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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2010

FINANCIAL HIGHLIGHTS

- Turnover amounted to approximately RMB32,772 million, increased by approximately 109.4%.
- Net Profit Attributable to owners of the Company amounted to approximately RMB3,235 million, increased by approximately 164.7%.
- Basic Earnings Per Share was approximately RMB3.88, increased by approximately 163.9%.

The board of directors (the "Board") of Weichai Power Co., Ltd. (the "Company") is pleased to announce the unaudited interim condensed consolidated financial statements of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2010 (the "Period"), together with comparative figures for the corresponding period of 2009 as follows:

UNAUDITED INTERIM CONSOLIDATED INCOME STATEMENT
For the six months ended 30 June 2010

		For the six months ended	
		30 June 2010	30 June 2009
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	*(Unaudited)*
REVENUE	*3*	**32,771,851**	15,646,688
Cost of sales		**(26,151,966)**	(12,632,153)
Gross profit		**6,619,885**	3,014,535
Other income and gains	*3*	**144,877**	126,473
Selling and distribution costs		**(721,991)**	(445,642)
Administrative expenses		**(930,842)**	(541,818)
Research and development costs		**(271,173)**	(166,140)
Other expenses		**(191,178)**	(191,744)
Finance costs		**(111,729)**	(122,759)
Share of profits and losses of:			
A jointly-controlled entity		**–**	63
Associates		**1,713**	(4,845)
PROFIT BEFORE TAX	*4*	**4,539,562**	1,668,123
Tax	*5*	**(674,719)**	(246,492)
PROFIT FOR THE PERIOD		**3,864,843**	1,421,631
Attributable to:			
Owners of the parent		**3,234,588**	1,222,030
Non-controlling interests		**630,255**	199,601
		3,864,843	1,421,631
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
— Basic	*7*	**RMB3.88**	RMB1.47

UNAUDITED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2010

		For the six months ended	
		30 June 2010	30 June 2009
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	*(Unaudited)*
PROFIT FOR THE PERIOD		**3,864,843**	1,421,631
Net gain/(loss) on available-for-sale financial assets	*8*	**(32,711)**	144,343
Share of net gain on available-for-sale financial assets from an associate	*8*	**187,190**	–
Exchange differences on translation of foreign operations	*8*	**(16,728)**	5,078
Other comprehensive income for the period, net of tax	*8*	**137,751**	149,421
Total comprehensive income for the period, net of tax		**4,002,594**	1,571,052
Attributable to:			
Owners of the parent		**3,372,339**	1,371,451
Non-controlling interests		**630,255**	199,601
		4,002,594	1,571,052

UNAUDITED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 June 2010

	Notes	30 June 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**8,387,797**	8,039,811
Investment properties		**131,384**	83,668
Prepaid land lease payments		**613,264**	577,569
Goodwill		**538,016**	538,016
Other intangible assets		**290,551**	302,371
Investment in a jointly-controlled entity		**–**	23,275
Investments in associates		**477,960**	172,559
Available-for-sale investments		**438,775**	477,430
Deposits paid for acquisition of property, plant and equipment		**1,173,425**	914,618
Deferred tax assets		**574,861**	434,763
Total non-current assets		**12,626,033**	11,564,080
CURRENT ASSETS			
Inventories		**5,768,572**	5,806,642
Trade and bills receivables	*9*	**20,876,730**	11,352,945
Prepayments, deposits and other receivables		**1,076,941**	1,059,084
Prepaid land lease payments		**15,210**	14,455
Pledged deposits		**2,960,029**	2,979,932
Cash and cash equivalents		**4,756,992**	3,598,339
Total current assets		**35,454,474**	24,811,397
CURRENT LIABILITIES			
Trade and bills payables	*10*	**16,820,928**	11,830,642
Other payables and accruals		**6,381,718**	3,574,003
Dividends payable to non-controlling shareholders		**–**	42,622
Dividends payable		**422,465**	–
Interest-bearing bank and other borrowings		**1,000,668**	1,515,664
Tax payable		**1,185,587**	956,315
Warranty provision		**806,626**	497,231
Total current liabilities		**26,617,992**	18,416,477
NET CURRENT ASSETS		**8,836,482**	6,394,920
TOTAL ASSETS LESS CURRENT LIABILITIES		**21,462,515**	17,959,000

	30 June 2010 *RMB'000* ***(Unaudited)***	31 December 2009 *RMB'000* *(Audited)*
NON-CURRENT LIABILITIES		
Debentures	**1,283,423**	1,281,669
Interest-bearing bank and other borrowings	**971,280**	942,200
Deferred tax liabilities	**67,801**	73,816
Total non-current liabilities	**2,322,504**	2,297,685
NET ASSETS	**19,140,011**	15,661,315
EQUITY		
Equity attributable to owners of the parent		
Issued capital	**833,046**	833,046
Reserves	**13,892,558**	10,521,710
Proposed final dividend	**–**	399,862
	14,725,604	11,754,618
Non-controlling interests	**4,414,407**	3,906,697
TOTAL EQUITY	**19,140,011**	15,661,315

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2010

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

The unaudited interim condensed consolidated financial statements of Weichai Power Co., Ltd. (the "Company") and its subsidiaries (collectively the "Group") are prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2009.

The accounting policies and basis of preparation adopted in the preparation of the unaudited interim condensed consolidated financial statements are the same as those used in the annual financial statements for the year ended 31 December 2009, except in relation to the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs", which also include HKASs and Interpretations) that are adopted for the first time for current period's unaudited interim condensed consolidated financial statements:

HKFRS 1 (Revised)	*First-time Adoption of HKFRSs*
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of HKFRSs-Additional Exemptions for First-time Adopters*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions*
HKFRS 3 (Revised)	*Business Combinations*
HKAS 18 Amendments	*Revenue*
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*
HKAS 32 Amendments	Amendments to HKAS32 *Financial Instruments: Presentation – classification of rights issues*
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*
HK (IFRIC)-Int 17	*Distribution of Non-cash Assets to Owners*
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*
HK Interpretation 4 (Revised in December 2009) Annual Improvements to HKFRSs 2009	*Leases – Determination of the Length of Lease Term in respect of Hong Kong Leases*

The principal effects of adopting these new and revised HKFRSs are as follows:

HKFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results.

HKAS 27 (Revised) requires that a change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary.

The revised standards of HKFRS 3 & HKAS 27 have been adopted by the Group together with the consequential amendments to HKAS 7 *Statement of Cash Flows*, HKAS 12 *Income Taxes*, HKAS 21 *The Effects of Changes in Foreign Exchange Rates*, HKAS 28 *Investments in Associates* and HKAS 31 *Interests in Joint Ventures*.

The amendments to HKFRS 5 clarify that all assets and liabilities of a subsidiary shall be classified as held for sale if an entity has a sale plan involving loss of control of the subsidiary, regardless of whether the entity will retain non-controlling interest.

Except as stated above, the Group expects that the adoption of the above new and revised HKFRSs are unlikely to have a significant impact on the Group's interim condensed consolidated financial statements.

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

HKFRS 9	*Financial Instruments*[4]
HKAS 24 (Revised)	*Related Party Disclosures*[3]
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation – Classification of Rights Issues*[1]
HK (IFRIC)-Int 14 Amendments	Amendments to HK (IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement*[3]
HK (IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*[2]

1 Effective for annual periods beginning on or after 1 February 2010
2 Effective for annual periods beginning on or after 1 July 2010
3 Effective for annual periods beginning on or after 1 January 2011
4 Effective for annual periods beginning on or after 1 January 2013

Further information about those changes that are expected to significantly affect the Group is as follows:

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39. HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety by the end of 2010. The Group expects to adopt HKFRS 9 from 1 January 2013.

Except as stated above, the Group expects that the adoption of the above new and revised HKFRSs is unlikely to have a significant impact on the Group's interim condensed consolidated financial statements.

2. SEGMENT INFORMATION

For management purposes, the Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. The operating segments are identified on the basis of internal reports that are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance. Summary details of the operating segments are as follows:

(i) manufacturing and sales of diesel engines and related parts ("Diesel engines");

(ii) manufacturing and sales of automobiles and major automobile components other than diesel engines ("Automobiles and other major automobile components");

(iii) manufacturing and sales of non-major automobile components ("Non-major automobile components"); and

(iv) 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.

The following tables present revenue and profit of the Group's operating segments for the six-month periods ended 30 June 2010 ("Period") and 30 June 2009:

Period ended 30 June 2010 (unaudited)	**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	**13,055,345**	**18,988,100**	**633,191**	**95,215**	**–**	**32,771,851**
Inter-segment sales	**2,846,366**	**339**	**105,692**	**–**	**(2,952,397)**	**–**
Total	**15,901,711**	**18,988,439**	**738,883**	**95,215**	**(2,952,397)**	**32,771,851**
Segment results	**3,355,229**	**1,546,557**	**87,755**	**2,044**	**(292,125)**	**4,699,460**
Interest and dividend income and unallocated gains						**144,877**
Corporate and other unallocated expenses						**(194,759)**
Finance costs						**(111,729)**
Share of profits and losses of associates	**786**	**299**	**–**	**628**	**–**	**1,713**
Profit before tax						**4,539,562**
Tax						**(674,719)**
Profit for the Period						**3,864,843**

Period ended 30 June 2009 (unaudited)	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	6,428,292	8,644,771	412,327	161,298	–	15,646,688
Inter-segment sales	1,079,892	–	22,211	–	(1,102,103)	–
Total	7,508,184	8,644,771	434,538	161,298	(1,102,103)	15,646,688
Segment results	1,393,325	548,483	34,886	6,593	(121,732)	1,861,555
Interest and dividend income and unallocated gains						126,473
Corporate and other unallocated expenses						(192,364)
Finance costs						(122,759)
Share of profits and losses of associates and a jointly-controlled entity	(56)	(4,607)	–	(119)		(4,782)
Profit before tax						1,668,123
Tax						(246,492)
Profit for the period						1,421,631

The following table presents assets of the Group's operating segments as at 30 June 2010 and 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*	Eliminations *RMB'000*	Consolidated *RMB'000*
Segment assets						
At 30 June 2010 (Unaudited)	24,090,464	23,862,516	1,270,779	598,597	(1,741,849)	48,080,507
At 31 December 2009 (Audited)	17,939,687	18,483,272	1,090,668	523,650	(1,661,800)	36,375,477

3. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts, net of sales taxes and surcharges.

There is no major seasonality for the Group's revenue. An analysis of the Group's revenue, other income and gains is as follows:

	For the six months ended	
	30 June 2010	30 June 2009
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Revenue		
Turnover		
Sale of goods	**31,601,993**	15,129,038
Rendering of services	**52,206**	53,123
Other revenue		
Sales of scrap and other materials	**1,087,229**	462,229
Gross rental income	**30,423**	2,298
	32,771,851	15,646,688
Other income		
Bank interest income	**51,276**	41,688
Government subsidies	**37,740**	33,338
Others	**38,222**	15,720
	127,238	90,746
Gains		
Gain on debt restructuring	**17,639**	35,727
	144,877	126,473

4. PROFIT BEFORE TAX

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

	For the six months ended	
	30 June 2010	30 June 2009
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Cost of inventories sold	**25,177,095**	12,299,347
Cost of services provided	**155,662**	49,116
Write-down of inventories to net realisable value	**146,838**	35,946
Product warranty provision		
Additional provision	**672,371**	247,744
Amounts utilised during the period	**(325,271)**	(181,024)
	347,100	66,720
Staff costs (including directors' and supervisors' Remuneration):		
Wages and salaries	**1,205,727**	509,161
Defined contribution pension scheme	**140,445**	67,331
Medical benefits costs	**21,735**	13,943
Housing fund	**25,934**	21,116
Cash housing subsidies costs	**24,404**	20,700
Total staff costs	**1,418,245**	632,251
Gross rental income	**(30,423)**	(2,298)
Bank interest income	**(51,276)**	(41,688)
Research and development costs	**271,173**	166,140
Minimal lease payment under operating leases	**58,683**	49,818
Loss/(gain) on disposal of items of property, plant and equipment	**(1,299)**	3,699
Depreciation of property, plant and equipment	**627,415**	418,150
Depreciation of investment property	**7,209**	2,125
Recognition of prepaid land lease payments	**7,423**	3,816
Amortisation of other intangible assets	**8,835**	6,723
Impairment of trade and other receivables	**159,419**	162,202
Foreign exchange differences, net	**(367)**	1,114

5. **TAX**

The Company and all its subsidiaries that operate in Mainland China are subject to the statutory corporate income tax rate of 25% for the Period under the income tax rules and regulations of the People's Republic of China ("PRC"), except that:

(1) The Company and certain subsidiaries are subject to a preferential tax 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 Period.

	For the six months ended	
	30 June 2010	30 June 2009
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Group:		
Current – Mainland China		
Charge for the period	**813,799**	249,643
Current – Elsewhere		
Charge for the period	**1,095**	2,064
Deferred	**(140,175)**	(5,215)
Total tax charge for the period	**674,719**	246,492

6. **DIVIDEND**

The directors do not recommend the payment of interim dividend (six months ended 30 June 2009: Nil).

7. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares in issue during the six months ended 30 June 2010 and 2009.

No diluted earnings per share amounts have been presented for the six months ended 30 June 2010 and 2009 as no diluting events existed during the periods.

	For the six months ended	
	30 June 2010	30 June 2009
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Earnings		
Profit attributable to ordinary equity holders of the Parent used in the basic earnings per share calculation	**3,234,588**	1,222,030
	In'000	*In'000*
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**833,046**	833,046

8. COMPONENTS OF OTHER COMPREHENSIVE INCOME

	For the six months ended	
	30 June 2010	30 June 2009
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Available-for-sale financial assets:		
Gains/(losses) arising during the period	**(38,655)**	169,951
Share of gains from an associate	**187,190**	–
Income tax	**5,944**	(25,608)
	154,479	144,343
Exchange differences on translating foreign operations	**(16,728)**	5,078
Other comprehensive income for the period, net of tax	**137,751**	149,421

9. TRADE AND BILLS RECEIVABLES

	30 June 2010	31 December 2009
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Trade receivables	**5,587,634**	3,849,645
Bills receivables	**15,988,426**	8,032,145
Impairment	**(699,330)**	(528,845)
	20,876,730	11,352,945

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. Trade receivables are non-interest-bearing.

An aged analysis of trade and bills receivables as at the end of the reporting period, based on the invoice date and net of provision for impairment loss, is as follows:

	30 June 2010	31 December 2009
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Within 3 months	**9,501,607**	5,987,889
3 to 6 months	**10,749,998**	4,730,036
6 to 12 months	**327,726**	249,293
1 to 2 years	**243,700**	385,423
2 to 3 years	**53,699**	304
	20,876,730	11,352,945

As at 30 June 2010, trade and bills receivables of approximately RMB465,879,000 (31 December 2009: RMB209,474,000) were pledged to secure bank loans and credit facilities of the Group.

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

	30 June 2010	31 December 2009
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Weichai Holdings and its subsidiaries	**41,283**	10,461
Lonking Holdings and its subsidiaries	**65,979**	260,502
Jointly-controlled entity	**–**	617
Associates	**30,370**	31,455
Non-controlling shareholders groups	**159,921**	110,187
	297,553	413,222

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

10. TRADE AND BILLS PAYABLES

	30 June 2010 *RMB'000* *(Unaudited)*	31 December 2009 *RMB'000* *(Audited)*
Trade payables	**12,376,090**	8,355,933
Bills payables	**4,444,838**	3,474,709
	16,820,928	11,830,642

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:

	30 June 2010 *RMB'000* *(Unaudited)*	31 December 2009 *RMB'000* *(Audited)*
Within 3 months	**14,507,400**	9,519,364
3 to 6 months	**1,971,329**	2,072,145
6 to 12 months	**117,307**	9,945
Over 1 year	**224,892**	229,188
	16,820,928	11,830,642

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

	30 June 2010 *RMB'000* *(Unaudited)*	31 December 2009 *RMB'000* *(Audited)*
Weichai Holdings and its subsidiaries	**23,624**	3,611
Jointly-controlled entity	**–**	6
Associates	**33,761**	45,895
Non-controlling shareholders groups	**488,826**	211,506
	546,211	261,018

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 reviewed interim results of the Company for the six months ended 30 June 2010.

I. Review of Operations

Entering 2010, the positive factors in China's national economy keep increasing and signs of stabilization are increasingly evident, as a result of the implementation of economic stimulus plans in response to the global financial crisis. In particular, the agriculture sector maintained its momentum, while industrial production saw a faster rebound; consumption continued to grow rapidly, and investment growth has gradually accelerated. In the first half of the year, the GDP in China reached RMB17,284 billion, representing a year-on-year growth of 11.1%, and 3.7% faster compared to last year. Meanwhile, the fixed asset investment in China maintained a fast growth, with China's fixed asset investment amounted to RMB11,418.7 billion in the first half of the year, representing a year-on-year growth of 25.0%. The rapid growth of China's economy has laid a foundation to the sustainable development of the automobile industry and also provided the equipment manufacturing industries such as heavy-duty vehicle and construction machinery industries, etc. with advantages and opportunities.

During the reporting period, China's automobile market showed a strong growth. Heavy-duty truck was the best performing segment of the automobile market, with its domestic sales totaled approximately 584,000 units, representing a year-on-year growth of 112.9%, which is equivalent to 91.8% of the total annual sales of 2009. The heavy-duty truck market has enjoyed a good start for the first half of the year, with manufacturers, dealers and users all maintain a bullish stance toward the market. Toward the heavy-duty truck market, manufacturers were in favor of the "building-up" of inventory and the tight supply of auxiliary products, while the dealers were making early preparation of market resources to ensure they meet the product orders after the Spring Festival; and the users were making inquiries in anticipation of the seasonal demand for construction vehicles as well as logistics and transportation after the Spring Festival, all pointed to a boom of effective demand and signaling the start of a new growth cycle.

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.), and 安徽江淮汽車股份有限公司 (Anhui Jianghuai Automotive Co., Ltd.), all recorded an outperformance over the sales target, and a mild increase in market share, hence guaranteeing the growth of the market share of the Company's products. The Company's aggregate sales of heavy-duty truck engines reached approximately 222,000 units in the first half of 2010, representing a year-on-year increase of 118.7%, which was 5.8% higher than average level of the industry. The Company's market share in the heavy-duty truck with a gross weight of 14 tonnes (and above) market achieved 38.0%, representing an increase of 0.9% over the corresponding period of last year. With the outstanding performance of its new model of vehicle, 陝西重型汽車有限公司 (Shaanxi Heavy-duty Motor Company Limited), a subsidiary of the Company, has ranked the fourth in the heavy-duty truck industry and reported an aggregate sales of approximately 60,000 units of heavy-duty trucks for the first half of the year, representing an increase of 118.2% over the corresponding period of last year. 陝西法士特齒輪有限責任公司 (Shaanxi Fast Gear), a subsidiary of the Company, has maintained its leading position in the industry and reported an aggregate sales of approximately 492,000 units of gear boxes, representing a year-on-year increase of 109.0%.

In the first half of 2010, the engineering machinery market was growing at a rate faster than expected, as a large number of new engineering projects entered the phrase of construction due to the lag-effect of the stimulus investment of RMB4 trillion. However, this fast growth was offset to a certain extent by the combined effect of the "Ten new national policies to curb the soaring of housing prices", as well as the enhanced measures to reduce energy consumption and emissions through the control of new projects in high energy consumption sectors, the phase-out of lagged production capacities, the implementation of differentiated power price, and adjustment or cancellation of tax refund for the high energy consumption sectors. During the reporting period, a total of approximately 358,000 units of construction machines were sold in China, representing an increase of 68.1% over last year, in which the sales of wheel loaders with a load capacity of 5 tonnes amounted to approximately 84,000 units, representing an increase of 74.7% 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 an increase over last year, hence driving the growth of the Company's product sales. However, the Company's market share in wheel loader was slightly lower due to the limited production capacity of the Company. The Company's sales of engines for construction machinery were approximately 68,000 units in the first half of 2010, representing a year-on-year increase of 64.4%, and the sales of engines for wheel loader engines with a load capacity of 5 tonnes were approximately 61,000 units, representing a year-on-year increase of 58.1%. 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 73.2% in the market of wheel loader engines with a load capacity of 5 tonnes (and above).

During the reporting period, with our technology innovation, the Company continued to lead the development of power-transmission technology in China. Following the implementation of the China III emission standard for heavy-duty trucks, our proprietary high-power and high-speed "Landking" (藍擎) engines received positive response and maintained its leading position in the heavy-duty truck and wheel loader markets, leveraged by its features such as environmental-friendly, fuel saving and reliable. With the "booming" of domestic heavy-duty truck market in 2010, the sales of "Landking" (藍擎) engines has set a new record high, with approximately 196,000 10-12L China III emission standard compliant engines sold during the reporting period. Meanwhile, our proprietary "Landking" (藍擎) WP5 and WP7 engines have successfully completed the vehicle match with excavating machinery and passenger vehicles. This in turn demonstrated the further enhancement of our research and development capability, greater competitive advantages of our product portfolio, and better prospects of the development of the Company.

2010 marks the enhancement of the Company's management. During the reporting period, the Company persisted in the development with internal quality where it continuously enhanced its management, accelerated the adjustment of its model and structure and boosted its scientific development. On the one hand, the Company persevered in enhancing its seven major management enhancement projects, namely, optimizing the enterprise management system, establishing a complete system to implement the guarantee mechanism, comprehensively and systemically enhancing basic management, creating an environment for constant innovation, improving and innovating on the training mechanism, setting up a lean production and manufacturing system and vigorously launching quality projects. On the other hand, the Company pushed on with the WOS project at all fronts to improve its management further. The WOS project aims to continually optimize the management procedure as well as enhance the management at all fronts including production and manufacturing, product quality, procurement and logistics under the philosophy of lean management. As the WOS project carries forward, it will be gradually internalized as a unique operation mode of Weichai Power and become the Company's core competitive edge that is irreproducible by others.

During the reporting period, the Company's revenue increased by 109.4% over the same period of 2009 to approximately RMB32,772 million. The net profit attributable to shareholders was approximately RMB3,235 million, representing an increase of 164.7% over the same period of 2009. The basic earnings per share increased to RMB3.88, representing an increase of 163.9% over the same period of 2009.

II. Interim Dividend and Share Issuing by Conversion of Capital Reserve

The Board passed a resolution on 23rd August 2010: the Company proposed not to declare any interim dividend. The Company proposed to make the distribution to every shareholder at the rate of 10 shares for every 10 shares by conversion of the capital reserve based on the total share capital of 833,045,683 shares of the Company as at 30th June, 2010. Upon the implementation of above resolution, the total share capital of the Company would increase by approximately 833,045,683 shares to approximately 1,666,091,366 shares. The implementation of the resolution of shares issue by conversion of capital reserve is subject to the approval from the general meeting of the Company and the granting of the listing of the H shares so issued by the Listing Committee of the Stock Exchange.

III. Acquisition and Consolidation

During the reporting period, there was no acquisition and consolidation.

IV. Outlook and Prospects

Looking forward to the second half of this year, the economic situations at home and abroad are still complex with much uncertainty. It is expected that the key tone of China's policy would be stabilization with the core for macro-control being rationalizing the relationship among maintaining a stable and faster economic development, adjusting economic structure and properly managing the expectation of inflation. In addition, China is expected to maintain a proactive fiscal policy and a moderately loose monetary policy as well as ensure the consistency and stability of the macroeconomic policy, while improving the monitoring, estimates and pre-warning towards economy as well as enhancing the pertinence and flexibility of the macro-control. In the second quarter, the growth rate of the economy declined mainly due to the macro policy and the large basis in the same period last year. The short term correction of growth rate is the one that happens at the upside during an economic recovery and is the positive result of an active correction. Therefore, the Chinese economy is not expected to suffer the so-called "double dip recession". On the one hand, the European debt crisis has had limited impact on China's export. The Euro depreciates while the RMB appreciates due to the European debt crisis, but the currencies of China's main competitors in export to Europe appreciates even faster, which would help maintain the competitiveness of those "Made in China". On the other hand, the export structure continues to improve. Emerging markets and developing countries account for up to 51.3% in China's export market while the overall recovery of emerging economies is better than that of the developed ones, which would contribute to a relatively steady growth in China's export in the second half of this year. In addition, the massive construction of affordable housing will effectively offset the reduction of investment in commercial housing. Such factors as the acceleration of urbanization and industrialization, continued implementation of the development of the western regions and the lag effect of the RMB4 trillion funding will still provide an impetus for investment growth. In the second half of 2010, the Chinese economy will grow steadily under a healthy and effective macro-control.

The Company is cautiously optimistic about the development of its related industries. With regard to the heavy-duty trucks market, on the one hand, the market demand for logistics and transportation vehicles and construction-related heavy-duty trucks will be long boosted by several factors. For example, the fundamentals of the Chinese economy remains sound, the government continues to push on with the urbanization process and the development strategy of the regional economy as well as there are increasing demands both at home and abroad. On the other hand, with the relief of the global financial crisis and an expected growth of export, the recovery of overseas economies will play a crucial role in the export of heavy-duty trucks. However, the appreciation of RMB casts some pressure on the export of heavy-duty trucks, and the rising price of raw materials and oil will become the major setback for the growth of heavy-duty trucks in the second half of this year. On another front, the demand in the heavy-duty trucks market will be also boosted by the continuity of several favorable policies for the automobile sector, including the fuel tax policy, the car subsidy program for rural areas, the old car replacement scheme and the new energy development scheme. With regard to the construction machinery market, investment will maintain its steady growth in the second half of this year due to several beneficial factors, such as the massive construction of affordable housing, the acceleration of urbanization and industrialization, continuous expansion of the scale of private investment and continuous implementation of the development of the west regions. The overall demand in the construction machinery sector continues to look promising.

With the further implementation of the China III Emission Standard and the upcoming 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, large-scale and high quality of our production and a loyal customer base, we will maintain 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, complete the marketing for China IV products in 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. Meanwhile, the Company will also further advance product and market structure adjustments. With regard to high-power segment, the Company will accelerate the pace of optimization and localization of Moteurs Baudouin's engines of 16L (or above), and develop a complete series 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. The Company will focus on improving market network, exploring the international market, upgrading service sector of after market, unwaveringly building up its strengths in market diversification to form a coordinated market layout, so as to achieve the coordinated development of international, domestic and after market, as well as lowering enterprise operation risks.

At the same time, under the principle of "unifying strategy, independent operation, resources sharing", we will accelerate the coordinated development of commercial vehicle sector, power chain sector and automobile component sector. We will further integrate the Company's advantageous resources, fully utilize synergies and improve our capability against risks. The Company will strive to become an international enterprise with an orientation on complete vehicles and complete machines and owns the core technology for power assembly, so as to develop into a unique and would-leading equipment manufacturer.

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 of our staff for their hard work and dedication in the last six months!

MANAGEMENT DISCUSSION AND ANALYSIS

The Directors are pleased to provide a management discussion and analysis of the interim results of operations of the Group for the period ended 30 June 2010 as follow:

I. Industry Analysis

The Company is one of the largest manufacturers of high-speed heavy-duty 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 reporting period, China's automobile market showed a strong growth. Heavy-duty truck was the best performing segment of the automobile market, with its domestic sales totaled approximately 584,000 units, representing a year-on-year growth of 112.9%, which is equivalent to 91.8% of the total annual sales of 2009. The heavy-duty truck market has enjoyed a good start for the first half of the year, with manufacturers, dealers and users all maintain a bullish stance toward the market. Toward the heavy-duty truck market, manufacturers were in favor of the "building-up" of inventory and the tight supply of auxiliary products, while the dealers were making early preparation of market resources to ensure they meet the product orders after the Spring Festival; and the users were making inquiries in anticipation of the seasonal demand for construction vehicles as well as logistics and transportation after the Spring Festival, all pointed to a boom of effective demand and signaling the start of a new growth cycle.

First, entering 2010, the positive factors in China's national economy keep increasing and signs of stabilization are increasingly evident, as a result of the implementation of economic stimulus plans in response to the global financial crisis. In particular, the agriculture sector maintained its momentum, while industrial production saw a faster rebound; consumption continued to grow rapidly, and investment growth was accelerated.

Second, in the first half of the year, the GDP in China reached RMB17,284 billion, representing a year-on-year growth of 11.1%, and 3.7% faster compared to last year. Meanwhile, the fixed asset investment in China maintained a fast growth, with China's fixed asset investment amounted to RMB11,418.7 billion in the first half of the year, representing a year-on-year growth of 25.0%. The rapid growth of China's economy has laid a foundation to the sustainable development of the automobile industry and also provided the equipment manufacturing industries such as heavy-duty vehicle and construction machinery industries, etc., with advantages and opportunities.

2. *Construction Machinery*

A total of approximately 358,000 units of construction machines were sold in China during the period, representing an increase of 68.1% over the corresponding period of last year; among which sales of wheel loaders with a load capacity of 5 tonnes (and above) amounted to approximately 84,000 units, representing an increase of 74.7% over the corresponding period of last year.

In the first half of 2010, the engineering machinery market was growing at a rate faster than expected, as a large number of new engineering projects entered the phrase of construction due to the lag-effect of the stimulus investment of RMB4 trillion. However, this fast growth was offset to a certain extent by the combined effect of the "Ten new national policies to curb the soaring of housing prices", as well as the enhanced measures to reduce energy consumption and emissions through the control of new projects in high energy consumption sectors, the phase-out of lagged production capacities, the implementation of differentiated power price, and adjustment or cancellation of tax refund for the high energy consumption sectors.

II. The Group's Business

An analysis of the Group's business segments is set out in note 2 to the consolidated financial statements. The following are the highlights of the operations of major product 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 include: 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.), all recorded an outperformance over the sales target, and a mild increase in market share, hence guaranteeing the growth of the market share of the Company's products. Of the diesel engines sold during the period, approximately 222,000 units (2009: 102,000 units) were truck engines, representing an increase of approximately 118.7% compared to the corresponding period of 2009.

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), 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 an increase over last year, hence driving the growth of the Company's product sales. However, the Company's market share in wheel loader was slightly lower due to the limited production capacity of the Company. During the period, the Group sold approximately 68,000 units (2009: approximately 41,000 units) of construction machinery engines, representing an increase of approximately 64.4% compared to that in the corresponding period of 2009. The sales of engines for wheel loader engines with a load capacity of 5 tonnes were approximately 61,000 units, representing a year-on-year increase of 58.1%. 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 73.2% in the market of wheel loader engines with a load capacity of 5 tonnes (and above).

2. *Sale of Heavy-duty Trucks*

During the period, the Group sold approximately 60,000 units heavy-duty trucks, compared to approximately 28,000 units in the corresponding period of 2009, representing an increase of approximately 118.2%. Prior to intra-group elimination, the truck business contributed approximately RMB12,816 million to the Group's revenue during the period.

3. *Sale of Heavy-duty Gear Box*

During the period, the Group sold approximately 492,000 units of heavy-duty gear boxes, representing an increase of approximately 109.0% compared to approximately 235,000 units in the corresponding period of 2009. Prior to intra-group elimination, the gear boxes business contributed approximately RMB5,750 million to the Group's revenue during the period.

4. *Sale of Engine and Heavy-duty Truck Parts and Components*

Apart from the production and sale of diesel engines for trucks and construction machinery, heavy-duty trucks and heavy-duty gear boxes, the Group is also engaged in the production and sales of engine parts and components and other truck parts and components such as: spark plugs, axles, chassis, air-conditioner compressors etc. During the period, the Group's sales of engine parts and truck parts amounted to approximately RMB1,275 million, representing an increase of approximately 70.2% or RMB526 million compared to RMB749 million in the corresponding period of 2009.

III. Financial Review

1. *The Group's Results of Operations*

a. *Turnover*

The Group's turnover increased from approximately RMB15,647 million in the corresponding period of 2009 to approximately RMB32,772 million in the period, representing an increase of approximately 109.4%. The increase in turnover was mainly attributable to the significant growth of automotive industry and construction machinery industry during the period. During the period, the Group sold approximately 222,000 units of diesel engines for use in heavy-duty trucks in total, compared to approximately 102,000 units in the corresponding period of 2009, representing an increase of approximately 118.7%. During the Period, Shaanxi Zhongqi recorded an aggregate sales of approximately 60,000 units of heavy-duty trucks, compared to approximately 28,000 units in the corresponding period of last year, representing an increase of 118.2%. During the period, Shaanxi Fast Gear Co. Ltd. reported an aggregate sales of approximately 492,000 units of gear boxes, representing an increase of 109.0% over the same period of last year.

b. *Gross Profit and Gross Profit Margin*

During the period, the Group's gross profit decreased from approximately RMB3,015 million in the corresponding period of 2009 to approximately RMB6,620 million in the period, representing an increase of approximately 119.6%. Gross profit margin increased from approximately 19.3% in the same period of 2009 to approximately 20.2% in the period, 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 increased by approximately 14.6% to approximately RMB145 million in the period from approximately RMB126 million in the same period of 2009. The increase was mainly due to the increase in interest income and government grants.

d. *Selling and Distribution Costs*

Selling and distribution costs increased by approximately 62.0% to approximately RMB722 million in the period from approximately RMB446 million in the corresponding period of 2009. As a percentage of turnover, selling and distribution costs decreased from approximately 2.8% in the corresponding period of 2009 to approximately 2.2% in the period, which was mainly due to the increase in turnover of 109.4% as compared to the corresponding period of last year.

e. *Administrative Expenses*

Administrative expenses of the Group increased by approximately 71.8% or approximately RMB389 million from approximately RMB542 million in the corresponding period of 2009 to approximately RMB931 million in the period. As a percentage of turnover, the administrative expenses decreased from approximately 3.5% in the same period of 2009 to approximately 2.8% in the period, which was mainly due to the expansion of the scale of operations.

f. *Operating Profit before Finance Costs*

During the period, the Group's operating profit increased by approximately 159.7% to approximately RMB4,651 million in the period from approximately RMB1,791 million in the corresponding period of 2009. The Group's operating margin increased from approximately 11.4% in the corresponding period of 2009 to approximately 14.2% in the period.

g. Finance Costs

Finance costs decreased by approximately 9.0% to approximately RMB112 million in the period from approximately RMB123 million in the corresponding period of 2009. This decrease was mainly due to the decrease in interest-bearing bank and other borrowings.

h. Income Taxes

The Group's income tax expenses increased by approximately 173.7% from approximately RMB246 million in the corresponding period of 2009 to approximately RMB675million in the period. During the period, the Group's average effective tax rate maintained at 14.9% in the period, almost the same with the corresponding period of 2009 of 14.8%.

i. Net Profit and Net Profit Margin

The Group's net profit for the period increased by approximately 171.9% from approximately RMB1,422 million in the corresponding period of 2009 to approximately RMB3,865 million in the period, whilst the net profit margin also increased from approximately 9.1% in the corresponding period of 2009 to approximately 11.8% in the period.

j. Liquidity and Cash Flow

During the period, the Group generated operating cash flows of RMB3,383 million, 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 30 June 2010, the Group had net cash of RMB1,502 million (as at 31st December 2009: the Group had a net debt (interest-bearing debts net of cash and cash equivalents) of RMB141 million). Based on the calculation above, there is no debt to equity ratio available as the Group is in a net cash position (as at 31 December 2009: debt to equity ratio is 0.90%).

2. Financial Position

a. Assets and Liabilities

As at 30 June 2010, the Group had total assets of approximately RMB48,081 million, of which approximately RMB35,454 million were current. As at 30th June 2010, the Group had cash and cash equivalents of approximately RMB4,757 million (as at 31 December 2009: RMB3,598 million), including cash and cash equivalents denominated in foreign currencies of approximately RMB166 million. On the same date, the Group's total liabilities amounted to approximately RMB28,940 million, of which approximately RMB26,618 million were current. The current ratio was approximately 1.33 (as at 31st December 2009: 1.35).

b. *Capital Structure*

At 30 June 2010, the Group had total equity of approximately RMB19,140 million, of which approximately RMB14,726 million was attributable to equity holders of the Company and the balance was non-controlling interests. The Group currently does not rely heavily on borrowings. The borrowings of the Group as at 30 June 2010 amounted to approximately RMB3,255 million, which included debenture of approximately RMB1,283 million and bank borrowings of approximately RMB1,972 million. Except for bank borrowings of approximately RMB25 million, approximately RMB84 million and approximately RMB21 million are denominated in US dollars, Hong Kong dollars and Euro, the remaining borrowings are in Renminbi. The Group's revenue is mainly in Renminbi. The Group believes that its exposure to foreign currency risks in not significant, but we will monitor closely the currency movement. 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. *Share Issuing by Conversion of Capital Reserve*

The Board passed a resolution on 23 August 2010: the Company proposed to make the distribution to every shareholder at the rate of 10 shares for every 10 shares by conversion of the capital reserve based on the total share capital of 833,045,683 shares of the Company as at 30th June, 2010. Upon the implementation of above resolution, the total share capital of the Company would increase by approximately 833,045,683 shares to approximately 1,666,091,366 shares. The implementation of the resolution of shares issue by conversion of capital reserve is subject to the approval from the general meeting of the Company and the granting of the listing of the H shares so issued by the Listing Committee of the Stock Exchange.

d. *Pledge of Assets*

As at 30 June 2010, bank deposits and bills receivables of approximately RMB3,426 million (as at 31 December 2009: RMB3,189 million) were pledged to banks to secure the Group's short-term borrowings, bills payables and bills receivables issued by banks. The pledged bank deposits carry prevailing bank interest rates. The pledge will be released upon the settlement of the relevant bank borrowings. The fair value of the bank deposits at the balance sheet date 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 16 to the condensed consolidated financial statements of Interim Report.

e. Contingent Liabilities

As at 30 June, 2010, the Group had approximately RMB2,734 million (as at 31 December, 2009: RMB1,054 million) guarantees given to banks in connection with facilities granted to and utilised by certain distributors and agents. Details are set out in note 17 to the condensed consolidated financial statements of Interim Report.

f. Capital Commitments

As at 30 June 2010, the Group had approximately RMB1,444 million capital commitments contracted (as at 31 December 2009: RMB947 million), principally for the capital expenditure in respect of acquisition of property, plant and equipment.

3. Other Financial Information

a. Employees

As at 30 June 2010, the Company had approximately 30,000 employees. During the period, the Company had paid remuneration of approximately RMB 1,418 million, representing an increase of 124.3% over the corresponding period of 2009 of RMB 632 million. 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.

b. Major Investment

The Group did not make any major investment during the period.

c. Major Acquisition and Disposal

The Group did not make any major acquisition or disposal during the period.

OTHER INFORMATION

Directors' and Supervisors' Interests in Shares and Underlying Shares

As at 30 June, 2010, 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 pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code"), were as follows:

	Capacity	Number of "A" shares held	Percentage of the issued share capital of the Company
Name of Director			
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 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 in 2007.

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 in 2007.

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 Longgong 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 30 June, 2010, none of the directors, the chief executive nor the supervisors had an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was recorded in the register required to be kept pursuant to Section 352 of the SFO, or as otherwise notified to the Company pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

Details of Changes in Share Capital and Substantial Shareholders' Shareholdings

1. Changes in shareholdings

	Before this period		Increase/decrease during the period (+, –)					End of the period	
	No. of shares	Percentage	New shares issued	Bonus issue	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	108,480,000	13.02%	–	–	–	–	–	108,480,000	13.02%
including: 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	54,800,000	6.58%	–	–	–	–	–	54,800,000	6.58%
including: Shares held by overseas legal persons	54,800,000	6.58%	–	–	–	–	–	54,800,000	6.58%
Shares held by overseas natural persons	–	–	–	–	–	–	–	–	–
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

Time	Additional shares that can be listed and traded upon expiry of the restricted period	Description
30 April 2010	349,824,937	Under the commitments of 8 legal person promoter shareholders (including Weichai Group Holdings Limited), Zhuzhou State-owned Assets and 24 natural-person promoter shareholders (including Tan Xuguang), none of their shares can be transferred within 36 months commencing from the Company's listing on the Shenzhen Stock Exchange.

Note:

1. 80,694,500 A shares of restricted shares mentioned above became circulating in the market on 29 July, 2010, please refer to Notification Announcement on the Circulation of Certain Restricted Shares in the Market (Announcement No.: 2010-016) of the Company for further information.

2. The lock-up period in respect of the remaining restricted shares has been extended for another three years till 30 April, 2013, please refer to Announcement on the Extension of Undertakings by Certain Shareholders dated 28 July, 2010 and 17 August 2010 respectively (Announcement No.: 2010-017, 2010-019) of the Company for further information.

Shareholdings of the Substantial Shareholders (as at 30 June 2010)

Total number of Shareholders	The number of shareholders is 58,105 among which 57,829 are shareholders of A share and 276 are shareholders of H share

Shareholdings of the top ten shareholders

Names of shareholders	Type of shareholders	Approximate percentage of shares held	Total number of shares held	Number of restricted shares held	Number of shares pledged or frozen
HKSCC Nominees Limited	Foreign shareholder	24.15%	201,199,498	–	unknown
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	–
Shenzhen Chuangxi Investment Group Co.,Ltd	Domestic non state-owned legal person	4.13%	34,400,000	34,400,000	–
Fujian Longyan Construction Machinery (Group) Company Limited	Domestic non state-owned legal person	4.13%	34,400,000	34,400,000	–
Weifang Investment Company	State-owned legal person	3.71%	30,898,480	30,898,480	–
Zhuzhou State-owned Assets Investment Holdings Company Limited	State-owned shares legal person	2.91%	24,224,937	24,224,937	7,200,000
Agricultural Bank of China – 中郵核心成長股票型投資基金	Others	2.66%	22,191,863	–	–

Names of shareholders	Type of shareholders	Approximate percentage of shares held	Total number of shares held	Number of restricted shares held	Number of shares pledged or frozen
IVM Technical Consultants Wien Gesellschaft m.b.H	Overseas legal person	2.06%	17,200,000	17,200,000	–
Shandong Enterprise Trust Operation Company Limited	Domestic non state-owned legal person	1.92%	16,000,000	16,000,000	–

Shareholdings of the top ten non-restricted shareholders

Names of shareholders	Number of the non-restricted shares held	Types of shares
HKSCC Nominees Limited	201,199,498	Overseas listed foreign shares
Agricultural Bank of China – 中郵核心成長股票型證券投資基金	22,191,863	RMB ordinary shares
Bank of China – 大成藍籌穩健證券投資基金	11,301,463	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	6,160,000	RMB ordinary shares
Bank of China – 易方達深證100交易型開放式指數證券投資基金	5,539,845	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	5,053,737	RMB ordinary shares
Dacheng Value Growth Stock Investment Fund	5,000,000	RMB ordinary shares
Agricultural Bank of China – 中郵核心優選股票型證券投資基金	4,647,666	RMB ordinary shares
Industrial and Commercial Bank of China – 博時精選股票證券投資基金	4,099,751	RMB ordinary shares

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

1. Among the aforementioned shareholders, Agricultural Bank of China – 中郵核心成長股票型證券投資基金 and Agricultural Bank of China – 中郵核心優選股票型證券投資基金 are both managed by a fund manager, namely China Post & Capital Fund Management Co., Ltd. ; Dacheng Value Growth Stock Investment Fund and Bank of China – 大成藍籌穩健證券投資基金 are both managed by a fund manager, namely Dacheng Fund Management Co., Ltd. (大成基金管理公司); and Industrial and Commercial Bank of China – 易方達價值成長混合型證券投資基金 and Bank of China – 易方達深證100交易型開放式指數證券投資基金 are both managed by a fund manager, namely E Fund Management Co., Ltd.

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 30 June, 2010, 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 Nominees 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 *(Note 4)*	Held by controlled corporation and spouse	Long	34,400,000	5.45%	–	–	4.13%
JPMorgan Chase & Co.	Investment manager	Long	–	–	22,742,694	11.24%	2.73%
The Capital Group Companies, Inc	Investment manager	Long	–	–	17,827,300	8.81%	2.14%
FIL Limited	Investment manager	Long	–	–	11,928,000	5.89%	1.43%

Notes:

1. State-owned Assets Supervision and Administration Commission of Shandong Province ("Shandong SASAC") held the entire capital of Weichai Group Holding Limited (formerly 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 Nominees 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 30 June, 2010.

Emolument Policy

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

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

Arrangements to Purchase Shares or Debentures

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

Purchase, Sale or Redemption of Listed Securities of the Company

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

Pre-Emptive Rights

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

Major Customers and Suppliers

The aggregate sales during the Period attributable to the Group's five largest customer were less than 30% of the Group's total sales.

The aggregate purchase during the Period attributable to the Group's five largest suppliers were less than 30% of the Group's total purchases.

Save as disclosed above, at no time during the Period did a Director, a Supervisor, an associate of a Director or a shareholder of the Company, which to the knowledge of the Directors, own more than 5% of the Company's share capital, have an interest in any of the Group's five largest suppliers or customers.

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 Listing Rules, for the purpose of such appointment. Throughout the Period, the Audit Committee discharged its responsibilities, reviewed and discussed the financial results and internal control system of the Company. In accordance with the requirements of Appendix 16 to the Listing Rules, the Audit Committee has reviewed the unaudited interim condensed consolidated financial statements for the period.

Compliance with Code on Corporate Governance Practices in Appendix 14 of the Listing Rules

Throughout the Period, other than the roles of the Chairman and the Chief Executive Officer being performed by Mr. Tan Xuguang ("Mr. Tan"), 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 Company considers that the combination of the roles of the Chairman and the Chief Executive Officer can promote the efficient formulation and implementation of the Company's strategies which will enable the Group to grasp business opportunities efficiently and promptly. The Company considers that through the supervision of its Board and its Independent Non-executive Directors, there is adequate balance of power and authority in place.

Compliance with the Model Code

During the Period, the Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard set out in the Model Code for Securities Transaction by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code"). Having made specific enquiry of all Directors, the Directors have confirmed that they have complied with the required standard set out in the Model Code for the Period 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.

Approval of the Unaudited Consolidated Financial Statement

The unaudited interim condensed consolidated financial statements for the Period have been approved by the Board on 23 August 2010.

Publication of the Unaudited Interim Report on the Websites of the Stock Exchange of Hong Kong Limited and the Company

The 2010 Unaudited Interim 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 in due course.

Tan Xuguang
Chairman and Chief Executive Officer

Hong Kong, 23 August 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.