fang Hongwei as the Executive President of the Company.
2. On 6th October, 2008, the 2008 fourth provisional meeting of the Board of the Company considered and approved the resignation of Mr. Zhang Yuanfu as the Company Secretary, Chief Financial Officer, Qualified Accountant and Authorized Representative of the Company, and terminated the authorization granted to him for accepting service of process and notices in Hong Kong. It also approved the appointment of Mr. Cheung Tat Leung, Peter as the Company Secretary, Chief Financial Officer, Qualified Accountant and Authorized Representative of the Company, and granted him the authorization for accepting service of process and notices in Hong Kong on behalf of the Company.

EMOLUMENT POLICY

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

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

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors and the supervisors 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 LISTED SECURITIES OF THE COMPANY

During the year, 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.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales during the year to the Group's five largest customers accounted for less than 30% of the Group's total sales for the year.

The aggregate purchases during the year from the Group's five largest suppliers accounted for less than 30% of the Group's total purchases for the year.

Save as disclosed above, at no time during the year did a director, a supervisor, an associate of a director or a shareholder of the Company, which to the best knowledge of the directors, own more than 5% of the Company's issued share capital, had any beneficial interest in any of the Group's five largest suppliers or customers.

POST BALANCE SHEET EVENTS

Weichai Power (Hong Kong) International Development Limited ("Weichai Power HK"), a subsidiary of the Company, acquired the relevant assets of Moteurs Baudouin ("Baudouin") in France on 23 January 2009 through auction bidding at a consideration of 2,990,000 Euros. Up to the date of this report, Weichai Power HK has not entered into contract for the assets transfer. The acquisition of assets of Baudouin is still undergoing the relevant administrative and approval procedures.

AUDIT COMMITTEE

The Audit Committee comprises 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 this appointment. Throughout the year, 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 to the Listing Rules, the Audit Committee has reviewed the financial statements for the year.

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

Throughout the year, other than the roles of the Chairman and the Chief Executive Officer being performed by Mr. Tan Xuguang (“Mr. Tan”), the Company has complied with all the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

Mr. Tan is in charge of the overall management of the Company. The directors consider 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 year, 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. 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 year under review.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31st December, 2008.

DONATIONS

During the year, the Group made charitable donation amounting to RMB21,193,000.

AUDITORS

Shandong Zheng Yuan Hexin Accountants Limited (山東正源和信有限責任會計師事務所) retire and a resolution for their reappointment as auditors of the Company for its accounts prepared under PRC accounting principles and financial regulations will be proposed at the forthcoming annual general meeting.

Ernst & Young retire and a resolution for their reappointment as auditors of the Company for its accounts prepared under Hong Kong Financial Reporting Standards will be proposed at the forthcoming annual general meeting.

APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements for the year have been approved by the board on 27th April, 2009.

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

The 2008 Annual Report will be despatched to shareholders as well as made available on The Stock Exchange of Hong Kong Limited's website at www.hkex.com.hk and the Company's website at www.weichai.com.

On behalf of the board
Tan Xuguang
Chairman and CEO

Hong Kong, 27th April, 2009

As at the date of this announcement, the executive Directors of the Company are Mr. Tan Xuguang, Mr. Xu Xinyu, Mr. Sun Shaojun and Mr. Zhang Quan; the non-executive Directors of the Company are Ms. Zhang Fusheng, Mr. Liu Huisheng, Mr. Yao Yu, Mr. Yeung Sai Hong, Mr. Chen Xuejian, Mr. Li San Yim, Mr. Julius G. Kiss, Ms. Han Xiaoqun, Mr. Gu Linsheng, Mr. Li Shihao and Mr. Liu Zheng; and the independent non-executive Directors of the Company are Mr. Zhang Xiaoyu, Mr. Koo Fook Sun, Louis and Mr. Fang Zhongchang,