WEICHAI

濰柴動力股份有限公司

WEICHAI POWER CO., LTD.

(a joint stock 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, 2010

FINANCIAL HIGHLIGHTS

- Turnover amounted to approximately RMB62,666 million, up by approximately 77.72%.
- Profit attributable to equity holders of the Company amounted to approximately RMB6,781 million, up by approximately 99.03%.
- Basic earnings per share was approximately RMB4.07, up by approximately 99.51%.

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, 2010 (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 2009 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31st December, 2010

	Note	**2010** *RMB'000*	2009 *RMB'000*
REVENUE	*4*	**62,665,521**	35,260,899
Cost of sales		**(49,194,751)**	(27,628,689)
Gross profit		**13,470,770**	7,632,210
Other income and gains	*4*	**379,858**	345,691
Selling and distribution costs		**(1,382,810)**	(1,021,391)
Administrative expenses		**(1,670,026)**	(1,264,787)
Research and development costs		**(887,580)**	(450,217)
Loss on disposal of disposal group held for sale		**–**	(5,677)
Other expenses		**(326,796)**	(305,648)
Finance costs	*5*	**(197,978)**	(247,507)
Share of profits and losses of:			
A jointly-controlled entity		**–**	2,343
Associates		**9,605**	(5,773)
PROFIT BEFORE TAX	*6*	**9,395,043**	4,679,244
Income tax expense	*7*	**(1,397,553)**	(732,380)
PROFIT FOR THE YEAR		**7,997,490**	3,946,864
Attributable to:			
Owners of the parent		**6,780,935**	3,406,935
Non-controlling interests		**1,216,555**	539,929
		7,997,490	3,946,864
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic			
— For profit for the year	*9*	**RMB4.07**	RMB2.04

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31st December, 2010

	2010 *RMB'000*	2009 *RMB'000*
PROFIT FOR THE YEAR	**7,997,490**	3,946,864
OTHER COMPREHENSIVE INCOME		
Available-for-sale assets:		
Changes in fair value	**402,748**	289,255
Income tax effect	**(15,344)**	(43,834)
	387,404	245,421
Exchange differences on translation of foreign operations	**(6,830)**	6,056
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**380,574**	251,477
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**8,378,064**	4,198,341
Attributable to:		
Owners of the parent	**7,161,509**	3,658,412
Non-controlling interests	**1,216,555**	539,929
	8,378,064	4,198,341

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31st December, 2010

	Note	**2010** **RMB'000**	2009 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		9,278,677	8,039,811
Investment properties		149,812	83,668
Prepaid land lease payments		729,291	577,569
Goodwill		538,016	538,016
Other intangible assets		288,530	302,371
Investment in a jointly-controlled entity		–	23,275
Investments in associates		920,692	172,559
Available-for-sale investments		636,038	477,430
Held-to-maturity investment		19,584	–
Deposits paid for acquisition of property, plant and equipment		1,972,398	914,618
Deferred tax assets		819,210	434,763
Total non-current assets		15,352,248	11,564,080
CURRENT ASSETS			
Inventories	*10*	8,793,347	5,806,642
Trade and bills receivables	*11*	15,866,733	11,352,945
Prepayments, deposits and other receivables		1,284,382	1,059,084
Prepaid land lease payments		15,699	14,455
Derivatives financial instruments		3,672	–
Pledged deposits		2,410,944	2,979,932
Cash and cash equivalents		8,747,622	3,598,339
Total current assets		37,122,399	24,811,397
CURRENT LIABILITIES			
Trade and bills payables	*12*	17,247,314	11,830,642
Other payables and accruals		6,024,668	3,574,003
Dividend payable to non-controlling shareholders		72,964	42,622
Interest-bearing bank and other borrowings		577,166	1,515,664
Tax payable		1,835,075	956,315
Warranty provision		1,017,418	497,231
Total current liabilities		26,774,605	18,416,477

	Note	**2010** *RMB'000*	2009 *RMB'000*
NET CURRENT ASSETS		10,347,794	6,394,920
TOTAL ASSETS LESS CURRENT LIABILITIES		25,700,042	17,959,000
NON-CURRENT LIABILITIES			
Debentures		1,285,240	1,281,669
Interest-bearing bank and other borrowings		954,727	942,200
Deferred tax liabilities		89,946	73,816
Total non-current liabilities		2,329,913	2,297,685
Net assets		23,370,129	15,661,315
EQUITY			
Equity attributable to owners of the parent			
Issued capital		1,666,092	833,046
Reserves		16,132,409	10,521,710
Proposed final dividend	*8*	716,419	399,862
		18,514,920	11,754,618
Non-controlling interests		4,855,209	3,906,697
Total equity		23,370,129	15,661,315

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.

HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards
HKFRS 1 Amendments	Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – 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 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 Amendment	Amendment to HKAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners
HKFRS 5 Amendments 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
Improvements to HKFRSs 2009	Amendments to a number of HKFRSs issued in May 2009
HK Interpretation 4 Amendment	Amendment to HK Interpretation 4 Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases
HK Interpretation 5	Presentation of Financial Statements – Classification by the Borrower of Term Loan that Contains a Repayment on Demand Clause

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

HKFRS 1 Amendment	Amendment to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters [2]
HKFRS 7 Amendments	Amendments to HKFRS 7 Financial Instruments: Disclosures – Transfers of Financial Assets [4]
HKFRS 9	Financial Instruments [6]
HKAS 12 Amendments	Amendments to HKAS 12 Income Taxes – Deferred Tax: Recovery of underlying Assets [5]
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]

Apart from the above, the HKICPA has issued Improvements to HKFRSs 2010 which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 3 and HKAS 27 are effective for annual periods beginning on or after 1 July 2010, whereas the amendments to HKFRS 1, HKFRS 7, HKAS 1, HKAS 34 and HK(IFRIC)-Int 13 are effective for annual periods beginning on or after 1 January 2011 although there are separate transitional provisions for each standard.

[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 July 2011

[5] Effective for annual periods beginning on or after 1 January 2012

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

Other than as further explained at the annual report regarding the impact of HKFRS 3 (Revised), HKAS 27 (Revised), amendments to HKAS 7 and HKAS 17 included in Improvements to HKFRSs 2009, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

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 the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax from continuing operations. The adjusted profit/(loss) 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 2010

	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	26,748,960	34,455,808	1,274,803	185,950	62,665,521
Inter-segment sales	5,091,743	1,361,499	6,774	–	6,460,016
Total	31,840,703	35,817,307	1,281,577	185,950	69,125,537
Reconciliation:					
Elimination of inter-segment sales					(6,460,016)
Revenue					62,665,521
Segment results	6,783,441	2,988,158	167,492	1,007	9,940,098
Reconciliation:					
Elimination of inter-segment results					(377,493)
Interest income					123,117
Dividend income and unallocated gains					256,741
Corporate and other unallocated expenses					(349,442)
Finance costs					(197,978)
Profit before tax					9,395,043
Segment assets	19,910,806	19,723,244	1,130,544	646,293	41,410,887
Reconciliation:					
Elimination of inter-segment receivables					(1,835,735)
Corporate and other unallocated assets					12,899,495
Total assets					52,474,647
Segment liabilities	12,065,475	13,592,991	515,297	41,336	26,215,099
Reconciliation:					
Elimination of inter-segment payables					(1,835,734)
Corporate and other unallocated liabilities					4,725,153
Total liabilities					29,104,518

Year ended 31 December 2010

	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: associates	**3,578**	**4,057**	**–**	**1,970**	**9,605**
Write-down of inventories to net realisable value	**6,255**	**213,800**	**904**	**–**	**220,959**
Impairment loss on trade and other receivables	**21,381**	**268,298**	**2,299**	**(5,522)**	**286,456**
Depreciation and amortisation	**586,719**	**738,197**	**34,390**	**654**	**1,359,960**
Loss/(gain) on disposal of items of property, plant and equipment	**(9,940)**	**771**	**(10,767)**	**–**	**(19,936)**
Product warranty provision	**1,134,169**	**287,897**	**8,789**	**–**	**1,430,855**
Investments in associates	**563,047**	**323,907**	**–**	**33,738**	**920,692**
Capital expenditure*	**1,082,543**	**1,422,728**	**76,008**	**263,274**	**2,844,553**

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

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 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
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

* Capital expenditure consists of additions to property, plant and equipment, intangible assets and investment properties, including contributions from non-controlling shareholders.

Information about a major customer

Revenue of approximately RMB5,951,873,000 (2009: RMB4,627,218,000) 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 2010 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:

	Notes	**2010** *RMB'000*	2009 *RMB'000*
Revenue			
Turnover			
Sale of goods		**60,263,112**	34,011,367
Rendering of services		**48,011**	37,262
Other revenue			
Sales of scrap and other materials		**2,309,930**	1,199,894
Gross rental income		**44,468**	12,376
		62,665,521	35,260,899
Other income			
Bank interest income	*6*	**123,117**	116,809
Dividend income from available-for-sale investments	*6*	**3,600**	1,600
Government subsidies		**109,530**	70,196
Penalty and compensation income		**26,717**	12,315
Excess over the cost of business combinations		**–**	87,334
Others		**26,870**	9,580
		289,834	297,834
Gains			
Gain on debt restructuring		**19,025**	45,921
Fair value gain on derivative financial instruments		**3,672**	–
Gain on disposal of available-for-sale investments		**58,154**	1,936
Others		**9,173**	–
		90,024	47,857
		379,858	345,691

5. FINANCE COSTS

An analysis of finance costs is as follows:

	2010	2009
	RMB'000	*RMB'000*
Interest on bank loans and other borrowings wholly repayable within five years	**119,434**	146,579
Interest on debentures	**64,350**	50,321
Interest on discounted bills receivable	**14,194**	50,607
Total interest expense on financial liabilities not at fair value through profit or loss	**197,978**	247,507
Less: Interest capitalised	**–**	–
	197,978	247,507

6. PROFIT BEFORE TAX

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

	Notes	**2010**	2009
		RMB'000	*RMB'000*
Cost of inventories sold		**47,533,312**	26,684,146
Cost of services provided		**9,625**	4,240
Write-down of inventories to net realisable value		**220,959**	231,115
Product warranty provision			
Additional provision		**1,430,855**	709,188
Employee benefits expense (including directors' and supervisors' remuneration):			
Wages and salaries		**2,662,409**	1,712,232
Defined contribution pension scheme (note i)		**242,337**	193,322
Medical benefits costs (note ii)		**58,474**	43,029
Housing fund		**75,581**	62,645
Cash housing subsidies costs		**10,743**	74,692
Total staff costs		**3,049,544**	2,085,920
Rental income less direct operating expenses of RMB25,426,000 (2009: RMB5,383,000)		**(19,042)**	(6,993)
Bank interest income	*4*	**(123,117)**	(116,809)
Dividend income	*4*	**(3,600)**	(1,600)
Research and development costs		**887,580**	450,217
Minimum lease payment under operating leases:			
Plant and machinery		**17,668**	41,495
Land and buildings		**151,462**	63,780
Auditors' remuneration		**20,484**	18,380
(Gain)/loss on disposal of property, plant and equipment		**(19,936)**	6,940
Loss on disposal of investment properties		**–**	1,028
Depreciation of property, plant and equipment		**1,317,471**	874,033
Depreciation of investment properties		**11,261**	3,605
Recognition of prepaid land lease payments		**14,605**	11,441
Amortisation of other intangible assets		**16,623**	15,325
Impairment of trade and other receivables	*11*	**286,456**	227,604
Impairment of available-for-sale investments		**207**	207
Foreign exchange differences, net		**513**	634

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% (2009: 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% (2009: 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 《國家税務總局關於落實西部大開發有關税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.

	2010	2009
	RMB'000	*RMB'000*
Group:		
Current – Mainland China		
Charge for the year	**1,773,681**	832,924
Under/(over)-provision in prior years	**6,645**	(7,027)
Current – Elsewhere		
Charge for the year	**915**	5,666
Deferred	**(383,688)**	(99,183)
Total tax charge for the year	**1,397,553**	732,380

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 rates is as follows:

Group – 2010

	Mainland China		Elsewhere		Total	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Profit before tax	**9,415,510**		**(20,467)**		**9,395,043**	
Tax at the statutory tax rate	**2,353,878**	**25.0**	**(6,055)**	**29.6**	**2,347,823**	**25.0**
Preferential tax rate or concessions	**(902,449)**	**(9.6)**	**–**	**–**	**(902,449)**	**(9.7)**
Effect of tax rate change on opening deferred tax	**(354)**	**–**	**–**	**–**	**(354)**	**–**
Effect of tax rate change on deferred tax	**2,720**	**–**	**–**	**–**	**2,720**	**–**
Adjustments in respect of current tax of previous periods	**6,959**	**0.1**	**(314)**	**1.5**	**6,645**	**0.1**
Profits and losses attributable to associates	**(537)**	**–**	**(773)**	**3.8**	**(1,310)**	**–**
Income not subject to tax	**(8,022)**	**(0.1)**	**–**	**–**	**(8,022)**	**(0.1)**
Expenses not deductible for tax	**13,053**	**0.1**	**–**	**–**	**13,053**	**0.1**
Tax incentives on eligible expenditures	**(67,684)**	**(0.7)**	**–**	**–**	**(67,684)**	**(0.7)**
Tax losses utilised from previous periods	**(16,681)**	**(0.2)**	**(2,043)**	**10.0**	**(18,724)**	**(0.2)**
Tax losses not recognised	**13,942**	**0.1**	**292**	**(1.4)**	**14,234**	**0.2**
Deductible temporary differences not recognised, net	**2,226**	**–**	**9,395**	**(45.9)**	**11,621**	**0.1**
Tax charge at the Group's effective rate	**1,397,051**	**14.7**	**502**	**(2.4)**	**1,397,553**	**14.8**

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

The share of tax attributable to a jointly-controlled entity and associates amounting to RMB Nil (2009: RMB578,000) and RMB1,743,000 (2009: RMB272,000), respectively, is included in "Share of profits and losses of a jointly-controlled entity and associates" in the consolidated income statement.

8. DIVIDENDS

	2010	2009
	RMB'000	*RMB'000*
Proposed final – RMB0.43 (2009: RMB0.48) per ordinary share	**716,419**	399,862

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 PARENT

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 2010.

No diluted earnings per share amounts have been presented for the years ended 31 December 2010 and 2009 as no diluting events existed during these years.

	2010	2009
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the Parent used in the basic earnings per share calculation	**6,780,935**	3,406,935
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**1,666,092**	1,666,092

10. INVENTORIES

	Group		**Company**	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Raw materials and consumables	**1,522,511**	1,325,523	**417,214**	323,658
Work in progress	**789,462**	620,249	**113,460**	118,317
Finished goods	**6,481,374**	3,860,870	**1,266,070**	1,237,320
	8,793,347	5,806,642	**1,796,744**	1,679,295

11. TRADE AND BILLS RECEIVABLES

	Group		**Company**	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Trade receivables	**5,358,238**	3,849,645	**677,704**	192,134
Bills receivable	**11,289,227**	8,032,145	**9,660,367**	7,040,816
Impairment	**(780,732)**	(528,845)	**(37,231)**	(13,327)
	15,866,733	11,352,945	**10,300,840**	7,219,623

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:

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within 3 months	**6,292,600**	5,987,889	**3,589,488**	2,890,959
3 to 6 months	**8,861,904**	4,730,036	**6,710,607**	4,318,017
6 to 12 months	**425,251**	249,293	**704**	9,488
1 to 2 years	**181,191**	385,423	**1**	1,159
2 to 3 years	**105,787**	304	**40**	–
	15,866,733	11,352,945	**10,300,840**	7,219,623

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

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
At 1 January	**528,845**	322,126	**13,327**	17,239
Impairment losses recognised	**316,071**	228,413	**23,904**	–
Contribution from a non-controlling shareholder	**–**	762	**–**	–
Amount written off as uncollectible	**(53,710)**	(14,415)	**–**	–
Impairment losses reversed	**(10,474)**	(8,041)	**–**	(3,912)
	780,732	528,845	**37,231**	13,327

The above provision for impairment of trade and bills receivables of the Group and the Company is provision for both individually and collectively impaired trade and bills receivables with a carrying amount before impairment of RMB1,701,043,000 (2009: RMB1,155,926,000) and RMB660,679,000 (2009: RMB15,287,000), respectively. 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:

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Neither past due nor impaired	**14,732,601**	10,585,850	**10,299,919**	7,219,535
Less than 1 year	**450,580**	140,014	**921**	88
1 to 2 years past due	**–**	–	**–**	–
	15,183,181	10,725,864	**10,300,840**	7,219,623

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 31 December 2010, trade and bills receivables of RMB597,490,000 (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:

	Group		**Company**	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Weichai Holdings and its subsidiaries	**42,479**	10,461	**8,038**	4,071
Lonking Holdings and its subsidiaries	**60,024**	260,502	**60,024**	260,502
Subsidiaries	**–**	–	**1,581,766**	1,202,422
Jointly-controlled entity	**–**	617	**–**	–
Associates	**28,620**	31,455	**115**	680
Non-controlling shareholders groups	**348,417**	110,187	**135,342**	–
	479,540	413,222	**1,785,285**	1,467,675

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

	Group		**Company**	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Trade payables	**13,137,584**	8,355,933	**4,760,319**	3,501,042
Bills payable	**4,109,730**	3,474,709	**1,212,543**	1,456,933
	17,247,314	11,830,642	**5,972,862**	4,957,975

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:

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within 3 months	**13,184,989**	9,519,364	**5,502,759**	4,427,987
3 to 6 months	**3,507,193**	2,072,145	**390,385**	374,829
6 to 12 months	**384,197**	9,945	**4,258**	10,577
Over 1 year	**170,935**	229,188	**75,460**	144,582
	17,247,314	11,830,642	**5,972,862**	4,957,975

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

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Weichai Holdings and its subsidiaries	**4,010**	3,611	**2,680**	3,600
Subsidiaries	**–**	–	**2,752,537**	3,084,823
Jointly-controlled entity	**–**	6	**–**	–
Associates	**79,905**	45,895	**45,009**	–
Non-controlling shareholders groups	**1,202,468**	211,506	**–**	–
	1,286,383	261,018	**2,800,226**	3,088,423

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, 2010.

I. REVIEW OF OPERATIONS

Entering 2010, the Chinese Government maintained a consistent and stable monetary policy. A properly loosened monetary policy remained and, great effort was put to make the policy more specific and flexible, supporting changes in the economic development approach and adjustments to the economic structure. During the year, the macro economy maintained stability and an upward trend. In 2010, the GDP of China reached RMB39.8 trillion, representing a year on year growth of 10.3%. The rate of growth increased by 1.1% compared to last year. The money supply increased steadily with new loans amounted to RMB7.9 trillion. China's fixed asset investments amounted to RMB27.8 trillion, representing a year on year growth of 23.8%. The import and export for the year totaled approximately USD3 trillion, representing a year on year growth of 34.7%, in which the export recorded a growth of 31.3%.The rapid growth of the Chinese economy not only laid the foundation for the automobile industry's sustainable development, but also created development opportunities for the assembly production industries such as heavy-duty vehicles and construction machineries.

In 2010, the market demand for commercial vehicles increased again and rapid development continued. The sales and production of heavy-duty trucks both exceeded one million units, where 1.0586 million units were manufactured, representing a year-on-year growth of 65.44%; while 1.0174 million units were sold, representing a year-on-year increase of 59.93%. 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, 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 recorded sharp increase when compared with 2009. The Company's aggregate sales of heavy-duty truck engines reached approximately 414,000 units in 2010, representing a year-on-year increase of 83.04%, 23.11% higher than that of the industry. According to the statistics of 中國汽車工業協會 (China Association of Automobile Manufacturers), the Company's market share in the market of heavy-duty trucks with a gross weight of 14 tonnes (and above) reached 35.6%, representing an increase of 5.1% over last year. Shaanxi Heavy-duty Motor Company Limited, a subsidiary of the Company, reported an aggregate sales of approximately 100,000 units of heavy-duty trucks, representing an increase of 70.98% over last year and ranking the fourth in the heavy-duty trucks market in China. 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 852,000 units of heavy-duty gear boxes, representing an increase of 60.20% over last year, and maintained its leading position as the largest heavy-duty vehicle gear boxes manufacturer in China.

During the year under review, China's construction machinery industry was in a highly advantageous position, benefiting from the pulling effect of the RMB4 trillion stimulus policy. Hence, a rapid development was achieved. During the reporting period, the aggregate sales of China's construction machinery were as high as RMB400 billion. Approximately 753,300 units of machines were sold, representing a growth of 51.50% compared to the corresponding period of last year. In particular, approximately 151,000 units of wheel loader engines with a load capacity of 5 tonnes were sold, representing a year-on-year growth of 56.38%. 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 significant growth over last year, hence boosting the growth of the sales of the Company's products. The Company's sales of engines for construction machinery were approximately 141,000 units in 2010, representing a year-on-year increase of 72.15%. The sales of wheel loader engines with a load capacity of 5 tonnes (and above) amounted to 128,000 units, representing a year-on-year increase of 66.72%. 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 84.8% in the market of wheel loader engines with a load capacity of 5 tonnes (and above), which is 4.8% higher than that in last year.

During the reporting period, with our technology innovation, the Company continued to lead the power technology development in China. Since the implementation of the China III Emission Standard in heavy-duty trucks, the Company's high-power high-speed "Landking" engines, to which we own intellectual property rights, have been well received by the market for their advantages in areas such as environment protection, energy saving and reliability, and their sales have reached record high with approximately 376,000 units of 10-12L China III engines sold, further strengthening our leading position in heavy-duty trucks and wheel loader ancillary markets. Meanwhile, the Company's self researched and developed "Landking" WP7 engines, to which we own intellectual property rights, realized a batch package with excavators and passenger vehicles, marking a further expansion of the Company's engines product series, resulting in a more prominent composite competitive edge. Focusing on creating the F3000 product platform, Shaanxi Zhongqi commenced the test production of new energy vehicles such as M3000 and purely electrical port tractors, as well as natural gas and hybrid power passenger vehicle chassis. As such, its leading role in complete vehicles was further affirmed. The product diversification strategy of Fast Company saw significant results. The ratio of its new product sales was on an upward trend, with contributing new products such as the series of 12 and 16 speed transmissions, AMT, light, large centre distance series, and series of 10 speed transmissions, 6DS and mini 8 speed transmissions, creating new areas of growth for the Company.

During the reporting period, the Company kept enhancing management standards by pursuing internal quality-oriented development. First of all, we determined to carry out our six core management enhancement projects, including optimizing the corporate management system, establishing a sound scheme to implement the protection mechanism, strengthening the entire basic management systematically, optimizing and innovating the training system, establishing an efficient and effective manufacturing system, and launching quality and refined projects. Secondly, the WOS project was fully implemented so that the management workflow was optimized constantly, the Company's management standards in all areas including manufacturing, product quality and procurement logistic were enhanced. We established a unique Weichai Power management model led by WOS. Thirdly, our cultural philosophy of "inclusiveness, communication and responsibility" was fully communicated to all levels of the Company, and was well received and supported. This effectively united the thinking and behaviors of the Company's entire workforce, and strongly supported the collaboration and improvement at all levels within the industry chain, enhancing the establishment and development of new businesses. Fourthly, a comprehensive internal control system was initiated in the generator module, the Shanghai operating centre, the Shaanxi Heavy-duty module and the Fast module. The initial establishment of the basic framework of the internal control management provided a foundation to achieve the goal of standard-oriented management enhancement.

During the reporting period, the Company's revenue increased by approximately 77.72% over last year to approximately RMB62,666 million. The net profit attributable to shareholders was RMB6,781 million, representing an increase of 99.03% over the last year. The basic earnings per share increased by approximately 99.51% over last year to approximately RMB4.07.

II. DIVIDEND

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 RMB0.43 per share for the year ended 31 December 2010. 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. For the closure of the register of members of the Company for the entitlement to the said proposed final dividend, please refer to the notice convening the forthcoming annual general meeting.

III. ACQUISITION AND CONSOLIDATION

During the reporting period, the Company did not conduct any major acquisition nor consolidation.

IV. OUTLOOK AND PROSPECTS

Year 2011 is the beginning of the "twelfth five", the global economy will continue its modest recovery, the overall external development environment will be slightly better than last year, export will continue to grow relatively fast, the driving force of investment growth will continue to be strong while inflation pressure will increase. Nonetheless, the economy will pick up again and become steady by and large.

At the international front, although the global economy will continue its modest recovery, a number of uncertainties remain. Firstly, since developed countries have not solved the rooted problems causing the financial crisis, government debt ratio and unemployment rate remain high, investment and consumption are weak, and the pace of economic recovery is slow. Secondly, the direct conflict between deflation anticipation in developed countries and inflation anticipation in countries with an emerging market will result in adjustments to the respective monetary policies in opposite directions. Thirdly, short-term capital flow in the international capital market will intensify, which gives rise to large capitalization of commodities. In 2011, however, the overall external environment for China's economic development will be better than last year.

Domestically, China is still in the significant strategic opportunity phase in 2011. Nonetheless, the situation is highly complex with many uncertain and unstable factors. According to the message conveyed by the Central Economic Working Meeting, in 2011, the basic approach of the macro economic policy is proactive and stable, prudent and flexible. It is expected that in the coming year the economy's growth rate will be slightly slower than 2010, however, factors for long-term economic growth in China still exist. A proactive financial policy will compensate for the slowing down of the increase in total demand due to the prudent monetary policy. Meanwhile, at the beginning year of the "twelve five", on the one hand the "strategic revitalizing plan for emerging industries", "regional development plan" and "people's livelihood plan" brought by the new planning scheme, along with income allocation adjustments and the new stimulus policy will stimulate the macro economy significantly, which will hedge against various downturn pressures effectively. On the other hand, accelerated urbanization and the plateau effect due to increased consumption resulting from income growth will support the macro economy in 2011.

The Company is cautiously optimistic about the development of its related industries. The growth of the heavy-duty trucks market and fixed asset investment will remain high. Hence, demands for construction heavy-duty trucks will continue to increase. Transporting coals from the north to the south, transporting food on the south to the north, together with the peak of army vehicles usage will lead to a substantially increased demand for trucks. The full implementation of core strategies such as the construction machinery market, development of the west, emergence of the central region and the construction of Xinjiang will drive the rapid development of the engineering machinery industry.

With the implementation of the China IV Emission Standard, in the future 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 expects sales revenue for 2011 will reach approximately RMB73 billion.

In 2011, the Company will continue to increase self innovation capability, foster structural adjustments, constantly strengthen corporate core competitiveness, and strive to complete all core work. Firstly, the "talent first" project will be strengthened so that our talent structure will be optimized constantly. Secondly, the introduction of the strategic product platform will be accelerated so as to realize the upgrade of industry and technology. Thirdly, the structural adjustment to market and business will be carried out so as to create more room for value-adding. Fourthly, the construction and integration of an information technology management platform will be completed so as to increase the operating control standard. Fifthly, basic management will be carried out so as to establish a new order that drives rapid corporate development. Sixthly, gratefulness will be integrated into the corporate culture of inclusiveness, communication and responsibility, so as to foster the enhancement of the Company's soft strength.

At the same time, under the principle of "unified 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 the next five year, the Company will strive to become an international enterprise with an orientation in complete machines and vehicles and the core technology for power assembly, and develop 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 31 December 2010, 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 automobile market showed a strong growth. The market demand on commercial vehicles increased again and rapid development continued. The sales and production of heavy-duty trucks both exceeded one million units, where 1.0586 million units were manufactured, representing a year-on-year growth of 65.44%; while 1.0174 million units were sold, representing a year-on-year increase of 59.93%. The sales of heavy-duty truck totalled approximately 584,000 units, representing a year-on-year growth of 112.9%,

First, entering 2010, the Chinese Government maintained a consistent and stable monetary policy. A properly loosened monetary policy remained, great effort was put to make the policy more specific and flexible, supporting changes in the economic development approach and adjustments to the economic structure. During the year, the macro economy maintained stability and an upward trend.

Second, in 2010, the GDP of China reached RMB39.8 trillion, representing a year on year growth of 10.3%. The rate of growth increased by 1.1% compared to last year. The money supply increased steadily with new loans amounted to RMB7.9 trillion. China's fixed asset investments amounted to RMB27.8 trillion, representing a year on year growth of 23.8%. The import and export for the year totalled approximately USD3 trillion, representing a year on year growth of 34.7%, in which the export recorded a growth of 31.3%. The rapid growth of the Chinese economy not only laid the foundation for the automobile industry's sustainable development, but also created development opportunities for the assembly production industries such as heavy-duty vehicles and construction machineries.

2. Construction Machinery Industry

During the year, approximately 753,300 machines were sold, representing a growth of 51.50% compared to last year. In particular, approximately 151,000 units of wheel loader engines with a load capacity of 5 tonnes were sold, representing a year-on-year growth of 56.38%.

In 2010, the engineering machinery market was growing at a rate faster than expected, as a large number of new engineering projects entered the phase 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 increased elimination of production capacities which lagged behind, the implementation of differentiated power price, and adjustment or cancellation of tax refund for certain high energy consumption sectors.

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 include: 陜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 recorded sharp increase when compared with 2009, hence guaranteeing the growth of the sales of the Company's products. Of the diesel engines sold during the year, approximately 414,000 units (2009: approximately 226,000 units) were truck engines, representing an increase of approximately 83.04% compared to 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), 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 recorded significant growth over last year, hence boosting the growth of the Company’s product sales. The Company’s sales of engines for construction machinery were approximately 141,000 units (2009: approximately 82,000 units) in 2010, representing a year-on-year increase of 72.15%. The sales of wheel loader engines with a load capacity of 5 tonnes amounted to 128,000 units, representing a year-on-year increase of 66.72%. 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 84.8% in the market of wheel loader engines with a load capacity of 5 tonnes (and above), which is 4.8% higher than that in last year.

2. Sale of Heavy-duty Trucks

During the year, the Group sold approximately 100,000 units heavy-duty trucks, compared to approximately 58,000 units in the corresponding period of 2009, representing an increase of approximately 70.98%. Prior to intra-group elimination, the truck business contributed approximately RMB24,029 million to the Group‘s revenue during the year.

3. Sale of Heavy-duty Gear Box

During the year, the Group sold approximately 852,000 units of heavy-duty gear boxes, representing an increase of approximately 60.20% compared to approximately 532,000 units in the corresponding period of 2009. Prior to intra-group elimination, the gear boxes business contributed approximately RMB10,676 million to the Group‘s revenue during the year.

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 sale of engine parts and components and other truck parts and components such as: spark plugs, axles, chassis, air-conditioner compressors etc. During the year, the Group’s sales of engine parts and components and truck parts and components amounted to approximately RMB2,575 million, representing an increase of approximately 50% or RMB861 million compared to RMB1,714 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 RMB35,261 million in the corresponding period of 2009 to approximately RMB62,666 million in this year, representing an increase of approximately 77.72%. The increase in turnover was mainly attributable to the significant growth of automotive industry and construction machinery industry during the year. During the year, the Group sold approximately 414,000 units of diesel engines for use in heavy-duty trucks in total, compared to approximately 226,000 units in the corresponding period of 2009, representing an increase of approximately 83.04%. During the year, the Group sold approximately 141,000 units of engines for use in construction machineries in total, compared to approximately 82,000 units in the corresponding period of 2009, representing an increase of approximately 72.15%. Shaanxi Zhongqi recorded an aggregate sales of approximately 100,000 units of heavy-duty trucks during the year, compared to approximately 58,000 units in the corresponding period of last year, representing an increase of 70.98%.

b. Gross Profit and Gross Profit Margin

During the year, the Group's gross profit increased from approximately RMB7,632 million in the corresponding period of 2009 to approximately RMB13,471 million in the year, representing an increase of approximately 76.50%. Gross margin maintained at 21.50%, almost the same with approximately 21.64% in the same period of 2009.

c. Other Income and gains

Other income increased by approximately 9.88% to approximately RMB380 million in the year from approximately RMB346 million in the same period of 2009. The increase was mainly due to the increase in gain on disposal of available-for-sale investments.

d. Selling and Distribution Costs

Selling and distribution costs increased by approximately 35.38% to approximately RMB1,383 million in the year from approximately RMB1,021 million in the corresponding period of 2009. As a percentage of turnover, selling and distribution costs decreased from approximately 2.90% in the corresponding period of 2009 to approximately 2.21% in the year, which was mainly due to the increase in turnover of 77.72% as compared to the corresponding period of last year.

e. *Administrative Expenses*

Administrative expenses of the Group increased by approximately 32.04% from approximately RMB1,265 million in the corresponding period of 2009 to approximately RMB1,670 million in the year. As a percentage of turnover, the administrative expenses decreased from approximately 3.59% in the same period of 2009 to approximately 2.66% in the year, which was mainly due to the expansion of the scale of operations.

f. *Operating Profit before Finance Costs*

During the year, the Group's operating profit increased by approximately 94.72% to approximately RMB9,593 million in the year from approximately RMB4,927 million in the corresponding period of 2009. The Group's operating margin increased from approximately 13.97% in the corresponding period of 2009 to approximately 15.31% in the year.

g. *Finance Costs*

Finance costs decreased by approximately 20.01% to approximately RMB198 million in the year from approximately RMB248 million in the corresponding period of 2009. This decrease was mainly due to the decrease in interest on bank and other borrowings and interest on discounted bills receivable.

h. *Income Taxes*

The Group's income tax expenses increased by approximately 90.82% from approximately RMB732 million in the corresponding period of 2009 to approximately RMB1,398 million in the year. During the year, the Group's average effective tax rate decreased from approximately 15.65% in the corresponding period of 2009 to approximately 14.88%.

i. *Net Profit and Net Profit Margin*

The Group's net profit for the year increased by approximately 102.63% from approximately RMB3,947 million in the corresponding period of 2009 to approximately RMB7,998 million in the year, whilst the net profit margin also increased from approximately 11.19% in the corresponding period of 2009 to approximately 12.76% in the year.

j. Liquidity and Cash Flow

During the year, the Group generated operating cash flows of RMB10,007 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 31 December 2010, the Group had net cash (interest-bearing debts net of cash and cash equivalents) of RMB5,930 million (as at 31 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, the debt to equity ratio is non-applicable as the Group has a net cash position (as at 31st December, 2009: 0.90%)

2. Financial Position

a. Assets and Liabilities

As at 31 December 2010, the Group had total assets of approximately RMB52,475 million, of which approximately RMB37,122 million were current. As at 31 December 2010, the Group had cash and cash equivalents of approximately RMB8,748 million (as at 31 December 2009: RMB3,598 million), including cash and cash equivalents denominated in foreign currencies of approximately RMB142 million. On the same date, the Group's total liabilities amounted to approximately RMB29,105 million, of which approximately RMB26,775 million were current. The current ratio was approximately 1.39 (as at 31 December 2009: 1.35).

b. Capital Structure

At 31 December 2010, the Group had a total equity of approximately RMB23,370 million, of which approximately RMB18,515 million was attributable to equity holders of the Company and the balance was minority interests. The Group currently does not rely heavily on borrowings. The borrowings of the Group as at 31 December 2010 amounted to approximately RMB2,817 million, which included debenture of approximately RMB1,285 million and bank borrowings of approximately RMB1,532 million. Except for bank borrowings of approximately RMB40 million, approximately RMB80 million and approximately RMB22 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. 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. Shares Issue by Conversion of Capital Reserve

The Board passed a resolution on 23 August 2010 that the Company made 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 30 June 2010. Upon the implementation of above, the total share capital of the Company was increased by 833,045,638 shares to 1,666,091,366 shares.

d. Pledge of Assets

As at 31 December 2010, bank deposits and bills receivables of approximately RMB3,008 million (as at 31 December 2009: RMB3,089 million) were pledged to banks to secure the Group's 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 38 to the financial statements in the Annual Report.

e. Contingent Liabilities

As at 31 December 2010, the Group had approximately RMB1,145 million (as at 31 December 2009: approximately RMB1,054 million) guarantees given to banks in connection with facilities granted to and utilized by certain distributors and agents. Details are set out in note 37 to the financial statements in the Annual Report.

f. Capital Commitments

As at 31 December 2010, the Group had approximately RMB2,193 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 31 December 2010, the Company had approximately 38,000 employees. During the year, the Company had paid remuneration of approximately RMB3,050 million, representing an increase of approximately 46.20% over the corresponding period of 2009 of approximately RMB2,086 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 year.

c. Major Acquisition and Disposal

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

DIRECTORS' AND SUPERVISORS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31st December, 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 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	13,760,000 *(Note 1)*	0.83%
Xu Xinyu	Beneficial owner	3,200,000 *(Note 1)*	0.19%
Sun Shaojun	Beneficial owner	3,200,000 *(Note 1)*	0.19%
Zhang Quan	Beneficial owner	3,200,000 *(Note 1)*	0.19%
Liu Huisheng	Beneficial owner	1,920,000 *(Note 1)*	0.12%
Yeung Sai Hong *(Note 3)*	Held by controlled corporation	71,341,038 *(Note 2)*	4.28%
Li San Yim *(Note 4)*	Held by spouse and controlled corporation	56,817,800 *(Note 1)*	3.41%
Julius G. Kiss *(Note 5)*	Held by controlled corporation	34,400,000 *(Note 2)*	2.06%
Name of supervisor			
Ding Yingdong	Beneficial owner	1,120,000 *(Note 1)*	0.07%

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 71,341,038 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 56,817,800 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 34,400,000 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, 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 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. 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:

	Before the movement		Increase/decrease in the movement (+, –)					After the movement	
	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%	–	–	285,092,297	-64,732,640	220,359,657	570,184,594	34.22%
1. State-owned shares	24,224,937	2.91%	–	–	–	-24,224,937	-24,224,937	–	–
2. State-owned legal person shares	162,320,000	19.49%	–	–	186,612,297	24,292,297	210,904,594	373,224,594	22.40%
3. Shares held by other domestic entities including:	108,480,000	13.02%	–	–	59,260,000	-49,220,000	10,040,000	118,520,000	7.11%
Shares held by non State-owned legal persons	84,800,000	10.18%	–	–	35,580,000	-49,220,000	-13,640,000	71,160,000	4.27%
Shares held by domestic natural persons	23,680,000	2.84%	–	–	23,680,000	–	23,680,000	47,360,000	2.84%
4. Shares held by other foreign entities including:	54,800,000	6.58%	–	–	39,220,000	-15,580,000	23,640,000	78,440,000	4.71%
Shares held by overseas legal persons	54,800,000	6.58%	–	–	39,220,000	-15,580,000	23,640,000	78,440,000	4.71%
Shares held by overseas natural persons	–	–	–	–	–	–	–	–	–
5. Shares held by executives	–	–	–	–	–	–	–	–	–
II. Non-restricted circulating shares	483,220,746	58.01%	–	–	547,953,386	64,732,640	612,686,026	1,095,906,772	65.78%
1. RMB ordinary shares	280,820,746	33.71%	–	–	345,553,386	64,732,640	410,286,026	691,106,772	41.48%
2. Domestic listed foreign shares	–	–	–	–	–	–	–	–	–
3. Overseas listed foreign shares	202,400,000	24.30%	–	–	202,400,000	–	202,400,000	404,800,000	24.30%
4. Others	–	–	–	–	–	–	–	–	–
III. Total number of shares	833,045,683	100.00%	–	–	833,045,683	–	833,045,683	1,666,091,366	100%

Note:

1. On 29 July 2010, the lock-up period of 80,694,500 restricted shares of the Company expires, representing 9.69% of the total shares of the Company.

2. On 16 August 2010, Weichai Group Holdings Limited, the controlling shareholder of the Company undertakes to transfer the 15,961,860 shares acquired by it in the secondary market from non-restricted shares to restricted shares.

3. On 26 October 2010, the Company convened the first extraordinary general meeting, the first general meeting of A shares and the first general meeting of H shares, and considered and passed a resolution in relation to share issuing by conversion of capital reserve in the interim period of 2010: the Company proposed to make the distribution 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. The proposal has been implemented on 6 December 2010.

4. There were no internal staff shares during the reporting period.

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, 2013	570,184,594	–	–	Under the commitments of Weichai Group Holdings Limited and subject to such commitments, none of the 124,236,640 shares of the Company held by it shall be transferred or managed by other person or repurchased by the Company within 36 months commencing from 30 April 2010; the 15,961,860 additional shares of the Company acquired by it are subject to a lock-up period commencing from 16 August 2010 to 30 April 2013, during which no such shares will be listed on any stock exchange system or transferred or managed by other person or repurchased by the Company. Upon the share issuing by conversion of capital reserve in the interim period of 2010, the restricted circulating shares of the Company held by it amounted to 280,397,000 shares. Under the commitments of Weifang Investment Company, Peterson Holdings Company Limited, Fujian Longyan Construction Machinery (Group) Company Limited, IVM Technical Consultants Wien Gesellschaft m.b.H, Shandong Enterprise Trust Operation Company Limited and Guangxi Liugong Group Limited and subject to such commitments, the lock-up period for the 30,898,480, 26,320,000, 24,080,000, 12,900,000, 11,500,000 and 7,184,880 shares of the Company subject to lock-up terms held by the above parties respectively will be extended for another three years since the expiration on 30 April 2010, which means no such shares will be listed on any stock exchange system or transferred or managed by other person or repurchased by the Company within 36 months commencing from the expiration of lock-up period on 30 April 2010. Upon the share issuing by conversion of capital reserve in the interim period of 2010, the restricted circulating shares of the Company held by such six companies amounted to 61,796,960, 52,640,000, 48,160,000, 25,800,000, 23,000,000 and 14,369,760 shares, respectively.

Time	Additional shares that can be listed and traded upon expiry of the restricted period	Remaining restricted shares	Remaining non-restricted shares	Description
				Under the commitments of Zhuzhou State-owned Assets Investment Holdings Company Limited and subject to such commitments, the lock-up period for the 8,330,437 shares of the Company subject to lock-up terms held by it will be extended for another three years since the expiration on 30 April 2010, which means no such shares will be listed on any stock exchange system or transferred or repurchased by the Company within 36 months commencing from the expiration of lock-up period on 30 April 2010. Upon the share issuing by conversion of capital reserve in the interim period of 2010, the restricted circulating shares of the Company held by it amounted to 16,660,874 shares. Under the commitments of the 24 nature person shareholders (including Tan Xuguang) and subject to such commitments, no shares of the Company held by them will be listed on any stock exchange system or transferred or managed by other person or repurchased by the Company within 36 months commencing from 30 April 2010. Upon the share issuing by conversion of capital reserve in the interim period of 2010, the restricted circulating shares of the Company held by the 24 nature person promoter shareholders amounted to 47,360,000 shares.

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

Serial No	Name of restricted share 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.	Weichai Group Holdings Limited ("Weichai Holdings")	280,397,000	30th April, 2013	—	See "Description" section of "2. Time over which shares are restricted from listing for trade".
2.	Weifang Investment Company	61,796,960	30th April, 2013	—	
3.	Peterson Holdings Company Limited	52,640,000	30th April, 2013	22,560,000	
4.	Fujian Longyan Construction Machinery (Group) Company Limited	48,160,000	30th April, 2013	20,640,000	
5.	IVM Technical Consultants Wien Gesellschaft m.b.H	25,800,000	30th April, 2013	8,600,000	
6.	Shandong Enterprise Trust Operation Company Limited	23,000,000	30th April, 2013	9,000,000	
7.	Zhuzhou State-owned Assets Administration Management Company Limited	16,660,874	30th April, 2013	—	
8.	Guangxi Liugong Group Limited	14,369,760	30th April, 2013	—	
9.	Tan Xuguang	13,760,000	30th April, 2013	—	
10.	Xu Xinyu	3,200,000	30th April, 2013	—	

(II) Shareholdings of the Substantial Shareholders as at 31st December, 2010

Total number of Shareholders	The number of shareholders is 162,630 among which 162,359 are shareholders of "A" shares and 271 are shareholders of "H" shares.

Shareholdings of the top ten shareholders

Name of shareholder	Type of shareholder	Approximate percentage of shares held (%)	Total number of shares held	Number of restricted shares held	Number of shares pledged or frozen
HKSCC Nominees Limited	Foreign shareholder	24.15%	402,407,996	–	N/A
Weichai Group Holdings Limited	State-owned legal person	16.83%	280,397,000	280,397,000	–
Peterson Holdings Company Limited	Overseas legal person	4.28%	71,341,038	52,640,000	–
Weifang Investment Company	State-owned lega person	3.71%	61,796,960	61,796,960	–
Fujian Longyan Construction Machinery (Group) Company Limited	Domestic non-state-owned legal person	3.41%	56,817,800	48,160,000	–
Shenzhen Chuangxin Investment Group Co., Ltd	Domestic non-state-owned legal person	3.40%	56,615,968	–	–
IVM Technical Consultants Wien Gesellschaft m.b.H	Overseas legal person	2.06%	34,400,000	25,800,000	–
Agricultural Bank of China — 中郵核心成長股票型證券投資基金	Domestic non-state-owned legal person	2.03%	33,764,958	–	–
Shandong Enterprise Trust Operation Company Limited	Domestic non-state-owned legal person	1.70%	28,400,000	23,000,000	–
Agricultural Bank of China — 中郵核心成長股票型證券投資基金	Domestic non-state-owned legal person	1.04%	17,330,096	–	–

Shareholdings of the top ten non-restricted shareholders

Name of shareholder	Number of the non-restricted shares held	Types of shares
HKSCC Nominees Limited	402,407,996	Overseas listed foreign shares
Shenzhen Capital Group Co., Ltd	56,615,968	RMB ordinary shares
Agricultural Bank of China－中郵核心成長股票型證券投資基金	33,764,958	RMB ordinary shares
Peterson Holdings Company Limited	18,701,038	RMB ordinary shares
Agricultural Bank of China－中郵核心優選股票型證券投資基金	17,330,096	RMB ordinary shares
Bank of China－大成藍籌穩健證券投資基金	11,620,000	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	10,020,865	RMB ordinary shares
China Construction Bank－富國天博創新主題股票型證券投資基金	10,000,000	RMB ordinary shares
Fujian Longyan Construction Machinery (Group) Company Limited	8,657,800	RMB ordinary shares
IVM Technical Consultants Wien Gesellschaft m.b.H	8,600,000	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.

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, 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	280,397,000	22.23%	–	–	16.83%
Shandong Heavy Industry Group Co., Ltd.	Held by controlled corporation	Long	280,397,000	22.23%	–	–	16.83%
State-owned Assets Supervision and Administration Commission of Shandong Province ("Shandong SASAC") *(Note 1)*	Held by controlled corporation	Long	280,397,000	22.23%	–	–	16.83%
Peterson Holdings Company Limited ("Peterson") *(Note 2)*	Beneficial owner	Long	75,200,000	5.96%	–	–	4.51%
Yeung Sai Hong *(Note 2)*	Held by controlled corporation	Long	75,200,000	5.96%	–	–	4.51%
Tingho Nominees Limited *(Note 2)*	Held by controlled corporation	Long	75,200,000	5.96%	–	–	4.51%
Advantage Investment Corporation Limited *(Note 2)*	Held by controlled corporation	Long	75,200,000	5.96%	–	–	4.51%
Shenzhen Chuangxi Investment Group Co., Ltd *(Note 3)*	Beneficial owner	Long	68,800,000	5.45%	–	–	4.13%
Shenzhen Chuangxi Investment Management Company *(Note 3)*	Held by controlled corporation	Long	68,800,000	5.45%	–	–	4.13%
Fujian Longyan Construction Machinery (Group) Company Limited ("Fujian Longgong") *(Note 4)*	Beneficial owner	Long	68,800,000	5.45%	–	–	4.13%

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
Li San Yim *(Note 4)*	Held by controlled corporation and spouse	Long	68,800,000	5.45%	–	–	4.13%
Ni Yinying *(Note 4)*	Held by controlled corporation and spouse	Long	68,800,000	5.45%	–	–	4.13%
JPMorgan Chase & Co.	Beneficial owner	Long	–	–	1,601,000	0.40%	0.10%
	Investment manager	Long	–	–	14,088,000	3.48%	0.84%
	Custodian Corporation/ approved lending agent	Long	–	–	24,664,988	6.09%	1.48%
					40,353,988	9.97%	2.42%
	Beneficial owner	Short	–	–	900,000	0.22%	0.05%
Lazard Asset Management LLC	Investment manager	Long	–	–	36,474,600	9.01%	2.19%
Lazard Emerging Markets Equity Portfolio	Investment manager	Long	–	–	33,184,600	8.20%	1.99%
The Capital Group Companies, Inc.	Investment manager	Long	–	–	32,372,600	8.00%	1.94%

Notes:

1. State-owned Assets Supervision and Administration Commission of Shandong Province ("Shandong SASAC") held the entire capital of Shandong Heavy Industry Group Co., Ltd., which in turn held the entire capital of Weichai Group Holding Limited (formerly known as Weifang Diesel Engine Works).

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 Chuangxin 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, 2010.

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.

On 30 April 2010, the lock-up period undertaken by the above shareholders expired. With confidence in the development of the Company in the future, nine natural-person promoter shareholders extended the lock-up period for another 36 months. Upon expiry of the lock-up period, shares held by them will be transferred according to the relevant requirements of CSRC 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 29.03% of the total sales for the year and sales to the largest customers included therein amounted to 10.35%. 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 beneficial interest in the Group's five largest customers.

SUBSEQUENT EVENTS

As at 30 March 2011, no significant events after the reporting period occurred.

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 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 RMB24,822,116.

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 not be proposed at the forthcoming annual general meeting.

Ernst & Young were appointed as the Company's auditors with effect from 20 August 2008 to fill the casual vacancy arising from the resignation of Deloitte Touche Tohmatsu on 19 June 2008. There have been no other changes of auditors for the past three financial years.

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 not be proposed at the forthcoming annual general meeting.

The Company proposes to appoint Ernst & Young Hua Ming Certified Public Accountants (安永華明會計師事務所) as the Company's only auditors for the year of 2011 subject to the approval by the shareholders at the forthcoming annual general meeting. For further details, please refer to the notice convening the forthcoming annual general meeting.

APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements for the year have been approved by the board on 30th March, 2011.

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

The 2010 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, 30th March, 2011

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,