WEICHAI

濰柴動力股份有限公司
WEICHAI POWER CO., LTD.

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

(Stock Code: 2338)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31ST DECEMBER, 2009

FINANCIAL HIGHLIGHTS

- Turnover amounted to approximately RMB35,261 million, up by approximately 8.27%.
- Profit attributable to equity holders of the Company amounted to approximately RMB3,407 million, up by approximately 76.62%.
- Basic earnings per share was approximately RMB4.09, up by approximately 76.29%.

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, 2009 (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 2008 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31st December, 2009

	Notes	**2009** *RMB'000*	2008 *RMB'000*
REVENUE	*4*	**35,260,899**	32,567,190
Cost of sales		**(27,628,689)**	(26,908,591)
Gross profit		**7,632,210**	5,658,599
Other income and gains	*4*	**345,691**	218,875
Selling and distribution costs		**(1,021,391)**	(958,817)
Administrative expenses		**(1,264,787)**	(1,117,368)
Research and development cost		**(450,217)**	(379,525)
Loss on disposal of disposal group held for sale		**(5,677)**	(49,775)
Other expenses		**(305,648)**	(327,705)
Finance costs	*5*	**(247,507)**	(297,844)
Share of profits and losses of:			
A jointly-controlled entity		**2,343**	523
Associates		**(5,773)**	(6,265)
PROFIT BEFORE TAX	*6*	**4,679,244**	2,740,698
Income tax expense	*7*	**(732,380)**	(328,989)
PROFIT FOR THE YEAR		**3,946,864**	2,411,709
Attributable to:			
Owners of the parent		**3,406,935**	1,928,955
Minority interests		**539,929**	482,754
		3,946,864	2,411,709
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic			
— For profit for the year	*9*	**RMB4.09**	RMB2.32

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31st December, 2009

	2009	2008
	RMB'000	*RMB'000*
PROFIT FOR THE YEAR	**3,946,864**	2,411,709
OTHER COMPREHENSIVE INCOME		
Available-for-sale assets		
Changes in fair value	**289,255**	(97,800)
Income tax effect	**(43,834)**	14,670
	245,421	(83,130)
Exchange differences on translation of foreign operations	**6,056**	(15,137)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	**251,477**	(98,267)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**4,198,341**	2,313,442
Attributable to:		
Owners of the parent	**3,658,412**	1,835,281
Minority interests	**539,929**	478,161
	4,198,341	2,313,442

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st December, 2009

	Notes	2009 RMB'000	2008 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**8,039,811**	6,920,953
Investment properties		**83,668**	80,663
Prepaid land lease payments		**577,569**	278,570
Goodwill		**538,016**	538,016
Other intangible assets		**302,371**	271,727
Investment in a jointly-controlled entity		**23,275**	20,932
Investments in associates		**172,559**	179,772
Available-for-sale investments		**477,430**	178,187
Deposit paid for acquisition of property, plant and equipment		**914,618**	943,780
Deferred tax assets		**434,763**	351,903
Total non-current assets		**11,564,080**	9,764,503
CURRENT ASSETS			
Inventories	*10*	**5,806,642**	5,850,617
Trade and bills receivables	*11*	**11,352,945**	6,930,008
Prepayments, deposits and other receivables		**1,059,084**	1,271,235
Prepaid land lease payments		**14,455**	19,671
Pledged deposits		**2,979,932**	2,511,809
Cash and cash equivalents		**3,598,339**	3,352,138
		24,811,397	19,935,478
Assets of a disposal group classified as held for sale		**—**	249,886
Total current assets		**24,811,397**	20,185,364
CURRENT LIABILITIES			
Trade and bills payables	*12*	**11,830,642**	10,627,951
Other payables and accruals		**3,574,003**	2,916,253
Dividend payable to minority shareholders		**42,622**	79,775
Debentures		**—**	1,700,000
Interest-bearing bank and other borrowings		**1,515,664**	1,308,304
Tax payable		**956,315**	534,476
Warranty provision		**497,231**	446,343
		18,416,477	17,613,102
Liabilities directly associated with the assets classified as held for sales		**—**	185,611

	Notes	2009 RMB'000	2008 RMB'000
Total current liabilities		**18,416,477**	17,798,713
NET CURRENT ASSETS		**6,394,920**	2,386,651
TOTAL ASSETS LESS CURRENT LIABILITIES		**17,959,000**	12,151,154
NON-CURRENT LIABILITIES			
Debentures		**1,281,669**	—
Interest-bearing bank and other borrowings		**942,200**	777,700
Deferred tax liabilities		**73,816**	46,976
Total non-current liabilities		**2,297,685**	824,676
Net assets		**15,661,315**	11,326,478
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**833,046**	833,046
Reserves		**10,521,710**	7,056,412
Proposed final dividends	*8*	**399,862**	108,296
		11,754,618	7,997,754
Minority interests		**3,906,697**	3,328,724
Total equity		**15,661,315**	11,326,478

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

Weichai Power Co., Ltd. (the "Company") 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 Company and its subsidiaries (the "Group") were involved in the following principal activities:

- manufacture and sale of diesel engines and related parts;
- manufacture and sale of automobiles and major automobile components other than diesel engines;
- manufacture and sale of non-major 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 and revised 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 and revised HKFRSs has had no significant effect on 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*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Vesting Conditions and Cancellations*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments*
HKFRS 8	*Operating Segments*
HKAS 1 (Revised)	*Presentation of Financial Statements*
HKAS 18 Amendment*	Amendment to Appendix to HKAS 18 *Revenue – Determining whether an entity is acting as a principal or as an agent*
HKAS 23 (Revised)	*Borrowing Costs*
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*
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC)-Int 9 *Reassessment of Embedded Derivatives and HKAS 39 Financial Instruments: Recognition and Measurement – Embedded Derivatives*
HK(IFRIC)-Int 13	*Customer Loyalty Programmes*
HK(IFRIC)-Int 15	*Agreements for the Construction of Real Estate*
HK(IFRIC)-Int 16	*Hedges of a Net Investment in a Foreign Operation*
HK(IFRIC)-Int 18	*Transfers of Assets from Customers (adopted from 1 July 2009)*
Improvements to HKFRSs (October 2008)	*Amendments to a number of HKFRSs*

* *Included in Improvements to HKFRSs 2009 (as issued in May 2009).*

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

HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards[1]
HKFRS 1 Amendments	Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards — Additional Exemptions for First-time Adopters[2]
HKFRS 2 Amendments	Amendments to HKFRS 2 Share-based Payment — Group Cash-settled Share-based Payment Transactions[2]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[6]
HKAS 24 (Revised)	Related Party Disclosures[5]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 Amendment	Amendment to HKAS 32 Financial Instruments: Presentation — Classification of Rights Issues[3]
HKAS 39 Amendment	Amendment to HKAS 39 Financial Instruments: Recognition and Measurement — Eligible Hedged Items[1]
Amendments to HKFRS 5 included in improvements to HKFRSs issued in October 2008	Amendments to HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations — Plan to Sell the Controlling Interest in a Subsidiary[1]
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 Prepayments of a Minimum Funding Requirement[5]
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments[4]
HK Interpretation 4 (Revised in December 2009)	Leases — Determination of the Length of Lease Term in respect of Hong Kong Land Leases[2]

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

2 Effective for annual periods beginning on or after 1 January 2010

3 Effective for annual periods beginning on or after 1 February 2010

4 Effective for annual periods beginning on or after 1 July 2010

5 Effective for annual periods beginning on or after 1 January 2011

6 Effective for annual periods beginning on or after 1 January 2013

Apart from the above, the HKICPA has issued Improvements to HKFRSs 2009 which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 2, HKAS 38, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16 are effective for annual periods beginning on or after 1 July 2009 while the amendments to HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, HKAS 38 and HKAS 39 are effective for annual periods beginning on or after 1 January 2010 although there are separate transitional provisions for each standard or interpretation.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has four reportable operating segments 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").

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax from continuing operations. The adjusted profit before tax from continuing operations is measured consistently with the Group's profit before tax from continuing operations except that interest income, finance costs, dividend income as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude deferred tax assets, pledged deposits, cash and cash equivalents and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank and other borrowings, tax payable, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

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.

Year ended 31 December 2009

	Diesel engines *RMB'000*	Automobiles and other major auto-mobile components *RMB'000*	Non-major automobile components *RMB'000*	Import & export services *RMB'000*	Total *RMB'000*
Segment revenue:					
Sales to external customers	**14,425,689**	**19,571,341**	**925,598**	**338,271**	**35,260,899**
Inter-segment sales	**2,501,251**	**895**	**95,669**	**—**	**2,597,815**
Total	**16,926,940**	**19,572,236**	**1,021,267**	**338,271**	**37,858,714**
Reconciliation:					
Elimination of inter-segment sales					**(2,597,815)**
Revenue					**35,260,899**
Segment results	**3,473,536**	**1,446,693**	**112,192**	**8,800**	**5,041,221**
Reconciliation:					
Elimination of inter-segment results					**(151,457)**
Interest income					**116,809**
Dividend income and unallocated gains					**228,882**
Corporate and other unallocated expenses					**(308,704)**
Finance costs					**(247,507)**
Profit before tax					**4,679,244**
Segment assets	**14,518,233**	**14,520,582**	**875,459**	**452,282**	**30,366,556**
Reconciliation:					
Elimination of inter-segment receivables					**(1,661,800)**
Corporate and other unallocated assets					**7,670,721**
Total assets					**36,375,477**
Segment liabilities	**7,783,157**	**9,358,910**	**402,481**	**61,750**	**17,606,298**
Reconciliation:					
Elimination of inter-segment payables					**(1,661,800)**
Corporate and other unallocated liabilities					**4,769,664**
Total liabilities					**20,714,162**

	Diesel engines *RMB'000*	**Automobiles and other major auto-mobile components** *RMB'000*	**Non-major automobile components** *RMB'000*	**Import & export services** *RMB'000*	**Total** *RMB'000*
Other segment information:					
Share of profits and losses of:					
A jointly-controlled entity	**2,343**	**—**	**—**	**—**	**2,343**
Associates	**(1,601)**	**(5,727)**	**—**	**1,555**	**(5,773)**
Write-down of inventories to net realisable value	**5,630**	**223,031**	**2,454**	**—**	**231,115**
Impairment loss on trade and other receivables	**10,206**	**213,364**	**4,268**	**(234)**	**227,604**
Depreciation and amortisation	**387,701**	**480,588**	**34,151**	**1,964**	**904,404**
Loss/(gain) on disposal of items of property, plant and equipment	**(264)**	**6,842**	**392**	**(30)**	**6,940**
Product warranty provision	**523,003**	**176,014**	**10,171**	**—**	**709,188**
Investments in associates	**44,501**	**96,290**	**—**	**31,768**	**172,559**
Investment in a jointly-controlled entity	**23,275**	**—**	**—**	**—**	**23,275**
Capital expenditure*	**1,034,793**	**1,263,276**	**137,506**	**5,750**	**2,441,325**

Year ended 31 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*	Total *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	13,903,338	20,396,637	909,392	373,769	35,583,136
Reconciliation:					
Elimination of inter-segment sales					(3,015,946)
Revenue					32,567,190
Segment results	1,920,743	1,318,043	38,038	8,006	3,284,830
Reconciliation:					
Elimination of inter-segment results					(137,639)
Interest income					48,827
Dividend income and unallocated gains					170,048
Corporate and other unallocated expenses					(327,524)
Finance costs					(297,844)
Profit before tax					2,740,698

	Diesel engines RMB'000	Automobiles and other major auto-mobile components RMB'000	Non-major automobile components RMB'000	Import & export services RMB'000	Total RMB'000
Segment assets	9,962,832	12,688,641	827,855	661,581	24,140,909
Reconciliation:					
Elimination of inter-segment receivables					(1,081,601)
Corporate and other unallocated assets					6,890,559
Total assets					29,949,867
Segment liabilities	7,370,991	7,309,380	386,555	270,608	15,337,534
Reconciliation:					
Elimination of inter-segment payables					(1,081,601)
Corporate and other unallocated liabilities					4,367,456
Total liabilities					18,623,389
Other segment information:					
Share of profits and losses of:					
A jointly-controlled entity	523	—	—	—	523
Associates	(1,817)	(3,378)	—	(1,070)	(6,265)
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
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
Product warranty provision	390,346	301,979	6,621	—	698,946
Investments in associates	44,407	132,641	—	2,724	179,772
Investment in a jointly-controlled entity	20,932	—	—	—	20,932
Capital expenditure	580,828	1,388,982	41,373	—	2,011,183

Information about a major customer

Revenue of approximately RMB 4,627,218,000 (2008:RMB2,920,698,000) was derived from sales by the Diesel engines segment and Automobiles and other major automobile components segment to a single customer.

Geographical information

During the years ended 31 December 2008 and 2009, more than 90% of the Group's revenue was generated from customers located in the PRC and over 90% of the non-current assets of the Group were located in the PRC.

4. REVENUE, OTHER INCOME AND GAINS

Revenue includes turnover and other revenue that arise in the course of the Group's 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, the value of services rendered; and gross rental income received and receivable from investment properties, net of sales taxes and surcharges during the year.

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

	2009	2008
	RMB'000	*RMB'000*
Revenue		
Turnover		
Sale of goods	**34,011,367**	31,481,811
Rendering of services	**37,262**	77,255
Other revenue		
Sales of scrap and other materials	**1,199,894**	1,003,338
Gross rental income	**12,376**	4,786
	35,260,899	32,567,190
Other income		
Bank interest income	**116,809**	48,827
Dividend income from available-for-sale investments	**1,600**	—
Government subsidies	**70,196**	137,908
Penalty and compensation income	**12,315**	9,488
Excess over the cost of business combinations	**87,334**	—
Others	**9,580**	11,637
	297,834	207,860
Gains		
Gain on debt restructuring	**45,921**	—
Gain on disposal of available-for-sale investments	**1,936**	11,015
	47,857	11,015
	345,691	218,875

5. FINANCE COSTS

	2009	2008
	RMB'000	*RMB'000*
Interest on bank loans and other borrowings wholly repayable within five years	**146,579**	180,294
Interest on debenture	**50,321**	62,933
Interest on discounted bills receivable	**50,607**	57,724
Imputed interest expense on an amount due to a related party	**—**	2,789
Total interest expense on financial liabilities not at fair value through profit or loss	**247,507**	303,740
Less: Interest capitalised	**—**	(5,896)
	247,507	297,844

6. PROFIT BEFORE TAX

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

	2009	2008
	RMB'000	*RMB'000*
Cost of inventories sold	**26,684,146**	26,012,238
Cost of service provided	**4,240**	11,415
Write-down of inventories to net realisable value	**231,115**	185,992
Product warranty provision		
Additional provision	**709,188**	698,946
Amounts utilised during the year	**(675,999)**	(433,238)
	33,189	265,708
Employee benefits expense (including directors' and supervisors' remuneration):		
Wages and salaries	**1,712,232**	1,596,670
Defined contribution pension scheme *(note i)*	**193,322**	155,981
Medical benefits costs *(note ii)*	**43,029**	36,171
Housing fund	**62,645**	51,363
Cash housing subsidies costs	**74,692**	60,512
Total staff costs	**2,085,920**	1,900,697
Rental income less direct operating expenses of RMB5,383,000 (2008: RMB2,130,000)	**(6,993)**	(2,656)
Bank interest income	**(116,809)**	(48,827)
Dividend income	**(1,600)**	—
Research and development costs	**450,217**	379,525
Minimum lease payment under operating leases:		
Plant and machinery	**41,495**	32,011
Land and buildings	**63,780**	58,722
Auditors' remuneration	**18,380**	21,539
Loss on disposal of property, plant and equipment	**6,940**	671
Loss on disposal of investment properties	**1,028**	—
Depreciation of property, plant and equipment	**874,033**	757,256
Depreciation of investment properties	**3,605**	2,276
Recognition of prepaid land lease payments	**11,441**	19,499
Amortisation of other intangible assets	**15,325**	15,603
Impairment of trade and other receivables	**227,604**	116,640
Impairment of available-for-sale investments	**207**	2,722
Impairment of property, plant and equipment	**—**	25,380
Impairment of investment in an associate	**—**	142
Foreign exchange differences, net	**634**	19,205

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 20.0% (2008: 20.0%) 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% (2008: 25%) 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 the 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.

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

	2009	2008
	RMB'000	*RMB'000*
Group:		
Current — Mainland China		
Charge for the year	**832,924**	458,193
Over-provision in prior years	**(7,027)**	(2,214)
Current — Elsewhere		
Charge for the year	**5,666**	1,206
Deferred	**(99,183)**	(128,196)
Total tax charge for the year	**732,380**	328,989

A reconciliation of the tax expense applicable to profit before tax at 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 and a reconciliation of the statutory tax rates to the effective tax rate is as follows:

Group — 2009

	Mainland China		**Elsewhere**		**Total**	
	RMB'000	*%*	***RMB'000***	*%*	***RMB'000***	*%*
Profit before tax	**4,699,740**		**(20,496)**		**4,679,244**	
Tax at the statutory tax rate	**1,174,935**	**25.0**	**(5,774)**	**28.2**	**1,169,161**	**25.0**
Preferential tax rate or concessions	**(436,841)**	**(9.3)**	**—**	**—**	**(436,841)**	**(9.3)**
Effect of tax rate change on opening deferred tax	**8,462**	**0.2**	**—**	**—**	**8,462**	**0.2**
Adjustments in respect of current tax of previous periods	**(7,027)**	**(0.1)**	**—**	**—**	**(7,027)**	**(0.2)**
Profits and losses attributable to a jointly-controlled entity and associates	**655**	**—**	**(390)**	**1.9**	**265**	**—**
Income not subject to tax	**(20,560)**	**(0.4)**	**—**	**—**	**(20,560)**	**(0.4)**
Expenses not deductible for tax	**20,569**	**0.4**	**8,428**	**(41.1)**	**28,997**	**0.6**
Tax incentives on eligible expenditures	**(28,062)**	**(0.6)**	**—**	**—**	**(28,062)**	**(0.6)**
Tax losses utilised from previous periods	**(6,465)**	**(0.1)**	**—**	**—**	**(6,465)**	**(0.1)**
Tax losses not recognised	**1,914**	**—**	**6,249**	**(30.5)**	**8,163**	**0.2**
Deductible temporary differences not recognised, net	**550**	**—**	**15,737**	**(76.8)**	**16,287**	**0.3**
Tax charge at the Group's effective rate	**708,130**	**15.1**	**24,250**	**(118.3)**	**732,380**	**15.7**

Group – 2008

	Mainland China		Elsewhere		Total	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Profit before tax	2,784,336		(43,638)		2,740,698	
Tax at the statutory tax rate	696,084	25.0	(5,749)	13.2	690,335	25.2
Preferential tax rate or concessions	(287,167)	(10.4)	—	—	(287,167)	(10.5)
Effect of tax rate change on opening deferred tax	(316)	—	—	—	(316)	—
Adjustments in respect of current tax of previous periods	(2,214)	(0.1)	—	—	(2,214)	(0.1)
Profits and losses attributable to a jointly-controlled entity and associates	701	—	141	(0.3)	842	—
Income not subject to tax	(6,786)	(0.2)	—	—	(6,786)	(0.2)
Expenses not deductible for tax	14,011	0.5	8,704	(20.0)	22,715	0.8
Tax incentives on eligible expenditures	(95,842)	(3.4)	—	—	(95,842)	(3.5)
Tax losses utilised from previous periods	(2,807)	(0.1)	—	—	(2,807)	(0.1)
Tax losses not recognised	10,532	0.4	—	—	10,532	0.4
Deductible temporary differences not recognised, net	(303)	—	—	—	(303)	—
Tax charge at the Group's effective rate	325,893	11.7	3,096	(7.1)	328,989	12.0

The share of tax attributable to a jointly-controlled entity and associates amounting to RMB578,000 (2008: RMB119,000) and RMB272,000 (2008: RMB246,000), respectively, is included in "share of profits and losses of a jointly-controlled entity and associates" in the consolidated income statement.

8. DIVIDENDS

	2009	2008
	RMB'000	*RMB'000*
Proposed final — RMB0.48 (2008: RMB 0.13) per ordinary share	**399,862**	108,296

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 parent and the weighted average number of ordinary shares in issue during the year, as adjusted to reflect the bonus issue during the year ended 31 December 2008.

No diluted earnings per share amounts have been presented for the years ended 31 December 2008 and 2009 as no diluting events existed during these years.

	2008	2007
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the Parent used in the basic earnings per share calculation	**3,406,935**	1,928,955
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**833,046**	833,046

10. INVENTORIES

	2009	2008
	RMB'000	*RMB'000*
Raw materials and consumables	**1,325,523**	2,229,472
Work in progress	**620,249**	583,189
Finished goods	**3,860,870**	3,037,956
	5,806,642	5,850,617

11. TRADE AND BILLS RECEIVABLES

	2009	2008
	RMB'000	*RMB'000*
Trade receivables	**3,849,645**	3,256,425
Bills receivable	**8,032,145**	3,995,709
Impairment	**(528,845)**	(322,126)
	11,352,945	6,930,008

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 end of the reporting period, based on the invoice date and net of provision for impairment, is as follows:

	2009	2008
	RMB'000	*RMB'000*
Within 3 months	**5,987,889**	3,933,770
3 to 6 months	**4,730,036**	2,526,842
6 to 12 months	**249,293**	390,177
1 to 2 years	**385,423**	79,219
2 to 3 years	**304**	—
	11,352,945	6,930,008

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

	2009	2008
	RMB'000	*RMB'000*
At 1st January	**322,126**	239,690
Impairment losses recognised	**228,413**	107,946
Contribution from a minority shareholder	**762**	—
Amount written off as uncollectible	**(14,415)**	(9,332)
Impairment losses reversed	**(8,041)**	(16,178)
	528,845	322,126

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 RMB1,155,926,000 (2008: RMB829,240,000). For amounts which were past due at the end of reporting period, 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:

	2009	2008
	RMB'000	*RMB'000*
Neither past due nor impaired	**10,585,850**	5,671,940
Less than 1 year	**140,014**	750,954
1 to 2 years past due	**—**	—
	10,725,864	6,422,894

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, 2009, trade and bills receivables of approximately RMB209,474,000 (2008: RMB338,815,000) were pledged to secure bank loans and credit facilities of the Group. Included in the balance of RMB209,474,000, trade receivable of RMB4,134,000 were pledged to secure bank loans.

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

	2009	2008
	RMB'000	*RMB'000*
Weichai Holdings and its subsidiaries	**10,461**	28,953
Lonking Holdings and its subsidiaries	**260,502**	431
Subsidiaries	**—**	—
Jointly-controlled entity	**617**	5,036
Associates	**31,455**	42,627
Minority shareholders groups	**110,187**	224,505
	413,222	301,552

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

	2009	2008
	RMB'000	*RMB'000*
Trade payables	**8,355,933**	6,442,175
Bills payable	**3,474,709**	4,185,776
	11,830,642	10,627,951

An aged analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	2009	2008
	RMB'000	*RMB'000*
Within 3 months	**9,519,364**	5,798,843
3 to 6 months	**2,072,145**	3,570,389
6 to 12 months	**9,945**	921,325
Over 1 year	**229,188**	337,394
	11,830,642	10,627,951

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

	2009	2008
	RMB'000	*RMB'000*
Weichai Holdings and its subsidiaries	**3,611**	2,335
Subsidiaries	**—**	—
Jointly-controlled entity	**6**	5,096
Associates	**45,895**	67,819
Minority shareholders groups	**211,506**	213,151
	261,018	288,401

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, 2009.

I. REVIEW OF OPERATIONS

Entering 2009, the Chinese government put in place a progressive financial policy and a moderately loose monetary policy, meanwhile fully implementing and continuing to perfect a basket of schemes to address the international financial crisis. The substantial increase in fiscal expenditure, the implementation of structured tax reduction, the maintenance of the rapid growth of monetary credit, the enhanced sustainability of the monetary policy and the expansion of the scale of direct financing satisfied the funding demand for economic and social developments and increased internal demand effectively. The downward trend of economy growth was turned around quickly and the momentum of stability and positive signs became evident gradually. In 2009, the GDP in China reached RMB33.5 trillion, representing a year on year growth of 8.7%, but the rate of increase decreased by 0.9% compared to last year. The money supply accelerated its growth with new loans amounted to RMB9.6 trillion, representing an increase of RMB4.7 trillion compared to last year. Investment maintained its growth at a fast pace as China's fixed asset investments amounted to RMB22.5 trillion, representing a year on year growth of 30.1%, increased by 4.6% over last year. This brought about a larger development space for the equipment industries in China, such as heavy-duty vehicles, construction machinery, vessels and power generation.

In 2009, China's heavy-duty trucks market showed restrain at the beginning but then grew in the later past of the year. Impacted by the international financial crisis, in the first two months it was obvious that the heavy-duty trucks market was suffering a downward trend. From March onward, the growth of the heavy-duty trucks market had been driven directly by domestic real estate, road and bridge construction and large-scale civil engineering construction, as well as the corresponding significant growth of the mining industry and energy demand. During the year, the domestic sales of heavy-duty trucks totaled approximately 636,000 units, representing a year-on-year growth of 17.7%. In particular, the forth quarter became the top performing quarter of the year with total sales of approximately 185,000 units, representing a year-on-year growth of 191.4%. With regard to the segmented markets of heavy-duty trucks, the market share of complete vehicles and heavy-duty incomplete vehicles increased by 2 and 1.3 percentage points, respectively.

During the reporting period, the overall status of China's heavy-duty trucks market did not see much change and the strong players remained strong, although competition was becoming more intense. According to the statistics of 中國汽車工業協會 (China Association of Automobile Manufacturers), the performance of the Company's major customers such as 陝西重型汽車有限公司 (Shaanxi Heavy-duty Motor Company Limited, a subsidiary of the Company), 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.), and 安徽江淮汽車股份有限公司 (Anhui Jianghuai Automotive Co., Ltd.), etc. all maintained their leading position, hence driving the Company general market share increased slightly. The Company's aggregate sales of heavy-duty truck engines reached approximately 226,000 units in 2009, representing a year-on-year increase of 14.60%. 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 35.6%. Shaanxi Heavy-duty Motor Company Limited, a subsidiary of the Company, reported an aggregate sales of approximately 58,000 units of heavy-duty trucks, representing a decrease of 8.75% 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 532,000 units of heavy-duty gear boxes, representing an increase of 14.54% over last year, and maintained its leading position as the largest heavy-duty vehicle gear boxes manufacturer in China.

In 2009, China's engineering machinery market suffered a rather large impact from the international financial crisis, the severe contraction in the overseas export market and the shrinking demand for coals and iron ore. Consequently, market sales recorded a year-on-year fall. 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 crisis-fighting measures have driven the growth of China's infrastructural investments in areas such as railways, roads, ports, projects for people's well-being and reconstruction in disaster area. These in turn have partially offset the negative impact of the financial crisis. A total of approximately 422,000 units of construction machines were sold in China during 2009, representing a decrease of 8.7% over last year, in which sales of wheel loaders with a load capacity of 5 tonnes amounted to approximately 97,000 units, representing a decrease of 7.6% over last year. However, the wheel loaders market showed a sign of recovery since August. 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), 山東臨工工程機械有限公司 (Shandong Lingong Construction Machinery Co., Ltd.), 徐工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 decline over last year, hence dragging the growth of the Company's product sales. The Company's sales of engines for construction machinery were approximately 82,000 units in 2009, representing a year-on-year decrease of 7.00%. 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 80.0% in the market of wheel loader engines with a load capacity of 5 tonnes (and above), which is almost the same with that in last year.

During the reporting period, with our technology innovation, the Company continued to lead the power-transmission development in China. The national commercial vehicles power system assembly engineering technique research centre and the strategic alliance for technical innovation of commercial vehicles and construction machinery new energy power industry were approved by the Ministry of Science and Technology, laying the platform for the Company to enhance our system R&D capacity and seize the core advanced technique. Entering the heavy-duty trucks China III release phase, the Company's high-power high-speed "Landking"engines, which we own the intellectual property right, have been well received by the market for their advantages in areas such as environment protection, energy saving and reliability. During the reporting period, approximately 170,000 units of 10-12L China III engines were sold, making them the flagship product in the domestic engines market for the electrically-controlled high pressure common rail system. "Landking" China IV engines have entered the market testing phase in small batches, and successfully matched with companies such as Shaanxi Zhongqi and Beiqi Futian. Meanwhile, the Company actively advanced the work for product structure adjustment. Our self researched and developed 5-7L "Landking" engines fully reached the release standard of China III and China IV and entered the commercialization phase in small batches. The acquisition of Moteurs Baudouin of France, the restructuring of Weifang Power Yangzhou Diesel Engine Co. Ltd. (濰柴動力揚州柴油機有限責任公司) and the agreement with VM Company regarding the technical introduction for small-bore engines have enabled the Company to own 2-3L and over 16L high-speed products, initially forming the complete product range for our engines business. Following a 12-month brand promotion and quality enhancement, Shaanxi Zhongqi's F3000 has developed positive market reputation and sales base. Marked by the launch of this product, Shaanxi Zhongqi will jump up to a new development platform where its role among leading in complete vehicles will become more prominent. While SFGC's products such as small gear boxes have started to enter the market, a new growing point has been created for the Company and our development prospect will become brighter.

During the reporting period, the Company focused on long term and persisted development with internal quality. We have successfully fostered changes during the crisis and development during the changes. Based on our continued satisfactory implementation of lean management tools and control model, in 2009 the Company focused on the launch of four innovative management initiatives: (1) the introduction of the WOS management model gradually helped the Company's development progress to integrate with advanced international management and production concepts; (2) the launch of the innovative appraisal management scheme and enterprise salary system reform stimulated the innovative initiative of the entire workforce; (3) the activation of centralized training for managers allowed nearly 500 leaders within the Company take turn to receive training, further unifying their value of judgement and enhancing their personal quality constantly; (4) with the assistance of an internationally renowned consultant, the organization and structure of the sales and marketing system and workflow were refined with a stronger capability in market planning, market management, marketing and information management to support the Company's long term development.

The Company maintained its development momentum and sold approximately 322,000 units of different models of diesel engines in the period, representing an increase of 9.03% over the last year. Revenue increased by approximately 8.27% over last year to approximately RMB35,261 million. The net profit attributable to shareholders was RMB3,407 million, representing an increase of 76.62% over the last year. The basic earnings per share increased by approximately 76.29% over last year to approximately RMB4.09.

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 Board proposed to declare a final dividend of RMB0.48 per share for the year ended 31st December, 2009. The resolution in respect of the declaration of final dividend will be proposed at the forthcoming annual general meeting for approval. The Company will strive to realize the sustainable growth of dividend and maximize the return of shareholders.

III. ACQUISITION AND CONSOLIDATION

During the reporting period, the Company seized the opportunity in the crisis, and integrated domestic and overseas quality resources actively. In January 2009, the Company, through our subsidiary Weichai Power (Hong Kong) International Development Limited, acquired Moteurs Baudouin of France for 2.99 million euros. Moteurs Baudouin's major product M26 engine is the ideal power system for luxurious yachts, boats and power generators, which greatly compliments the Company's current product portfolio. The completion of the restructuring of Weifang Power Yangzhou Diesel Engine Co. Ltd. at the end of 2009 created conditions for establishing a production base for a million small-bore power, marking the Company's concentrated effort in implementing the Yangtze River Delta business sector strategy in full scale, following our Bohai Rim business platform and the Southwest business platform.

IV. OUTLOOK AND PROSPECTS

Looking into 2010, the external development environment may become better compared to last year but the situation facing us is extremely complex. The dynamics between various positive changes and unfavorable factors will increase the "dilemmas" during the development of an economic society.

From the international perspective, it is hopeful that the world economy will recover and grow while the international financial market is stabilizing gradually. The trend of the further deepening of globalization of economies remains unchanged, while new development opportunities are cultivated by substantial reforms in and adjustments to the world economy. Nonetheless, the foundation for the recovery of the world economy is still rather weak, financial risks have not been reduced fully, many countries are struggling to launch stimulation policy, fluctuation in international prices for major commodities and exchange rates for major currencies may increase, and the rise of trade protectionism becomes evident. These coupled with complex global issues such as climate change, food safety and energy resources indicate that many unstable and uncertain factors are still present in the external environment.

From the domestic perspective, China is still in the crucial strategic opportunity phase while the base for an economic recovery has been further strengthened. The Chinese government is clear about its continued implementation of the active fiscal policy and the moderately loose monetary policy. The policy effect of increasing domestic demand and improving people's livelihood is expected to continue. Meanwhile, the pace and quality of China's macro economic growth is subject to the proper handling of three relationships. The first is the relationship between the maintenance of growth and structure adjustment: whether the changes in development methods would affect the pace of the development of the Chinese economy. Second, it is the relationship between the maintenance of a stable and faster economic development and the proper management of expectation of inflation: whether the continued implementation of a series of economic stimulation policies would create a new round of inflation; and whether the government's monetary policy would be adjusted to address the continuously increased asset bubble. The third is the relationship between increased domestic demand and trade protection. The Chinese economy is being tested by uncertain factors such as the constant rise of trade protectionism in the international arena, the continuously increased pressure on RMB's appreciation, and whether domestic demand is sufficient to compensate for the loss of external demand.

The Company is cautiously optimistic about the development of its related industries. With regard to the heavy-duty trucks market, factors such as the continuously improving economy, high fixed assets investment and the improved development environment in the vehicle and assembly production industry will remain in the first half of 2010. In addition, due to the sales base of the industry in the first quarter of 2009 being relatively low, heavy-duty trucks industry is expected to see a relatively fast year-on-year growth during the first half of 2010. The trend of the heavy-duty trucks industry in the second half of 2010 will be quite uncertain because it is still unclear about the sustainability of the recovery of the macro economy; meanwhile it is rather difficult to predict important factors such as whether China's economic stimulation policy will be adjusted in some degree. The construction machinery market, real estate, infrastructure construction and the export and metallurgy mining industries may work together to propel the industry to a faster growth. On the one hand, the global construction machinery market is expected a rapid rebound after suffering a downturn for three consecutive years; on the other hand, domestic private investment will see a significant recovery compared to 2010. This round of government investment is still in the construction and delivery peak time, it is expected that China's wheel loaders industry will remain the growth momentum in 2010.

Given the implementation of the China IV Emission Standard, we anticipate that there will be fierce competition in China's engine market in the coming years. Leveraging on our advanced technology, quality product 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.

The Company will further enhance our R&D effort, implement the talent-first strategy and the core technology transformation strategy, complete the marketing for China IV products in small batches ahead of schedule and continue to perfect product performance, so as to better satisfy customers' demand and become technologically ready for the upcoming China IV phase. The Company will also further advance product and market structure adjustments. With regard to high-power segment, the Company will accelerate the optimization and localization pace of Moteurs Baudouin's over 16L engines, and develop a complete range of Weichai industry power products. With regard to low to medium-power segment, through the newly developed 5-7L engines, we will keep exploring emerging markets such as passenger vehicles, non-loader construction machinery and medium to heavy-duty trucks. With regard to low-power segment, through the platform of Weichai Power Yangzhou Diesel Engine Co. Ltd., we will accelerate the pace of absorbing and improving the technologies for small-bore engines. The Company will unwaveringly build up its strengths in market diversification to form a coordinated market layout.

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. In next five year, the Company will strive to build its engine business segment as a global leading and full range engine supplier covering all industries. Eventually, all these will enable the Company to become an international enterprise with an orientation on complete machines and the core technology for power assembly, and developing into a unique player in the global equipment manufacturing industry.

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 the past 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, 2009, 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, China's heavy-duty trucks market showed restriction at the beginning but then grew at a later stage. In 2009, the domestic sales of heavy-duty trucks totaled approximately 636,000 units, representing a year-on-year growth of 17.7%. In particular, the forth quarter became the top performing quarter of the year with total sales of approximately 185,000 units, representing a year-on-year growth of 191.4%. This is mainly attributed to:

First, entering 2009, the Chinese government put in place an active financial policy and a moderately loose monetary policy, meanwhile fully implemented and continued to perfect a basket of schemes addressing the international financial crisis. The substantial increase in financial expenditure, the implementation of structured tax reduction, the maintenance of the rapid growth of monetary credit, the enhanced sustainability of the monetary policy and the expansion of the scale of direct financing satisfied the funding demand for economic and social development and increased internal demand effectively. The downward trend of economy growth was turned around quickly and the momentum of stability and positive signs became evident gradually. GDP recorded a year-on-year increase of 8.7% while fixed asset investment recorded a year-on-year increase of 30.1%. The heavy-duty truck industry benefited from the favourable macro-economic environment.

Second, impacted by the international financial crisis during the year, in the first two months it was obvious that the heavy-duty trucks market was going downward. From March onward, the growth of the heavy-duty trucks market has been driven directly by domestic real estate, road and bridge construction and large-scale civil engineering construction, as well as the corresponding significant growth of the mining industry and energy demand.

Third, the government investment, industires stimulus measures and fuel tax reform, in particular, brought strong development for the heavy-duty truck market during the reporting period.

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 422,000 units of construction machines were sold in China, representing a decrease of approximately 8.7% over last year, in which sales of wheel loader with a load capacity of 5 tonnes amounted to approximately 97,000 units, representing a decrease of approximately 7.6% over last year. This is mainly attributed to:

In 2009, China's engineering machinery market suffered a rather large impact from the spreading out of the international financial crisis, the severe retraction in the overseas export market and the shrinking demand for coals and iron ore. Consequently, market sales resulted in a year-on-year fall. 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 crisis-fighting measures have driven the growth of China's infrastructural investments in areas such as railways, roads, ports, projects for people's well-being and reconstruction in disaster area. These in turn have partially offset the negative impact from financial crisis.

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 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.) and 安徽江淮汽車股份有限公司 (Anhui Jianghuai Automotive Co., Ltd.), etc. all maintained their leading position, hence driving the general market share increased slightly. During the year, the Group sold approximately

322,000 units of diesel engines in total, compared t o approximately 296,000 units in 2008, representing an increase of approximately 9.03%. Of the diesel engines sold during the year, approximately 226,000 units (2008: 197,000 units) were truck engines, representing an increase of approximately 14.60% compared to 2008.

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: 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.), 徐工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. All these companies all recorded decline over last year, hence dragged the growth of the Company's product sales. During the year, the Group sold approximately 82,000 units (2008: 88,000 units) of construction machinery engines, representing a decrease of approximately 7.00% compared to that in 2008.

2. Sale of Heavy-duty Trucks

During the year, the Group sold approximately 58,000 units of heavy-duty trucks, compared to approximately 64,000 units in 2007, representing a decrease of approximately 8.75%. Prior to intra-group elimination, the Truck Business contributed revenues RMB13,222 million to the Group during the year.

3. Sale of Heavy-duty Gear Box

During the year, the Group sold approximately 532,000 units of heavy-duty gear boxes, compared to approximately 465,000 units in 2008, representing an increase of approximately 14.54%. Prior to intra-group elimination, the Gear Boxes Business contributed revenues approximately RMB6,247 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 13.14% increase in sales of engine parts and truck parts to approximately RMB1,714 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 RMB32,567 million in 2008 to approximately RMB35,261 million in 2009, an increase of approximately 8.27%. The increase in turnover was mainly attributable to the rising demand for diesel engines for use in heavy-duty trucks and heavy-duty gear boxes. During the year, the Group sold approximately 226,000 units of diesel engines for use in heavy-duty trucks in total, compared to approximately 197,000 units in 2008, representing an increase of approximately 14.60%. 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 532,000 units of heavy-duty gear boxes, representing an increase of 14.54% over last year, and maintained its leading position as the largest heavy-duty vehicle gear boxes manufacturer in China.

b. Gross Profit and Gross Profit Margin

During the year, the Group's gross profit increased by approximately 34.88% from approximately RMB5,659 million in 2008 to approximately RMB7,632 million in 2009. Gross profit margin increased from approximately 17.37% in 2008 to approximately 21.64% in 2009, which was mainly due to the decline in unit cost as a result from economy of scale and the change of product mix, in which the percentage of China III products and engines for use in heavy-duty trucks with higher gross profit margin recorded a growth.

c. Other Income and gains

Other income and gains increased by approximately 57.94% to approximately RMB346 million in 2009 from approximately RMB219 million in 2008. The increase was mainly due to the increase in interest income, excess over the cost of a business combination and gain on debt restructuring.

d. Distribution Costs

Distribution costs increased by 6.53% to approximately RMB1,021 million in 2009 from approximately RMB959 million in 2008. As a percentage of turnover, distribution costs decreased from approximately 2.94% in 2008 to approximately 2.90% in 2009, 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 increased by approximately 13.19% from approximately RMB1,117 million in 2008 to approximately RMB1,265 million in 2009. The increase in administrative expenses was mainly due to the increase in the Company's tunover. As a percentage of turnover, the administrative expenses increased from approximately 3.43% in 2008 to approximately 3.59% in 2009.

f. Operating Profit before Finance Costs

During the year, the Group's operating profit increased by approximately 62.14% to approximately RMB4,927 million in 2009 from approximately RMB3,039 million in 2008. The Group's operating margin increased from approximately 9.33% in 2008 to approximately 13.97% in 2009, which was mainly due to the higher gross profit margin.

g. Finance Costs

Finance costs decreased by approximately 16.90% to approximately RMB248 million in 2009 from approximately RMB298 million in 2008. This decrease was mainly due to the slight decrease in interest-bearing borrowings (including bonds and bank and other borrowings) and lower interest rate.

h. Income Taxes

The Group's income tax expenses increased by approximately 122.62% to approximately RMB732 million in 2009 from approximately RMB329 million in 2008. During the period, the Group's average effective tax rate increased from approximately 12.0% in 2008 to approximately 15.65% in 2009.

i. Net Profit and Net Profit Margin

The Group's net profit for the year increased from approximately RMB2,412 million in 2008 to approximately RMB3,947 million in 2009, whilst the net profit margin also increased from approximately 7.41% in 2008 to approximately 11.19% in 2009.

j. Liquidity and Cash Flow

During the year, the Group generated RMB2,962 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 and repaying interests. As at 31st December, 2009, the Group had a net debt (interest-bearing debts net of cash and cash equivalents) of RMB141 million (as at 31st December, 2008: RMB573 million). Based on the net debt calculation above, the debt to equity ratio is 0.90% (as at 31st December, 2008: 5.06%).

2. Financial Position

a. Assets and Liabilities

As at 31st December, 2009, the Group had total assets of approximately RMB36,375 million, of which approximately RMB24,811 million were current. As at 31st December, 2009, the Group had cash and cash equivalents of approximately RMB3,598 million (as at 31st December, 2008: RMB3,352 million). On the same date, the Group's total liabilities amounted to approximately RMB20,714 million, of which approximately RMB18,416 million were current. The current ratio was approximately 1.35x (as at 31st December, 2008: 1.13x).

b. Capital Structure

At 31st December, 2009, the Group had total equity of approximately RMB15,661 million, of which approximately RMB11,755 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, 2009 amounted to approximately RMB3,740 million, which included debenture of RMB1,282 million and bank and other borrowings of RMB2,458 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, 2009, bank deposits and bills receivables of approximately RMB3,089 million (as at 31st December, 2008: RMB2,851 million) were pledged to banks to secure bills payables 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 end of the reporting period 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 41 to the financial statements in the annual report.

d. Contingent Liabilities

As at 31st December, 2009, the Group had approximately RMB1,054 million (as at 31st December, 2008: RMB1,754 million) guarantees given to banks in connection with facilities granted to and utilised by the Group. Details are set out in note 40 to the financial statements in the annual report.

e. Capital Commitments

As at 31st December, 2009, the Group had approximately RMB947 million capital commitments contracted (as at 31st December, 2008: RMB1,168 million), principally for the capital expenditure in respect of acquisition of property, plant and equipment.

3. Financial Risk 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 47 to the financial statements in the annual report.

DIRECTORS' AND SUPERVISORS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31st December, 2009, the interests and short position (if any) of the directors, the chief executive and the supervisors in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited 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 *(Note 1)*	0.8%
Xu Xinyu	Beneficial owner	1,600,000 *(Note 1)*	0.2%
Sun Shaojun	Beneficial owner	1,600,000 *(Note 1)*	0.2%
Zhang Quan	Beneficial owner	1,600,000 *(Note 1)*	0.2%
Liu Huisheng	Beneficial owner	960,000 *(Note 1)*	0.1%
Yeung Sai Hong *(Note 3)*	Held by controlled corporation	37,600,000 *(Note 2)*	4.5%
Li San Yim *(Note 4)*	Held by spouse and controlled corporation	34,400,000 *(Note 1)*	4.1%
Julius G. Kiss *(Note 5)*	Held by controlled corporation	17,200,000 *(Note 2)*	2.1%
Name of supervisor			
Ding Yingdong	Beneficial owner	560,000 *(Note 1)*	0.1%

Notes:

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

2. 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.

3. 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.

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 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.

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

Save as disclosed above, as at 31st December, 2009, none of the directors, the chief executive nor the supervisors had an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was recorded in the register and required to be kept pursuant to Section 352 of the SFO, or as otherwise notified to the Company pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers.

DIRECTORS' INTERESTS IN CONTRACTS

Mr. Li San Yim, being indirectly interested in the capital 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 indirectly interested in the capital 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	349,824,937	41.99%	—	—	—	—	349,824,937	41.99%
1. State-owned shares	24,224,937	2.91%	—	—		—	24,224,937	2.91%
2. State-owned legal person shares	162,320,000	19.49%	—	—	—	—	162,320,000	19.49%
3. Shares held by other domestic entities including:	108,480,000	13.02%	—	—	—	—	108,480,000	13.02%
Shares held by non State-owned legal persons	84,800,000	10.18%	—	—	—	—	84,800,000	10.18%
Shares held by domestic natural persons	23,680,000	2.84%	—	—	—	—	23,680,000	2.84%
4. Shares held by other foreign entities including:	54,800,000	6.58%	—	—	—	—	54,800,000	6.58%
Shares held by overseas legal persons	54,800,000	6.58%	—	—	—	—	54,800,000	6.58%
II. Non-restricted circulating shares	483,220,746	58.01%	—	—	—	—	483,220,746	58.01%
1. RMB ordinary shares	280,820,746	33.71%	—	—	—	—	280,820,746	33.71%
2. Domestic listed foreign shares	—	—	—	—	—	—	—	—
3. Overseas listed foreign shares	202,400,000	24.30%	—	—	—	—	202,400,000	24.30%
4. Others	—	—	—	—	—	—	—	—
III. Total number of shares	833,045,683	100%	—	—	—	—	833,045,683	100%

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 non circulating 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 promoter shareholders (including Weichai Holdings) and Zhuzhou State-owned Assets no shares held by them shall be transferred or managed by other person or repurchased by the Company within 36 months commencing from the Company's listing on the Shenzhen Stock Exchange.
2.	Peterson Holdings Company Limited	37,600,000	30th April, 2010	—	
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	—	
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 beneficially transferred or repurchased by the Company within 36 months commencing from the Company's listing on the Shenzhen Stock Exchange.
5.	濰坊市投資公司 (Weifang Investment Company)	30,898,480	30th April, 2010	—	
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	—	
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 as at 31 December 2009

Total number of Shareholders	The number of shareholders is 47,766, among which 47,480 are shareholders of "A" shares and 286 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					
香港中央結算代理人有限公司 HKSCC Nominees Limited	Foreign shareholder	24.23%	201,808,718	—	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	7,200,000
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	—
Bank of China — 大成藍籌穩健證券投資基金	Domestic non-state-owned legal person	1.46%	12,143,096	—	—

Shareholdings of the top ten non-restricted shareholders

Name of shareholder	Number of the non-restricted shares held	Types of shares
HKSCC Nominees Limited	201,808,718	Overseas listed foreign shares
Bank of China — 大成藍籌穩健證券投資基金	12,143,096	RMB ordinary shares
Industrial and Commercial Bank of China — 易方達價值成長混合型證券投資基金	8,500,943	RMB ordinary shares
Dacheng Value Growth Stock Investment Fund	8,376,302	RMB ordinary shares
National Social Security Fund 104 portfolio	5,999,924	RMB ordinary shares
China Construction Bank — 交銀施羅德藍籌股票證券投資基金	5,649,683	RMB ordinary shares
China Construction Bank — 富國天博創新主題股票型證券投資基金	5,500,000	RMB ordinary shares
China Construction Bank — 華夏優勢增長股票型證券投資基金	4,753,767	RMB ordinary shares
Agricultural Bank of China — 鵬華動力增長混合型證券投資基金	4,573,506	RMB ordinary shares
China Merchants Bank Co., Limited — 光大保德信優勢配置股票型證券投資基金	3,553,455	RMB ordinary shares

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

1. Among the aforementioned shareholders, 中國銀行 — 大成藍籌穩健證券投資基金 and Dacheng Value Growth Stock Investment Fund are both managed by a fund manager, namely Dacheng Fund Management Co., Ltd. (大成基金管理公司).

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.

Substantial Shareholders

The register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO (including interests filed with the Hong Kong Stock Exchange) shows that as at 31st December, 2009, the following persons (other than the directors, the chief executive and the supervisors) had the following interests and the short positions (if any) in the shares and underlying shares of the Company:

Name	Capacity	Long/ Short position	Number of A shares	Percentage of share capital comprising only A shares	Number of H shares	Percentage of share capital comprising only H shares	Percentage of total issued share capital
Weichai Group Holdings Limited	Beneficial owner	Long	124,304,000	19.71%	–	–	14.92%
State-owned Assets Supervision and Administration Commission of Shandong Province ("Shandong SASAC") *(Note 1)*	Held by controlled corporation	Long	124,304,000	19.71%	–	–	14.92%
Peterson Holdings Company Limited ("Peterson") *(Note 2)*	Beneficial owner	Long	37,600,000	5.96%	–	–	4.51%
Yeung Sai Hong *(Note 2)*	Held by controlled corporation	Long	37,600,000	5.96%	–	–	4.51%
Tingho Nomineess Limited *(Note 2)*	Held by controlled corporation	Long	37,600,000	5.96%	–	–	4.51%
Advantage Investment Corporation Limited *(Note 2)*	Held by controlled corporation	Long	37,600,000	5.96%	–	–	4.51%
Shenzhen Chuangxi Investment Group Co.,Ltd *(Note 3)*	Beneficial owner	Long	34,400,000	5.45%	–	–	4.13%
Shenzhen Chuangxi Investment Management Company *(Note 3)*	Held by controlled corporation	Long	34,400,000	5.45%	–	–	4.13%
Fujian Longyan Construction Machinery (Group) Company Limited("Fujian Longgong") *(Note 4)*	Beneficial owner	Long	34,400,000	5.45%	–	–	4.13%
Li San Yim *(Note 4)*	Held by controlled corporation and spouse	Long	34,400,000	5.45%	–	–	4.13%
Ni Yinying *(Note4)*	Held by controlled corporation and spouse	Long	34,400,000	5.45%	–	–	4.13%
The Capital Group Companies,Inc	Investment manager	Long	–	–	20,153,300	9.96%	2.42%
JPMorgan Chase & Co.	Investment manager	Long	–	–	12,152,494	6.00%	1.46%

Notes:

1. State-owned Assets Supervision and Administration Commission of Shandong Province ("Shandong SASAC") held the entire capital of Weichai Group Holding Limited (former known as Weifang Diesel Engine Works). 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 Nominess Limited, which in turn held 100% of Advantage Investment Corporation Limited, which was interested in 90% of the issued share capital of Peterson.

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

4. 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, spouse of Li San Yim,and therefore Ni Yinying was deemed to be interested in these shares of the Company.

Save as disclosed above ,the Company had not been notified of any other relevant interests or short positions in the issued share capital of the Company as 31st December, 2009.

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. When the restriction period expires, 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

There is no appointment of the directors, supervisors and officers during the reporting period.

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

In the year under review, sales to the Group's five largest customers accounted for 32.60% of the total sales for the year and sales to the largest customers included therein amounted to 13.12%. Purchases from the Group's five largest suppliers accounted for less than 30% of the total purchases for the year.

None of the directors and supervisors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any benificial interest in the Group's five largest customers.

SUBSEQUENT EVENTS

On 25th March, 2010, the Company, Shaanxi Zhongqi, Weichai Heavy Machinery and Shandong Heavy Industry Group Co., Ltd. ("SHIGC") entered into an agreement with Shantui Construction Machinery Co., Ltd. ("Shantui"), pursuant to which the Company, Shaanxi Zhongqi, Weichai Heavy Machinery and SHIGC agreed to make a capital contribution of RMB180 million, RMB180 million, RMB180 million and RMB200 million, respectively, into Shantui Leasing Co., Ltd., which is currently a wholly owned subsidiary of Shantui. Upon completion of the capital contribution, the Company and Shaanxi Zhongqi will each own 19.565% interest in Shantui Leasing Co., Ltd.. The transaction was approved by the board of directors of the Company on 5th February, 2010.

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 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

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

DONATIONS

During the year, the Group made charitable donation amounting to RMB1,300,000.

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 26th April, 2010.

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

The 2009 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, 26th April, 2010

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,