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 2011

Pursuant to the Consultation Conclusions on Acceptance of Mainland Accounting and Auditing Standards and Mainland Audit Firms for Mainland Incorporated Companies Listed in Hong Kong published by The Stock Exchange of Hong Kong Limited ("Hong Kong Stock Exchange") in December 2010, Mainland incorporated issuers listed in Hong Kong shall be allowed to prepare their financial statements using China Accounting Standards for Business Enterprises, and Mainland audit firms approved by the Ministry of Finance ("MOF") of The People's Republic of China and the China Securities Regulatory Commission ("CSRC") shall be allowed to service these issuers to satisfy the disclosure requirements of the Hong Kong Stock Exchange. As such, on the annual general meeting 2010 of the Company held on 18 May 2011, the appointment in Ernst & Young Hua Ming as the auditor of the Company was considered and approved. At the same time, it was resolved that with effect from 2011, the Company would only adopt Mainland accounting standards in its preparation of financial statements and would no longer use Hong Kong accounting standards at the same time in preparing financial statements.

(Important notice: This announcement is published in Chinese and English versions. In case of inconsistency, the Chinese version shall prevail.)

FINANCIAL HIGHLIGHTS

- Revenue amounted to approximately RMB36,627 million, increased by approximately 10.2%.
- Net Profit Attributable to the Shareholders of the Parent amounted to approximately RMB3,502 million, increased by approximately 8.3%.
- Basic Earnings Per Share was approximately RMB2.10, increased by approximately 8.2%.

The board of directors (the "Board") of Weichai Power Co., Ltd. (the "Company") is pleased to announce the audited consolidated financial statements of the Company and its subsidiaries (the "Group") prepared in accordance with the Mainland Accounting Standards for the six months ended 30 June 2011 (the "Period"), together with comparative figures for the corresponding period of 2010 as follows:

CONSOLIDATED INCOME STATEMENT

January to June 2011 (Expressed in Renminbi Yuan)

	Notes	**January to June 2011**	January to June 2010
Revenue	*7*	**36,627,413,795.46**	33,224,406,449.96
Cost of sales	*7*	**28,732,858,901.32**	25,446,098,164.98
Taxes and surcharges	*8*	**165,220,642.02**	178,174,475.14
Distribution and selling expenses		**1,531,098,513.51**	1,545,121,832.44
General and administrative expenses		**1,435,273,927.53**	1,212,724,968.26
Financial expenses		**3,470,888.64**	67,845,303.39
Impairment loss of assets		**99,786,985.50**	306,257,728.70
Add: Gain arising from fair value changes		**–**	–
Investment income		**73,021,921.81**	5,312,803.15
Incl: Share of profit of associates and jointly controlled enterprises		**38,881,921.81**	1,758,841.43
Operating profit		**4,732,725,858.75**	4,473,496,780.20
Add: Non-operating income		**142,114,982.98**	81,806,502.21
Less: Non-operating expenses		**33,053,588.92**	15,741,768.31
Incl: Loss on disposal of non-current assets		**22,193,256.44**	1,147,520.32
Total profit		**4,841,787,252.81**	4,539,561,514.10
Less: Income tax expense	*9*	**756,570,770.67**	674,717,680.69
Net profit		**4,085,216,482.14**	3,864,843,833.41
Net profit attributable to the shareholders of the parent		**3,501,706,567.71**	3,234,588,804.33
Minority interests		**583,509,914.43**	630,255,029.08
Earnings per share	*10*		
Basic earnings per share		**2.10**	1.94
Diluted earnings per share		**2.10**	1.94
Other comprehensive income	*11*	**(219,843,175.85)**	137,766,789.53
Total comprehensive income		**3,865,373,306.29**	4,002,610,622.94
Incl:			
Total comprehensive income attributable to the shareholders of the parent		**3,281,863,391.86**	3,372,355,593.86
Total comprehensive income attributable to minority owners		**583,509,914.43**	630,255,029.08

CONSOLIDATED BALANCE SHEET

30 June 2011 (Expressed in Renminbi Yuan)

ASSETS	*Notes*	**30 June 2011**	31 December 2010
Current assets			
Cash and cash equivalents		**9,940,373,874.42**	11,158,565,486.77
Financial assets held for trading		**–**	3,672,000.00
Notes receivable	*3*	**15,232,088,801.12**	11,289,227,182.23
Accounts receivable	*4*	**5,985,095,511.29**	4,577,505,700.52
Advances to suppliers		**718,512,654.70**	677,028,827.51
Dividends receivable		**4,529,218.53**	3,040,000.00
Other receivables		**406,054,464.79**	221,203,557.34
Inventories		**8,711,821,008.39**	8,793,347,227.21
Other current assets		**470,355,139.30**	361,857,521.95
Total current assets		**41,468,830,672.54**	37,085,447,503.53
Non-current assets			
Available-for-sale financial assets		**350,158,257.47**	489,211,778.85
Long-term receivables		**28,447,167.43**	29,090,809.00
Long-term equity investments		**919,228,939.95**	1,067,518,190.25
Investment property		**248,758,114.03**	156,786,592.19
Fixed assets		**8,127,283,916.44**	7,840,832,156.38
Construction in progress		**5,313,348,300.35**	3,369,491,364.69
Materials used in construction		**18,496,271.62**	11,549,685.01
Disposal of fixed assets		**2,046,835.61**	3,226,332.68
Intangible assets		**1,100,533,347.88**	918,559,035.39
Goodwill		**538,016,278.33**	538,016,278.33
Long-term prepaid expenses		**166,456,742.69**	168,679,364.28
Deferred tax assets		**733,347,390.45**	819,209,766.78
Other non-current assets		**–**	19,584,000.00
Total non-current assets		**17,546,121,562.25**	15,431,755,353.83
Total assets		**59,014,952,234.79**	52,517,202,857.36

LIABILITIES AND EQUITY	*Notes*	**30 June 2011**	31 December 2010
Current liabilities			
Short-term loans		**1,192,420,171.00**	545,176,001.50
Notes payable	*5*	**4,392,958,673.01**	4,109,729,681.29
Accounts payable	*6*	**13,723,797,134.39**	13,137,584,334.00
Advances from customers		**1,379,657,583.07**	1,166,047,586.10
Payroll payable		**1,103,915,383.03**	1,086,021,884.18
Taxes payable		**2,012,779,328.54**	2,272,791,403.71
Interest payable		**53,701,408.33**	22,730,310.28
Dividends payable		**742,520,087.52**	72,963,509.34
Other payables		**4,046,518,025.34**	3,169,636,229.37
Non-current liabilities due within one year		**327,900,000.00**	31,990,000.00
Other current liabilities		**1,211,719,558.31**	1,053,832,320.13
Total current liabilities		**30,187,887,352.54**	26,668,503,259.90
Non-current liabilities			
Long-term borrowings		**654,727,273.00**	954,727,273.00
Bonds payable		**1,287,086,195.49**	1,285,239,261.49
Long-term payables		**25,869,790.90**	36,877,700.00
Special payables		**44,000,000.00**	55,090,000.00
Provisions		**8,367,573.99**	8,367,573.99
Deferred tax liabilities		**68,118,914.38**	89,944,991.07
Other non-current liabilities		**66,293,270.03**	48,324,202.38
Total non-current liabilities		**2,154,463,017.79**	2,478,571,001.93
Total liabilities		**32,342,350,370.33**	29,147,074,261.83

LIABILITIES AND EQUITY	*Notes*	**30 June 2011**	31 December 2010
Shareholders' equity			
Share capital		**1,666,091,366.00**	1,666,091,366.00
Capital reserve		**1,757,849,490.32**	1,993,318,265.70
Surplus reserve		**1,424,081,328.77**	1,424,081,328.77
Retained earnings		**16,231,271,925.46**	13,445,984,645.13
Exchange differences on foreign currency translation		**(2,040,112.13)**	(14,556,610.52)
Total equity attributable to the shareholders of the parent		**21,077,253,998.42**	18,514,918,995.08
Minority interests		**5,595,347,866.04**	4,855,209,600.45
Total shareholders' equity		**26,672,601,864.46**	23,370,128,595.53
Total liabilities and shareholders' equity		**59,014,952,234.79**	52,517,202,857.36

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

30 June 2011

1. SIGNIFICANT ACCOUNTING POLICIES

1. Preparation basis of the financial statements

The financial statements have been prepared in accordance with the Accounting Standards for Business Enterprises-Basic Standard and 38 specific standards issued in February 2006, and the implementation guidance, interpretations and other relevant provisions issued subsequently by the MOF (correctly referred to as "Accounting Standards for Business Enterprises").

The financial statements are presented on a going concern basis.

In preparing these financial statements, all the assets (other than certain financial instruments) are carried at historical cost. If the assets are impaired, corresponding provisions for impairment shall be made according to relevant provisions.

2. Statement of compliance with Accounting Standards for Business Enterprises

The financial statements present, fairly and fully, the financial position of the Group and the Company as at 30 June 2011 and the results of operations and the cash flows for the six months then ended in accordance with Accounting Standards for Business Enterprises.

3. Business combination

A business combination is a transaction or event that brings together two or more separate entities into one reporting entity. Business combinations are classified into business combinations involving entities under common control and business combinations not involving entities under common control.

Business combinations involving entities under common control

A business combination involving entities under common control is a business combination in which all of the combining entities are ultimately controlled by the same party or parties both before and after the combination, and that control is not transitory. For a business combination involving entities under common control, the party that, on the combination date, obtains control of another entity participating in the combination is the absorbing party, while that other entity participating in the combination is a party being absorbed. Combination date is the date on which the absorbing party effectively obtains control of the party being absorbed.

Assets and liabilities that are obtained by the absorbing party in a business combination shall be measured at their carrying amounts at the combination date as recorded by the party being absorbed. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination (or the aggregate face value of shares issued as consideration) shall be adjusted to share premium under capital reserve. If the capital reserve is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

Business combinations not involving entities under common control

A business combination not involving entities under common control is a business combination in which all of the combining entities are not ultimately controlled by the same party or parties both before and after the combination. For a business combination not involving entities under common control, the party that, on the acquisition date, obtains control of another entity participating in the combination is the acquirer, while that other entity participating in the combination is the acquiree. Acquisition date refers to the date on which the acquirer effectively obtains control of the acquiree.

The acquirer shall measure the acquiree's identifiable assets, liabilities and contingent liabilities acquired in the business combination at their fair values on the acquisition date.

The excess of the sum of the consideration paid (or equities issued) for business combination and equity interests in the acquiree held prior to the date of acquisition over the share of the attributable net identifiable assets of the acquiree, measured at fair value, was recognized as goodwill, which is subsequently measured at cost less cumulative impairment loss. In case the fair value of the sum of the consideration paid (or equities issued) and equity interests in the acquiree held prior to the date of acquisition is less than the fair value of the share of the attributable net identifiable assets of the acquiree, a review of the measurement of the fair values of the identifiable assets, liabilities and contingent liabilities, the consideration paid for the combination (or equity issued) and the equity interests in the acquiree held prior to the date of acquisition is conducted. If the review indicates that the fair value of the sum of the consideration paid (or equities issued) and equity interests in the acquiree held prior to the date of acquisition is indeed less than the fair value of the share of the attributable net identifiable assets of the acquiree, the difference is recognized in current profit or loss.

4. Consolidated financial statements

The consolidation scope of consolidated financial statements is determined on the basis of control, including the financial statements for the half year ended 30 June 2011 of the Company and all of its subsidiaries. A subsidiary is an enterprise or entity that is controlled by the Company.

In preparation of consolidated financial statements, the subsidiaries use the same accounting period as those of the Company. When the accounting policies of a subsidiary are different from those of the Company, the Company shall make adjustments to the financial statements of the subsidiary based on its own accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Where the amount of loses of a subsidiary attributable to the minority shareholders exceeds their share of the opening balance of owner's equity of the subsidiary, the excess shall be allocated against minority interests. A change in the minority interests, without a loss of control, is accounted for as an equity transaction.

For subsidiaries acquired through business combinations not involving entities under common control, the operating results and cash flows of the acquiree shall be included in the consolidated financial statements, from the day on which the Group gains control, till the Group ceases the control of it. While preparing the consolidated financial statements, the acquirer shall adjust the subsidiary's financial statements, on the basis of the fair values of the identifiable assets, liabilities and contingent liabilities recognized on the acquisition date.

For subsidiaries acquired through business combinations involving entities under common control, the operating results and cash flows of the acquiree shall be included in the consolidated financial statements from the beginning of the period in which the combination occurs. While preparing the comparative financial statements, adjustments are made to related items in the financial statements for the prior period as if the reporting entity established through combination has been existing since the ultimate controller begins to exercise control.

2. SEGMENT REPORTING

Operating segments

The Group organizes and manages its operating business in accordance with the nature of business and provision of products and services. Each operating segment of the Group is one operating group, providing products and services with risks and rewards different from those of other operating segments.

The details of operating segments are as follows:

(a) manufacturing and sale of diesel engines and related parts ("Diesel engines");

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

(c) manufacturing and sale of non-major automobile components ("Non-major automobile components"); and

(d) provision of import and export services ("Import & export services").

Management monitors the results of operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted total profits. The adjusted total profits are measured consistently with the Group's total profits, except that interest income, financial expenses, dividend income, gains from changes in fair value of financial instruments as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude equity investments at fair value through profit or loss for the current period, derivative instruments, dividends receivable, available-for-sale financial assets, long-term equity investments, goodwill, deferred tax assets and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude derivative instruments, borrowings, tax payable, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Inter-segment transfers are transacted with reference to the prices used in the transactions carried out with third parties.

January-June 2011

	Diesel engines	Automobiles and other major automobile components	Non-major automobile components	Import & export services	Total
Segment Revenue:					
Sale to external customers	**14,358,660,329.72**	**21,362,011,309.30**	**817,809,427.24**	**88,932,729.20**	**36,627,413,795.46**
Inter-segment sale	**2,841,848,644.02**	**367,574.62**	**104,256,491.89**	**–**	**2,946,472,710.53**
Total	**17,200,508,973.74**	**21,362,378,883.92**	**922,065,919.13**	**88,932,729.20**	**39,573,886,505.99**
Adjustment:					
Elimination of inter-segment sale					**(2,946,472,710.53)**
Revenue					**36,627,413,795.46**
Segment Results	**3,557,715,439.49**	**1,358,122,519.36**	**99,491,574.45**	**(10,387,423.16)**	**5,004,942,110.14**
Adjustment:					
Elimination of inter-segment results					**(341,767,284.58)**
Interest Income					**81,686,678.53**
Dividend income and unallocated income					**215,136,904.81**
Corporate and other unallocated expenses					**(33,053,588.92)**
Finance cost					**(85,157,567.17)**
Profit before tax					**4,841,787,252.81**
30 June 2011					
Segment assets	**23,687,367,234.35**	**23,709,351,228.44**	**1,395,060,480.38**	**558,954,373.72**	**49,350,733,316.89**
Adjustment:					
Elimination of inter-segment receivables					**(1,410,301,893.68)**
Corporate and other unallocated assets					**11,074,520,811.58**
Total assets					**59,014,952,234.79**
Segment liabilities	**13,490,180,378.23**	**14,140,356,268.63**	**609,774,701.92**	**37,139,834.52**	**28,227,451,183.30**
Adjustment:					
Elimination of inter-segment payables					**(1,410,301,893.68)**
Corporate and other unallocated liabilities					**5,475,201,080.71**
Total liabilities					**32,342,350,370.33**
January – June 2011					
Other segment information:					
Share of profit and loss from:					
Associates	**38,953,343.18**	**(296,892.10)**	**–**	**225,470.73**	**38,881,921.81**
Impairment loss of inventories	**(452,336.29)**	**(26,522,070.60)**	**(1,364,110.62)**	**–**	**(28,338,517.51)**
Impairment loss of account receivables and other receivables	**(20,883,080.82)**	**(46,183,868.76)**	**(2,944,270.59)**	**(1,437,247.82)**	**(71,448,467.99)**
Depreciation and amortization	**(259,223,085.89)**	**(394,083,629.62)**	**(17,885,910.60)**	**(6,284,612.53)**	**(677,477,238.64)**
(Loss)/gains from disposal of fixed assets	**9,792,447.74**	**(5,559,273.46)**	**(6,377,419.67)**	**(30,331.98)**	**(2,174,577.37)**
Product warranty fees	**(589,526,806.37)**	**(155,322,486.75)**	**–**	**–**	**(744,849,293.12)**
Investment in associates	**675,032,071.96**	**139,659,451.81**	**–**	**33,311,372.83**	**848,002,896.60**
Capital expenditure	**(2,213,425,348.69)**	**(1,394,652,430.32)**	**(135,674,842.16)**	**(1,312,092.71)**	**(3,745,064,713.88)**

January-June 2010

	Diesel engines	Automobiles and other major automobile components	Non-major automobile components	Import & export services	Total
Segment Revenue:					
Sale to external customers	13,442,869,411.43	19,048,596,514.86	637,725,534.37	95,214,989.30	33,224,406,449.96
Inter-segment sale	2,846,366,321.28	339,073.50	105,691,627.90	–	2,952,397,022.68
Total	16,289,235,732.71	19,048,935,588.36	743,417,162.27	95,214,989.30	36,176,803,472.64
Adjustment:					
Elimination of inter-segment sale					(2,952,397,022.68)
Revenue					33,224,406,449.96
Segment Results	3,319,045,798.28	1,422,195,519.94	79,732,316.85	7,180,068.77	4,828,153,703.84
Adjustment:					
Elimination of inter-segment results					(292,124,423.40)
Interest Income					51,275,577.78
Dividend income and unallocated income					87,119,305.36
Corporate and other unallocated expenses					(15,741,768.31)
Finance cost					(119,120,881.17)
Profit before tax					4,539,561,514.10
30 June 2010					
Segment assets	19,910,844,421.04	20,079,608,810.12	1,131,387,771.26	646,397,073.46	41,768,238,075.88
Adjustment:					
Elimination of inter-segment receivables					(1,835,734,094.77)
Corporate and other unallocated assets					12,584,698,876.25
Total assets					52,517,202,857.36
Segment liabilities	12,065,475,477.49	13,636,341,497.44	514,503,033.19	41,335,213.76	26,257,655,221.88
Adjustment:					
Elimination of inter-segment payables					(1,835,734,094.77)
Corporate and other unallocated liabilities					4,725,153,134.72
Total liabilities					29,147,074,261.83
January – June 2010					
Other segment information:					
Share of profit from:					
Associates	(831,639.56)	(299,478.43)	–	(627,723.44)	(1,758,841.43)
Provision for impairment of inventories	(4,230,870.33)	(142,569,786.28)	(37,683.33)	–	(146,838,339.94)
Impairment loss/(reversal) of account receivables and other receivables	(38,713,745.10)	(120,781,711.66)	(5,056,842.68)	5,132,910.68	(159,419,388.76)
Depreciation and amortization	(272,457,345.58)	(342,735,417.44)	(17,304,583.26)	(79,130.97)	(632,576,477.25)
(Loss)/gain from disposal of fixed assets	1,323,568.26	98,670.43	(100,057.86)	–	1,322,180.83
Product warranty fees	(500,951,630.55)	(73,095,479.07)	(13,743,520.82)	–	(587,790,630.44)
Investment in associates	44,500,570.65	96,289,772.67	–	32,396,299.63	173,186,642.95
Capital expenditure	(402,246,058.33)	(768,549,517.46)	(22,188,739.56)	(10,384.62)	(1,192,994,699.97)

Group information

Information about products and services

Revenue from external transactions

	January-June 2011	January-June 2010
Diesel engines	**14,358,660,329.72**	13,442,869,411.43
Automobiles and other major automobile components	**21,362,011,309.30**	19,048,596,514.86
Non-major automobile components	**817,809,427.24**	637,725,534.37
Import & export services	**88,932,729.20**	95,214,989.30
	36,627,413,795.46	33,224,406,449.96

Geographic information

Revenue from external transactions

	January-June 2011	January-June 2010
Mainland China	**34,494,957,212.32**	31,818,386,306.82
Other countries and regions	**149,261,246.21**	140,343,663.96
	34,644,218,458.53	31,958,729,970.78

Revenue from external transactions is attributable to the areas where customers are located.

Total non-current assets

	30 June 2011	31 December 2010
Mainland China	**15,081,067,783.45**	11,486,994,433.38
Other countries and regions	**49,594,063.57**	41,003,177.02
	15,130,661,847.02	11,527,997,610.40

Non-current assets are attributable to the areas where the assets are located, excluding financial assets and deferred tax assets.

Information about major customers

Revenue of RMB4,300,261,010.32 (January to June 2010: RMB3,674,880,389.84) (which is 10% or more of the Group's total revenue) was derived from sales by Diesel engines segment and Automobiles and other major automobile components segment to a single customer, including sales to a group of entities which are known to be under common control by that customer.

3. NOTES RECEIVABLE

	30 June 2011	31 December 2010
Bank acceptance bills	**15,185,550,801.12**	11,201,259,288.41
Commercial acceptance bills	**46,538,000.00**	87,967,893.82
	15,232,088,801.12	11,289,227,182.23

As at 30 June 2011, top 5 notes receivable that were pledged are presented as follows:

Issuer	Issuing date	Expiry date	Amount	Issued by
Dongfeng Motor Co., Ltd (Commercial Vehicle Company)	2011.1.17	2011.7.17	10,000,000.00	China Everbright Bank
Dongfeng Motor Co., Ltd (Commercial Vehicle Company)	2011.1.17	2011.7.17	10,000,000.00	China Everbright Bank
Dongfeng Motor Co., Ltd (Commercial Vehicle Company)	2011.1.17	2011.7.17	10,000,000.00	China Everbright Bank
Dongfeng Motor Co., Ltd (Commercial Vehicle Company)	2011.1.17	2011.7.17	10,000,000.00	China Everbright Bank
Dongfeng Motor Co., Ltd (Commercial Vehicle Company)	2011.1.17	2011.7.17	10,000,000.00	China Everbright Bank
			50,000,000.00	

As at 31 December 2010, top 5 notes receivable that were pledged are presented as follows:

Issuer	Issuing date	Expiry date	Amount	Issued by
Baotou Northern Benz Heavy Truck Company Limited	2010.8.30	2011.2.28	20,000,000.00	Bank of China
Dongfeng Motor Co., Ltd (Commercial Vehicle Company)	2010.10.15	2011.4.15	20,000,000.00	China Everbright Bank
濟南明馳重型汽車貿易有限公司	2010.8.26	2011.2.26	12,000,000.00	China Everbright Bank
徐州馳原汽車銷售有限公司	2010.12.3	2011.6.3	12,000,000.00	Rural Credit Cooperatives of Tongshan County
上海華東建築機械廠有限公司	2010.7.21	2011.1.21	10,703,400.00	China Everbright Bank
			74,703,400.00	

As at 30 June 2011 and 31 December 2010, the Group has not transferred any notes into accounts receivable due to issuers' failure in performance.

The top 5 notes receivable outstanding as at 30 June 2011 that had been endorsed to other parties are presented as follows:

Issuer	Issuing date	Expiry date	Amount	Issued by
Dongfeng Liuzhou Motor Co., Ltd	2011.3.1	2011.9.1	35,000,000.00	China Everbright Bank
Dongfeng Liuzhou Motor Co., Ltd	2011.3.1	2011.9.1	35,000,000.00	China Everbright Bank
福建晉工機械有限公司	2011.3.9	2011.9.9	22,000,000.00	Xingye Bank
Baotou Northern Benz Heavy Truck Company Limited	2011.6.15	2011.12.15	20,000,000.00	China Minsheng Bank
Baotou Northern Benz Heavy Truck Company Limited	2011.6.15	2011.12.15	20,000,000.00	China Minsheng Bank
			132,000,000.00	

The top 5 notes payable outstanding as at 31 December 2010 that had been endorsed to other parties are presented as follows:

Issuer	Issuing date	Expiry date	Amount	Issued by
Dongfeng Liuzhou Motor Co., Ltd	2010.09.29	2011.03.29	50,000,000.00	China Everbright Bank
臨沂青汽車輛製造有限公司	2010.10.28	2011.04.28	40,000,000.00	Shanghai Pudong Development Bank
內蒙古中城工程機械(集團)有限公司	2010.08.06	2011.02.06	30,000,000.00	China Everbright Bank
一汽解放青島汽車廠	2010.09.26	2011.03.26	21,995,842.95	China Everbright Bank
龐大汽貿集團股份有限公司	2010.07.20	2011.01.20	20,000,000.00	China Minsheng Bank
			161,995,842.95	

As at 30 June 2011, notes payable amounting to RMB460,357,616.00 (31 December 2010: RMB546,525,332.00) was pledged to banks for establishment of bank acceptance bills.

4. ACCOUNTS RECEIVABLE

The Group trades with its customers primarily on credit terms, and generally requires prepayments or cash on delivery for new customers. Credit period is generally one month, extending up to six months for major customers. Accounts receivable is non-interest-bearing.

An aging analysis of accounts receivable based on invoice dates is presented as follows:

	30 June 2011	31 December 2010
Within 1 year	**6,097,992,390.96**	4,664,521,056.82
1 to 2 years	**425,847,353.09**	435,704,590.19
2 to 3 years	**198,833,231.79**	165,791,727.57
Over 3 years	**109,074,163.39**	92,219,978.22
	6,831,747,139.23	5,358,237,352.80
Less: provision for bad debt	**846,651,627.94**	780,731,652.28
	5,985,095,511.29	4,577,505,700.52

Changes in provision for bad debts are presented as follows:

	30 June 2011	31 December 2010
Opening balance	**780,731,652.28**	528,861,842.18
Provision for the period/year	**69,785,603.88**	316,127,208.55
Decrease during the period/year:		
Reversal	**–**	10,474,275.63
Write-off	**3,865,628.22**	53,783,122.82
Closing balance	**846,651,627.94**	780,731,652.28

	30 June 2011			
	Gross carrying amount	**Proportion (%)**	**Provision for bad debt**	**Percentage (%)**
Individually significant items for which provision for bad debt is recognized separately	**579,499,143.60**	**8.48**	**396,320,276.90**	**68.39**
Items for which provision for bad debt is recognized by group	**6,163,394,368.04**	**90.22**	**388,666,410.45**	**6.31**
Not individually significant items for which provision for bad debt is recognized separately	**88,853,627.59**	**1.30**	**61,664,940.59**	**69.40**
	6,831,747,139.23	**100.00**	**846,651,627.94**	

	31 December 2010			
	Gross carrying amount	Proportion (%)	Provision for bad debt	Percentage (%)
Individually significant items for which provision for bad debt is recognized separately	569,958,075.74	10.64	385,850,497.03	67.70
Items for which provision for bad debt is recognized by group	4,678,495,928.81	87.31	328,420,031.18	7.02
Not individually significant items for which provision for bad debt is recognized separately	109,783,348.25	2.05	66,461,124.07	60.54
	5,358,237,352.80	100.00	780,731,652.28	

Items for which provision for bad debt is recognized by group are presented as follows:

	30 June 2011				31 December 2010			
	Gross carrying amount	Proportion (%)	Provision for bad debt	Percentage (%)	Gross carrying amount	Proportion (%)	Provision for bad debt	Percentage (%)
Within 1 year	**5,921,359,864.85**	**96.07**	**287,493,228.14**	**4.86**	4,401,223,174.55	94.07	217,551,447.46	4.94
1 to 2 years	**120,598,965.90**	**1.96**	**17,055,981.12**	**14.15**	104,965,951.50	2.24	15,744,892.73	15.00
2 to 3 years	**35,558, 448.94**	**0.58**	**9,554,885.68**	**26.87**	99,090,992.92	2.12	29,727,297.88	30.00
3 to 4 years	**19,215,303.70**	**0.31**	**9,184,564.52**	**47.80**	12,246,349.32	0.26	6,123,174.66	50.00
4 to 5 years	**6,420,168.36**	**0.10**	**5,136,134.70**	**80.00**	8,481,210.33	0.18	6,784,968.26	80.00
Over 5 years	**60,241,616.29**	**0.98**	**60,241,616.29**	**100.00**	52,488,250.19	1.13	52,488,250.19	100.00
	6,163,394,368.04	**100.00**	**388,666,410.45**		4,678,495,928.81	100.00	328,420,031.18	

As at 30 June 2011, there was no recovery of significant accounts receivable for which provision for bad debt has been made or reversal of bad debt provision for the period (31 December 2010: Nil).

For the period from January to June 2011, accounts receivable written off amounted to RMB3,865,628.24. This is related to various individual accounts receivable which were expected to be unrecoverable and thus approved to be written off. Such accounts receivable written off did not arise from related party transactions.

As at 30 June 2011, within the aforesaid balance of accounts receivable, there was no amount due from shareholders that held 5% or more of the Company's voting shares (31 December 2010: Nil). Balance of accounts receivable with other related parties are set out in Note VI.6 of the interim financial statements of the Company's 2011 Interim Report.

As at 30 June 2011, the top 5 accounts receivable are presented as follows:

	Gross carrying amount	**Age**	**Percentage of total accounts receivable (%)**
Dongfeng Motor Co., Ltd (Commercial Vehicle Company)	510,696,139.61	Within 1 year	7.47
北汽福田汽車股份有限公司	292,293,581.40	Within 1 year	4.28
長沙中聯重工科技發展股份有限公司	191,780,900.00	Within 1 year	2.81
Baotou Northern Benz Heavy Truck Company Limited	137,847,056.18	Within 1 year	2.02
陝西汽車集團長沙環通汽車製造有限公司	93,831,321.85	Within 1 year	1.37
	1,226,448,999.04		17.95

As at 31 December 2010, the top 5 accounts receivable are presented as follows:

	Gross carrying amount	Age	Percentage of total accounts receivable (%)
Dongfeng Motor Co., Ltd (Commercial Vehicle Company)	540,126,901.94	Within 1 year	10.08
(阿爾及利亞) EURL GM TRADE	321,474,261.09	Within 1 year	6.00
北汽福田汽車股份有限公司	293,551,730.75	Within 1 year	5.48
Baotou Northern Benz Heavy Truck Company Limited	206,455,787.10	Within 1 year	3.85
一汽解放汽車有限公司	139,553,606.65	Within 1 year	2.60
	1,501,162,287.53		28.01

Accounts receivable denominated in foreign currencies are as follows:

	30 June 2011			31 December 2010		
	Original currency	**Exchange rate**	**RMB equivalent**	Original currency	Exchange rate	RMB equivalent
Accounts receivable						
– USD	**51,261,163.48**	**6.4716**	**331,741,745.58**	14,582,132.37	6.6227	96,573,088.05
– EUR	**15,133,099.67**	**9.3612**	**141,663,972.63**	7,472,873.28	8.8065	65,809,858.54
– HKD	**115.20**	**0.8316**	**95.80**	116.31	0.8509	98.97
– GBP	**2,916.87**	**10.4122**	**30,371.03**	3,041.16	10.2182	31,075.18
			473,436,185.04			162,414,120.74

5. NOTES PAYABLE

	30 June 2011	31 December 2010
Bank acceptance bill	**4,392,958,673.01**	4,109,729,681.29

As at 30 June 2011, the aging analysis of notes payble, based on maturity, are presented as follows:

	30 June 2011	31 December 2010
Within 3 months	**2,108,202,516.51**	748,479,054.08
3 to 6 months	**2,284,756,156.50**	3,361,250,627.21
Total	**4,392,958,673.01**	4,109,729,681.29

As at 30 June 2011, the amount of notes payable falling due in the next accouting period was RMB4,392,958,673.01.

As at 30 June 2011, notes payable did not include amounts payable to shareholders that held 5% or more of the Company's voting shares (31 December 2010: nil). Please refer to Note VI. 6 of the financial statements of the Company's 2011 Interim Report for the balance of notes payable between the Group and other related parties.

6. ACCOUNTS PAYABLE

Accounts payable are non-interest-bearing, and generally have an average term of three months.

	30 June 2011	31 December 2010
Accounts payable	**13,723,797,134.39**	13,137,584,334.00

As at 30 June 2011, the aging analysis of accounts payble, based on the invoice date, are presented as follows:

	30 June 2011	31 December 2010
Within 3 months	**12,400,312,982.79**	12,436,510,058.57
3 to 6 months	**556,137,659.40**	319,641,246.63
6 to 12 months	**385,913,463.41**	217,329,228.96
Over 1 year	**381,433,028.79**	164,103,799.84
Total	**13,723,797,134.39**	13,137,584,334.00

As at 30 June 2011, there was no material accounts payable which aged over one year (31 December 2010: nil).

As at 30 June 2011, amounts payable to shareholders that held 5% or more of the Company's voting shares included in accounts payable amounted to RMB112,326.63 (31 December 2010: RMB286,344.53). Please refer to Note VI. 6 of the financial statements of the Company's 2011 Interim Report for the balance of accounts payable between the Group and other related parties.

Accounts payable denominated in foreign currencies are set out as follows:

	30 June 2011			31 December 2010		
	Original currency	**exchange rate**	**RMB equivalent**	Original currency	exchange rate	RMB equivalent
Accounts payable						
– USD	**3,276,398.60**	**6.4716**	**21,203,541.18**	3,925,475.97	6.6227	25,997,249.71
– EUR	**4,526,088.00**	**9.3612**	**42,369,614.99**	4,558,490.91	8.8065	40,144,350.20
			63,573,156.17			66,141,599.91

7. OPERATING REVENUE AND COST

The operating revenue is listed as follows:

	January-June 2011	January-June 2010
Operating revenue from principal operations	**34,644,218,458.53**	31,958,729,970.78
Other operating revenue	**1,983,195,336.93**	1,265,676,479.18
	36,627,413,795.46	33,224,406,449.96

Operating cost is listed as follows:

	January-June 2011	January-June 2010
Operating cost for principal operations	**26,938,105,646.70**	24,318,137,628.81
Other operating cost	**1,794,753,254.62**	1,127,960,536.17
	28,732,858,901.32	25,446,098,164.98

Information related to principal operations is listed by sector as follows:

	January-June 2011		January-June 2010	
	Revenue	**Cost**	Revenue	Cost
Manufacturing of transport equipment	**34,438,902,925.43**	**26,748,453,958.46**	31,738,698,065.85	24,119,268,150.68
Others	**205,315,533.10**	**189,651,688.24**	220,031,904.93	198,869,478.13
	34,644,218,458.53	**26,938,105,646.70**	31,958,729,970.78	24,318,137,628.81

Information related to principal operations is listed by regions as follows:

	January-June 2011		January-June 2010	
	Revenue	**Cost**	Revenue	Cost
Domestic	**33,649,334,688.47**	**26,072,236,512.48**	30,900,094,961.16	23,383,350,990.18
Overseas	**994,883,770.06**	**865,869,134.22**	1,058,635,009.62	934,786,638.63
	34,644,218,458.53	**26,938,105,646.70**	31,958,729,970.78	24,318,137,628.81

Information related to principal operations is listed by product type as follows:

	January-June 2011		January-June 2010	
	Revenue	**Cost**	Revenue	Cost
Complete vehicles and key components	**26,884,086,251.52**	**20,769,849,335.17**	25,639,579,665.31	19,175,550,537.60
Non-automobile engines	**3,508,561,031.12**	**2,820,502,075.13**	2,835,736,068.45	2,199,258,770.80
Other automobile components	**3,839,537,272.29**	**2,997,940,464.72**	3,257,603,315.81	2,748,313,649.23
Others	**412,033,903.60**	**349,813,771.68**	225,810,921.21	195,014,671.18
	34,644,218,458.53	**26,938,105,646.70**	31,958,729,970.78	24,318,137,628.81

In January to June 2011, operating revenue from the top 5 customers is presented as follows:

	Amount	**Proportion of total operating revenue (%)**
北汽福田汽車股份有限公司	4,300,261,010.32	11.74
一汽解放汽車有限公司	2,195,495,490.08	5.99
Dongfeng Motor Co., Ltd (Commercial Vehicle Company)	1,315,200,279.79	3.59
Baotou Northern Benz Heavy Truck Company Limited	1,314,070,546.00	3.59
龐大汽貿集團股份有限公司	991,985,159.92	2.71
	10,117,012,486.11	27.62

In January to June 2010, operating revenue from the top 5 customers is presented as follows:

	Amount	**Proportion of total operating revenue (%)**
北汽福田汽車股份有限公司	3,674,880,389.84	11.06
一汽解放汽車有限公司	2,024,716,321.44	6.09
Baotou Northern Benz Heavy Truck Company Limited	1,299,132,211.10	3.91
上汽依維柯紅岩商用車有限公司	914,262,788.40	2.75
安徽華菱重型汽車有限公司	803,190,516.24	2.42
	8,716,182,227.02	26.23

Operating revenue is listed as follows:

	January-June 2011	January-June 2010
Operating revenue from principal operations		
Sales of goods and others	**34,644,218,458.53**	31,958,729,970.78
Other operating revenue		
Sales of materials	**1,553,098,871.86**	1,061,781,028.23
Sales of power	**25,342,514.36**	25,447,979.65
Lease of fixed assets	**31,094,803.30**	30,423,339.01
Provision of non-industrial labour	**867,662.83**	550,000.00
Others	**372,791,484.58**	147,474,132.29
	1,983,195,336.93	1,265,676,479.18
	36,627,413,795.46	33,224,406,449.96

8. BUSINESS TAX AND SURCHARGES

	January-June 2011	January-June 2010
Business tax	**6,874,027.87**	3,152,720.40
City construction tax	**97,324,404.13**	113,685,568.01
Educational surtax	**58,628,845.84**	59,682,776.40
Others	**2,393,364.18**	1,653,410.33
	165,220,642.02	178,174,475.14

Refer to Note III-Taxes of the financial statements of the Company's 2011 interim report for tax rates.

9. INCOME TAX EXPENSES

	January-June 2011	January-June 2010
Current tax expenses	**671,687,526.65**	814,887,788.59
Deferred tax expenses	**84,883,244.02**	(140,170,107.90)
	756,570,770.67	674,717,680.69

The relationship between income tax expenses and the total profit is listed as follows:

		January-June 2011	January-June 2010
Total profit		**4,841,787,252.81**	4,539,561,514.10
Tax at statutory tax rate	*Note*	**1,208,180,823.25**	1,156,140,061.87
Effect of different tax rates applicable to some subsidiaries		**(475,251,277.38)**	(470,464,120.84)
Adjustments to current tax of previous periods		**4,199,785.49**	2,337,182.96
Profits and losses attributable to associates		**(5,893,165.38)**	(124,745.93)
Income not subject to tax		**(910,450.00)**	(4,690,740.54)
Expenses not deductible for tax		**27,922,262.77**	12,609,856.36
Tax incentives on eligible expenditures		**(16,450,138.61)**	(22,307,963.04)
Utilization of prior year deductible losses		**(6,559,629.96)**	(9,311,229.36)
Unrecognized deductible losses		**16,207,086.66**	11,041,369.41
Effect of unrecognized deductible temporary difference		**5,125,473.83**	(511,990.20)
Tax expense at the Group's effective rate		**756,570,770.67**	674,717,680.69

Note: The income tax of the Group is calculated based on the estimated taxable income gained in the PRC and applicable tax rate. Tax arising from the taxable income in other regions is calculated at applicable tax rate according to existing laws, interpretations and practices of the country in which the Group operates.

10. EARNINGS PER SHARE (EPS)

The basic EPS is calculated by dividing the net profit of the current period attributable to the ordinary shareholders of the Company by the weighted average number of outstanding ordinary shares.

The calculation of basic EPS is detailed as follows:

	January-June 2011	January-June 2010
Earnings		
Net profit of the current year attributable to ordinary shareholders of the Company	**3,501,706,567.71**	3,234,588,804.33
Shares		
Weighted average number of the ordinary shares outstanding of the Company *(Note)*	**1,666,091,366**	1,666,091,366
EPS (RMB/share)	**2.10**	1.94

The Company holds no potential shares that are dilutive.

Note: With the approval by the Company's 12th meeting of the second session of the Board on 23 August 2010, the first extraordinary general meeting, the first general meeting of A Shares shareholders and first general meeting of H Shares shareholders held on 26 October 2010, the Company proposed to transfer from capital reserve 10 shares for every 10 shares held by shareholders based on the total share capital of 833,045,683 shares on the record date namely 30 June 2010. Upon completion of the transfer, the total share capital of the company was 1,666,091,366 shares.

11. OTHER COMPREHENSIVE INCOME

	January-June 2011	January-June 2010
Losses from changes in fair value of available-for-sale financial assets	**(139,053,521.38)**	(38,654,829.72)
Less: Income tax effects of changes in fair value of available-for-sale financial assets	**(20,923,380.34)**	(5,943,707.43)
	(118,130,141.04)	(32,711,122.29)
Share of investee's other comprehensive income under equity method	**(114,229,533.20)**	187,206,277.50
Exchange differences on foreign currency translation	**12,516,498.39**	(16,728,365.68)
	(219,843,175.85)	137,766,789.53

12. DIVIDEND

The directors do not recommend the payment of interim dividend (six months ended 30 June 2010: Nil).

CHAIRMAN'S STATEMENT

Dear Shareholders:

On behalf of the Board, I would like to present the audited interim results of the Company for the six months ended 30 June 2011 (the "Period").

1. Review of Operations

Entering 2011, the consumer price index of the People's Republic of China (the "PRC") was on the upsurge and the prices for various raw materials continued to rise. To stabilize prices and curb the excessive rise in property prices, the PRC government adopted a series of austerity measures and continued to implement its pro-active fiscal policies and robust monetary policies. The Period witnessed 6 times of increase in the deposit reserve ratio in a row, the increase in the deposit-reserve base for major financial institutions to 21.5%, and 3 times of increase in the deposit-lending benchmark interest rate. During the first half of the year, national economic growth was slowed down but maintained its robust and steady pace. Gross domestic product reached 20,445.9 billion, a year-on-year growth of 9.6% which was 1.5 percentage points lower than the corresponding period of last year, and represented a slower growth pace than the rate of 10.3% of last year. During the Period, with the slowdown of the pace of the economic growth in the PRC, there were signs of downturn appeared in the heavy-duty truck market. During the Period, the aggregate sales of heavy-duty trucks were approximately 543 thousand units, representing a year-on-year decrease of 7.04%. In particular, the sales figure for the second quarter was approximately 253 thousand units, which represents a year-on-year decrease of 20.1% or a quarter-on-quarter decrease of 12.8%. The market adjustment was a result of the impact of the austerity policies adopted by the PRC, as well as the lag-effect of the excessive growth rate of the heavy-duty truck market in the last year and the first quarter of this year. Affected by the downturn of the heavy-duty truck market, the Company's aggregate sales of heavy-duty truck engines amounted to approximately 210 thousand units during the Period, representing a year-on-year decrease of 5.3%. The Company's market share in the heavy-duty truck with a gross weight of above 14 tonnes market reached 38.7%, representing an increase of 0.7 percentage points over the corresponding period of last year. With the outstanding performance of its new vehicle model, 陝西重型汽車有限公司 (Shaanxi Heavy-duty Motor Company Limited), a subsidiary of the Company, continued to lead the industry by reporting an aggregate sales of approximately 63 thousand units of heavy-duty trucks for the first half of the year, representing an increase of 5.1% over the corresponding period of last year. 陝西法士特齒輪有限責任公司 (Shaanxi Fast Gear Co. Ltd.), a subsidiary of the Company, has maintained its absolutely leading position in the industry albeit reporting an aggregate sales of approximately 441 thousand units of gear boxes, representing a year-on-year decrease of 10.4%.

During the Period, the fixed asset investment in the PRC maintained a fast growth, with the PRC's fixed asset investment amounting to RMB12,456.7 billion, representing a year-on-year growth of 25.6%. Investment in real estate developments amounted to RMB2,625 billion, representing a year-on-year growth of 32.9%. However, under the impact of the austerity policies on the real estate market and the robust monetary policies adopted by the PRC, the rapid growth of the construction machinery industry was constrained to a certain extent. During the Period, the aggregate sales in the PRC's construction machinery market were approximately 503 thousand units, representing a year-on-year growth of 21.3%. In particular, approximately 95 thousand units of wheel loaders with a load capacity of 5 tonnes were sold, representing a year-on-year growth of 13.7%. The Company's sales of engines for construction machinery were approximately 85 thousand units, representing a year-on-year growth of 25.3%, whereas the sales of engines for wheel loaders with a load capacity of 5 tonnes were approximately 76 thousand units, representing a year-on-year increase of 22.9%. According to the information published on the website of 中國工程機械信息網 (China Construction Machinery Network), the Company's market share in the market of wheel loader engines with a load capacity of 5 tonnes (and above) reached 79.2%, representing a year-on-year increase of 6 percentage points.

During the Period, with our technology innovation, the Company continued to lead the power technology development trend in the PRC. Since the implementation of the China III Emission Standard on heavy-duty trucks, the Company's high-power high-speed "Landking" engines, to which we own intellectual property rights, have been well recognized by the market for their advantages in areas such as environment protection, energy saving and reliability. For the first half of 2011, the Company reported a sales figure of approximately 198 thousand units of 10 – 12L China III engines, maintaining the stable leading position of our heavy-duty engine products in heavy-duty trucks and wheel loader markets. Meanwhile, the Company's self researched and developed "Landking" WP5 and WP7 engines, to which we own intellectual property rights, were successfully adopted in excavating machinery and passenger vehicles and gradually gained recognition from customers. During the first half of the year, the sales of WP5 and WP7 engines grew by 312.5% as compared to the same period last year, demonstrating more prominent competitive advantages of our integrated engine product and the wider prospects of the development of the Company.

During the Period, the Company adhered to the approach of "Driven by innovation, and grow organically" for its development, by continuously enhancing its level of management, accelerating the adjustment of its model and structure and boosting its scientific development. Firstly, we strengthened the formation of our internal control system and established a structured and process-oriented management system, to continually strengthen the basis of our management. Secondly, we stepped up our efforts in constructing our information platform, allowing information to cover every aspect of our business operation to enhance work efficiency and minimize loopholes in our procedures. Thirdly, we strengthened our quality management by establishing product quality committees at various levels and setting up our quality-wage system to boost quality awareness among all our staff members. Fourthly, we maintained our efforts in enhancing our on-site management, by establishing an Office for the Betterment of WOS, with experts being recruited from Japan to provide betterment training to increase our labour productivity.

During the Period, the Company's revenue increased by approximately 10.2% over the same period of 2010 to approximately RMB36,627 million. The net profit attributable to shareholders was approximately RMB3,502 million, representing an increase of approximately 8.3% over the same period of 2010. The basic earnings per share were RMB2.10, representing an increase of 8.2% over the same period of 2010.

II. Dividend

As considered and approved in the 2010 annual general meeting of the Company convened on 18 May 2011, it is agreed that based on the total capital of 1,666,091,366 shares of the Company, cash dividend in the amount of RMB4.30 (tax inclusive) would be distributed to all shareholders for every 10 shares held. The proposal was put to implementation on 8 July 2011.

The Board does not recommend profit distribution in respect of this interim period in 2011. Nor will any transfer from capital reserve be effected.

III. Acquisition and Consolidation

During the Period, there was no material acquisition and consolidation.

IV. Outlook and Prospects

Considering the economic development in the first half of the year as a whole, it can be seen that the overall trend of economic development is still relatively steady for the time being. However, the economic situations at home and abroad are still complex with much uncertainty. The consumer price index is expected to remain at a high level for a number of months, and high upward pressure exists for prices in general. In the second half of the year, it is expected that the key tone of the PRC's policy would be stabilization with the core of austerity measures being the balancing of the relationship between maintaining a stable and faster economic development, adjusting economic structure and managing the expectation of inflation. In addition, the PRC is expected to maintain a proactive fiscal policy and a robust monetary policy to ensure the consistency and stability of the macroeconomic policy, while improving the monitoring, forecast and alert of the economy as well as enhancing the pertinence and flexibility of the austerity measures.

At present, the monetary policy of the PRC remains robust. Following a number of increases in the deposit-reserve ratio, the interest rate increased in early July. Facing the still stringent inflationary conditions and a GDP growth rate of 9.6% in the second quarter, the monetary policy adopted by the central bank is expected not to have major changes. Taking into account the high eagerness of investments in the local level, prices are likely to rise too quickly if the monetary policy is relaxed too soon. At present, despite the slowdown in currency growth, the scale of the currency quantity is still exemplifying a trend of gradual expansion. It will take time to alleviate the pressure exerted by the previous excessive currency supply. To alleviate demand for cash flow for small-and medium-sized enterprises, it is expected that the second half of the year will witness a less frequent increase in the deposit-reserve ratio in the PRC.

According to the data supplied by the Ministry of Finance of the PRC, in the first half of 2011, the fiscal income of the nation grew at a high pace, laying a solid foundation for the pro-active fiscal policy to be adopted for the second half of the year. At the same time, the report on the debt risks involved in local financing platforms, which was published by the National Audit Office of the PRC, demonstrated the better-than-expected debt position of the government, and to a certain extent provided room for an enlarged deficit budget for both central and local governments. Accordingly, the second half of the year will witness the nation maintaining a pro-active fiscal policy to ensure stability in the PRC's economic development.

Financially, government's investments will continue to have much support. Under the policy of building 10 million units of affordable housing as announced by the central government at the beginning of the year, less than 30% of work had commenced as at May this year. The government has requested full commencement of construction of affordable housing in all areas by the end of November this year. As such, the construction of affordable housing will become a key factor in fostering economic growth in the second half of the year. In addition, strenuous support in terms of fiscal policies is also needed by investments in hydraulic construction projects and investments in emerging industries, which are among the key focuses highlighted by the Twelfth Five-year Plan of the PRC.

In view of the above, policies will be further reinforced to curb inflation, expand domestic demand and facilitate civilian constructions in the second half of the year. The combination of a robust monetary policy and a pro-active fiscal policy will be adopted to enhance the effects of the PRC's austerity measures in stabilizing the economy. In the second half of 2011, it is expected that steady economic growth will be achieved for the PRC under the sound and effective implementation of the nation's austerity measures.

The Company is cautiously optimistic about the development trend of its related industries. With regard to the heavy-duty trucks market, the market demand for logistics and transportation vehicles construction-related heavy-duty trucks will be long boosted by a number of factors, including the sound fundamentals of the Chinese economy, the progression of the urbanization process and the development strategy of the regional economy, as well as the constructions of affordable housing and hydraulic projects. On the other hand, the appreciation of the RMB will exert pressure on the export of heavy-duty trucks to a certain extent, and the rise of prices of raw materials will become the major factor affecting the growth of the heavy-duty trucks market in the second half of the year. With regard to the construction machinery market, investment will maintain its steady growth in the second half of this year due to several favorable factors, such as the large scale commencement of the construction of affordable housing, the acceleration of the development of urbanization and industrialization, continual expansion of the scale of private investment and further implementation of the development of the western regions of China. The overall demand in the construction machinery sector continues to look promising.

With the further implementation of the China III Emission Standard, the upcoming implementation of the China IV Emission Standard, and the establishment of plants for manufacturing engines by the suppliers of heavy duty trucks and construction machinery, we anticipate that there will be more intense competition in PRC's engine market in the coming years. However, leveraging on our advanced technology, large-scale and high quality of our production, our unparalleled synergy and a loyal customer base, we will maintain our leading position in the market of high-power engines and gear boxes. The directors have full confidence in the prospect of the Company.

The Company will further enhance our research and development 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. For the diesel engine segment, the Company will accelerate the pace of optimization and localization of Moteurs Baudouin's engines of above 16L, and develop a complete series of Weichai industry power products. With our WP5/WP7 diesel engines, we will keep exploring emerging markets such as passenger vehicles, non-loader construction machinery and medium to heavy-duty trucks. For the heavy-vehicle segment, we will expedite the research and production of our third-generation heavy-duty trucks, enhance the technological contents of such products, to prepare well for subsequent growth. For the gear boxes segment, the Company will leverage upon the joint-venture projects in collaboration with Caterpillar to step up its efforts in research and development of AMT and gear boxes for passenger vehicles, with a view to achieving new breakthrough. For our component segment, we will step up our research and innovation, get rid of the situation of homogenous competition, and gradually transit to power chain, making the component segment an important part of our business.

At the same time, under the principle of "unifying strategy, independent operation, resources sharing", we will accelerate the coordinated development of commercial vehicle segment, power chain segment and automobile component segment. 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 having the core technology for power assembly, so as to develop into a unique and world-leading equipment manufacturer.

The Company considers that the inevitable industry adjustment provides an opportunity for the upgrading of its corporate quality. The Company will take advantage of such rare strategic opportunity to embark upon its quality check-up, to rationalize its management system, and to enhance its self-innovation capability, with a view to becoming the fastest-growing entity in times of upward cycles of the industry and minimizing the downside of the Company in times of adjustment of the 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 of our staff for their hard work and dedication in the last six months!

MANAGEMENT DISCUSSION AND ANALYSIS

The Directors are pleased to present a management discussion and analysis of the interim results of operations of the Group for the six months ended 30 June 2011 (the "Period") as follows:

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 Period, with the slowdown of the pace of the economic growth in the PRC, signs of downturn appeared in the heavy-duty truck market. During the Period, the aggregate sales of heavy-duty trucks were approximately 543 thousand units, representing a year-on-year decrease of 7.04%. In particular, the sales figure for the second quarter was approximately 253 thousand units, which represents a year-on-year decrease of 20.1% or a quarter-on-quarter decrease of 12.8%. The market adjustment was a result of the impact of the austerity policies adopted by the PRC, as well as the lag-effect of the excessive growth rate of the heavy-duty truck market in the last year and the first quarter of this year.

First, entering 2011, the consumer price index of the PRC was on the upsurge and the prices for various raw materials continued to rise. To stabilize prices and curb the excessive growth of property prices, the PRC government adopted a series of austerity measures and continued to implement its pro-active fiscal policies and robust monetary policies. The Period witnessed 6 times of increase in the deposit reserve ratio in a row, the increase in the deposit-reserve base for major financial institutions to 21.5%, and 3 times of increase in the deposit-lending benchmark interest rate.

Second, during the first half of the year, national economic growth slowed down but maintained its robust and steady pace. Gross domestic product reached 20,445.9 billion, a year-on-year growth of 9.6%, which was 1.5 percentage points lower than the corresponding period of last year, and represented a slower growth pace than the rate of 10.3% last year.

Third, the market demand for logistics and transportation vehicles and construction-related heavy-duty trucks will be long boosted by a number of factors, including the sound fundamentals of the Chinese economy, the progression of the urbanization process and the development strategy of the regional economy, as well as the constructions of affordable housing and hydraulic projects. On the other hand, the appreciation of the RMB will exert pressure on the export of heavy-duty trucks to a certain extent, and the rise of prices of raw materials will become the major factor affecting the growth of the heavy-duty trucks market in the second half of the year.

2. *Construction Machinery*

During the Period, the aggregate sales of the PRC's construction machinery market were approximately 503 thousand units, representing a year-on-year growth of 21.3%. In particular, approximately 95 thousand units of wheel loaders with a load capacity of 5 tonnes were sold, representing a year-on-year growth of 13.7%.

During the Period, the fixed asset investment in the PRC maintained a fast growth, with the PRC's fixed asset investment amounting to RMB12,456.7 billion, representing a year-on-year growth of 25.6%. Investment in real estate developments amounted to RMB2,625 billion, representing a year-on-year growth of 32.9%. However, under the impact of the austerity policies on the real estate market and the robust monetary policies adopted by the PRC, the rapid growth of the construction machinery industry was constrained to a certain extent.

With regard to the construction machinery market, investment will maintain its steady growth in the second half of this year due to several favorable factors, such as the large scale commencement of the construction of affordable housing, the acceleration of the development of urbanization and industrialization, continual expansion of the scale of private investment and further implementation of the development of the western regions of the PRC. The overall demand in the construction machinery sector continues to look promising.

II. The Group's Business

An analysis of the Group's business segments is set out in Note 2. The following are the highlights of the operations conditions of major products of the Group:

1. *Sales of Diesel Engines*

For use in Heavy-duty Trucks

Affected by the downturn of the heavy-duty truck market, the Company's aggregate sales of heavy-duty truck engines amounted to approximately 210 thousand units in the Period, representing a year-on-year decrease of approximately 5.3% as compared to approximately 222 thousand units in the corresponding period of 2010. The Company's market share in the heavy-duty truck with a gross weight of above 14 tonnes market reached 38.7%, representing an increase of 0.7 percentage points over the corresponding period of last year.

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. During the Period, the Group sold approximately 85 thousand units (2010: approximately 68 thousand units) of construction machinery engines, representing an increase of approximately 25.3% compared to that in the corresponding period of 2010. The sales of engines for wheel loader engines with a load capacity of 5 tonnes were approximately 76 thousand units, representing a year-on-year increase of approximately 22.9%. According to the information published on the website of 中國工程機械信息網 (China Construction Machinery Network), the Company's market share in the market of wheel loader engines with a load capacity of 5 tonnes (and above) reached 79.2%, representing a year-on-year increase of 6 percentage points.

2. Sales of Heavy-duty Trucks

With the outstanding performance of its new model of vehicles, the Group continued to lead the industry by reporting an aggregate sales of approximately 63 thousand units of heavy-duty trucks for the Period, representing an increase of approximately 5.1% over the approximately 60 thousand units of heavy-duty trucks sold in the corresponding period of last year. Prior to intra-group elimination, the truck business contributed approximately RMB15,013 million to the Group's revenue during the Period.

3. Sales of Heavy-duty Gear Boxes

During the Period, the Group sold approximately 441 thousand units of heavy-duty gear boxes, representing a decrease of approximately 10.4% compared to approximately 492 thousand units sold in the corresponding period of 2010, nevertheless maintaining its absolutely leading position in the industry. Prior to intra-group elimination, the gear boxes business contributed approximately RMB4,743 million to the Group's revenue during the Period.

4. Sales of Engine and Heavy-duty Truck Parts and Components

Apart from the production and sales 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 parts and components of diesel engines and trucks amounted to approximately RMB1,558 million, representing a increase of approximately 22.2% or approximately RMB283 million compared to RMB1,275 million in the corresponding period of 2010.

III. Financial Review

1. The Group's Results of Operations

a. Revenue

The Group's revenue increased from approximately RMB33,224 million in the corresponding period of 2010 to approximately RMB36,627 million in the Period, representing an increase of approximately 10.2%. The slower pace of growth compared to the same period last year was mainly attributable to the slowdown in the pace of economic growth in the PRC and the adoption of austerity policies by the PRC government. In particular, the revenue from principal businesses rose by approximately 8.4%, from approximately RMB31,959 million in the corresponding period of 2010 to approximately RMB34,644 million for the Period , which was mainly attributable to the sales growth of engines for construction machinery and heavy-duty trucks. During the Period, the Group sold a total of approximately 85 thousand units of diesel engines for use in construction machinery, compared to approximately 68 thousand units in the corresponding period of 2010, representing an increase of approximately 25.3%. During the Period, Shaanxi Zhongqi recorded an aggregate sales of approximately 63 thousand units of heavy-duty trucks, compared to approximately 60 thousand units in the corresponding period of last year, representing an increase of 5.1%. Revenue from other businesses rose by approximately 56.7%, from approximately RMB1,266 million in the corresponding period of 2010 to approximately RMB1,983 million for the Period, which was primarily attributable to the 46.3% growth in revenue generated from the sales of raw materials as compared to the corresponding period of last year.

b. Profit from Principal Businesses

During the Period, the Group generated profit from principal businesses in the amount of approximately RMB7,706 million, representing an increase of approximately 0.9% as compared to approximately RMB7,641 million recorded in the corresponding period of 2010. Profit margin of principal businesses was 22.2%, slightly lower than 23.9% recorded in the corresponding period of 2010, mainly attributable to the adjustment of product structure.

c. Distribution and selling expenses

Distribution and selling expenses decreased by approximately 0.9% to approximately RMB1,531 million in the Period from approximately RMB1,545 million in the corresponding period of 2010. As a percentage of revenue, distribution and selling expenses decreased from approximately 4.7% in the corresponding period of 2010 to approximately 4.2% in the Period.

d. *General and Administrative Expenses*

General and administrative expenses of the Group increased by approximately 18.4% or approximately RMB222 million from approximately RMB1,213 million in the corresponding period of 2010 to approximately RMB1,435 million in the Period, which was mainly due to the increase in research and development expenses which were included as part of general and administrative expenses.

e. *Operating Profit before Finance Costs*

During the Period, the Group's operating profit increased by approximately 5.2% to approximately RMB4,845 million in the Period from approximately RMB4,607 million in the corresponding period of 2010. During the Period, the Group's operating margin was approximately 13.2%, similar to the level of approximately 13.9% in the corresponding period of 2010.

f. *Finance Expenses*

Finance expenses decreased by approximately 94.9% to approximately RMB3 million in the Period from approximately RMB68 million in the corresponding period of 2010. This decrease was mainly attributable to the dual effect of the decrease in interest expenses and an increase in interest income in the Period.

g. *Income Tax Expenses*

The Group's income tax expenses increased by approximately 12.1% from approximately RMB675 million in the corresponding period of 2010 to approximately 757 million in the Period. During the Period, the Group's average effective tax rate was approximately 15.6%, compared to 14.9% in the corresponding period of 2010.

h. *Net Profit and Net Profit Margin*

The Group's net profit for the Period increased by approximately 5.7% from approximately RMB3,865 million in the corresponding period of 2010 to approximately RMB4,085 million in the period. During the Period, the net profit margin maintained at 11.2%, basically the same as 11.6% in the corresponding period of 2010.

i. *Liquidity and Cash Flow*

During the Period, the Group generated operating cash flows of RMB-348 million. It was primarily attributable to the sufficient cash and cash equivalents of the Company for the time being, which is enough for responding to the reduction in discount of notes receivable in view of the daily operations of the Company. As at 30 June 2011, the Group had net cash (cash and cash equivalents net of interest-bearing debts) of RMB4,758 million (as at 31 December 2010: the Group had a net cash (cash and cash equivalents net of interest-bearing debts) of RMB6,387 million). Based on the calculation above, the debt to equity ratio is non-applicable as the Group has a net cash position (as at 31 December 2010: N/A).

2. *Financial Position*

a. Pursuant to the Consultation Conclusions on Acceptance of Mainland Accounting and Auditing Standards and Mainland Audit Firms for Mainland Incorporated Companies Listed in Hong Kong published by the Hong Kong Stock Exchange in December 2010, Mainland incorporated issuers listed in Hong Kong shall be allowed to prepare their financial statements using China Accounting Standards for Business Enterprises, and Mainland audit firms approved by the Ministry of Finance ("MOF") of The People's Republic of China and the China Securities Regulatory Commission ("CSRC") shall be allowed to service these issuers to satisfy the disclosure requirements of the Hong Kong Stock Exchange. As such, on the annual general meeting 2010 of the Company held on 18 May 2011, the appointment in Ernst & Young Hua Ming as the auditor of the Company was considered and approved. At the same time, it was resolved that with effect from 2011, the Company would only adopt Mainland accounting standards in its preparation of financial statements and would no longer use Hong Kong accounting standards at the same time in preparing financial statements.

According to the audited consolidated financial statements for the year ended 31 December 2010 of the Group prepared under China Accounting Standards for Business Enterprises and Hong Kong accounting standards respectively, there are no material differences between the profit and net assets for the year of the Company determined based on the respective accounting standards aforementioned. The Company does not consider that the adoption of China Accounting Standards for Business Enterprises in its preparation of the financial statements has any material financial impact on the Group.

b. *Assets and Liabilities*

As at 30 June 2011, the Group had total assets of approximately RMB59,015 million, of which approximately RMB41,469 million were current assets. As at 30 June 2011, the Group had cash and cash equivalents of approximately RMB9,940 million (as at 31 December 2010: RMB11,159 million). On the same date, the Group's total liabilities amounted to approximately RMB32,342 million, of which approximately RMB30,188 million were current liabilities. The current ratio was approximately 1.37 (as at 31 December 2010: 1.39).

c. Capital Structure

At 30 June 2011, the Group had total equity of approximately RMB26,673 million, of which approximately RMB21,077 million was attributable to equity holders of the Company and the balance was minority equity holders' interests. The Group currently does not rely heavily on borrowings. The borrowings of the Group as at 30 June 2011 amounted to approximately RMB3,462 million, which included debenture of approximately RMB1,287 million and bank borrowings of approximately RMB2,175 million. Other than approximately RMB77 million and RMB23 million which are HKD-donominated and EUR-denominated borrowings, other borrowings are RMB-denominated. The revenue of the Group is mainly RMB-denominated. The Group does not consider its foreign exchange risk 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.

d. Pledge of Assets

As at 30 June 2011, bank deposits and bills receivables of approximately RMB2,765 million (as at 31 December 2010: RMB2,618 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 settlement 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 V. 23 of the financial statements of the Company's 2011 interim report.

e. Contingencies

On 30 June 2011, the Group provided to certain distributors and agents guarantee amounting to approximately 2,583 million (as at 31 December 2010: approximately RMB1,145 million) to secure their obtaining and use of bank borrowings.

On 30 June 2011, the Group provided guarantee for joint liabilities in respect of failure of the leasee under finance lease to settle instalment payments plus interest. Risk exposure in respect of possible guarantee for joint liabilities amounts to approximately RMB58 million.

f. Commitments

As at 30 June 2011, the Group had approximately RMB 1,404 million capital commitments (as at 31 December 2010: approximately RMB2,193 million), among which contracted capital commitments amounted to approximately RMB1,392 million, principally for the capital expenditure in respect of acquisition of property, plant and equipment.

As at 30 June 2011, the Group had approximatelyRMB455 million investment commitments (as at 31 December 2010: approximately RMB200 million), among which contracted investment commitments amounted to approximately RMB255 million. Details are set out in Note VIII of the financial statement of the Company's 2011 interim report.

3. Other Financial Information

a. Employees

As at 30 June 2011, the Company had approximately 39 thousand employees. During the Period, the Company had paid remuneration of approximately RMB1,766 million. The emolument policy of the employees of the Group is set up by the Remuneration Committee on the basis of their merits, 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, 2011, the interests and short position (if any) of the directors, the chief executives 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 Hong Kong 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	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	58,659,248 *(Note 2)*	3.52%
Li San Yim *(Note 4)*	Held by spouse and controlled corporation	58,850,237 *(Note 1)*	3.53%
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 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 of the Company, was directly and indirectly interested in the issued share capital of Peterson Holdings Company Limited ("Peterson"), which in turn held 58,659,248 shares in the Company.

4. Li San Yim, a non-executive director of the Company, 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 58,850,237 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 of the Company, 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 30 June, 2011, none of the directors, the chief executives 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.

Details of Changes in Share Capital and Substantial Shareholders' Shareholdings

1. Changes in shareholdings (as at 30 June 2011)

		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**	570,184,594	34.22%	–	–	–	–	–	570,184,594	34.22%
1.	State-owned shares	0	0	–	–	–	–	–	0	0
2.	State-owned legal person shares	373,224,594	22.40%	–	–	–	–	–	373,224,594	22.40%
3.	Shares held by other domestic entities	118,520,000	7.11%	–	–	–	–	–	118,520,000	7.11%
	including: Shares held by domestic non-state-owned legal persons	71,160,000	4.27%	–	–	–	–	–	71,160,000	4.27%
	Shares held by domestic natural persons	47,360,000	2.84%	–	–	–	–	–	47,360,000	2.84%
4.	Shares held by other foreign entities	78,440,000	4.71%	–	–	–	–	–	78,440,000	4.71%
	including: Shares held by overseas legal persons	78,440,000	4.71%	–	–	–	–	–	78,440,000	4.71%
	Shares held by overseas natural persons	–	–	–	–	–	–	–	–	–
II.	**Non-restricted circulating shares**	1,095,906,772	65.78%	–	–	–	–	–	1,095,906,772	65.78%
1.	RMB ordinary shares	691,106,772	41.48%	–	–	–	–	–	691,106,772	41.48%
2.	Domestic listed foreign shares	–	–	–	–	–	–	–	–	–
3.	Overseas listed foreign shares	404,800,000	24.30%	–	–	–	–	–	404,800,000	24.30%
4.	Others	–	–	–	–	–	–	–	–	–
III.	**Total number of shares**	1,666,091,366	100.00%	–	–	–	–	–	1,666,091,366	100.00%

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 2013	570,184,594	Pursuant to and subject to the undertaking of Weichai Group Holdings Limited, none of the 124,236,640 shares of the Company held by it shall be listed on any stock exchange, transferred in any ways or managed by other persons 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 shall be listed on any stock exchange or transferred in any ways or managed by other persons 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.

Time	Additional shares that can be listed and traded upon expiry of the restricted period	Description
		Pursuant to and subject to the undertakings of each 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, 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 restricted shares of the Company subject to lock-up terms held by the above parties respectively shall be extended for another three years since the expiration on 30 April 2010, which means no such shares shall be listed on any stock exchange or transferred in any ways or managed by other persons 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	Description
		Pursuant to and subject to the undertaking of Zhuzhou State-owned Assets Investment Holdings Company Limited, the lock-up period for the 8,330,437 shares of the Company subject to lock-up terms held by it shall be extended for another three years since the expiration on 30 April 2010, which means no such shares shall be listed on any stock exchange or transferred in any ways 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.
		Pursuant to and subject to the undertakings of the 24 nature person shareholders (including Tan Xuguang), no shares of the Company held by them shall be listed on any stock exchange or transferred in any ways or managed by other persons 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 aggregate restricted circulating shares of the Company held by the 24 nature person promoter shareholders amounted to 47,360,000 shares.

Shareholdings of the Substantial Shareholders (as at 30 June 2011)

Total number of Shareholders	The number of shareholders is 187,740 among which 187,467 are shareholders of A shares and 273 are shareholders of H shares

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	24.16%	402,595,596	0	unknown
Weichai Group Holdings Limited	State-owned legal person	16.83%	280,397,000	280,397,000	0
Weifang Investment Company	State-owned legal person	3.71%	61,796,960	61,796,960	0
Fujian Longyan Construction Machinery (Group) Company Limited	Domestic non-state-owned legal person	3.53%	58,850,237	48,160,000	0
Peterson Holdings Company Limited	Overseas legal person	3.52%	58,659,248	52,640,000	0
Shenzhen Chuangxin Investment Group Co., Ltd	Domestic non-state-owned legal person	3.14%	52,242,674	0	0
IVM Technical Consultants Wien Gesellschaft m.b.H	Overseas legal person	2.06%	34,400,000	25,800,000	0
Shandong Enterprise Trust Operation Company Limited	Domestic non-state-owned legal person	1.70%	28,400,000	23,000,000	0
Agricultural Bank of China －中郵核心成長股票型證券投資基金	Others	1.58%	26,357,890	0	0
Zhuzhou State-owned Assets Administration Management Company Limited	State-owned legal person	1.00%	16,660,874	16,660,874	14,400,000

Shareholdings of the top ten non-restricted shareholders

Names of shareholders	Number of the non-restricted shares held	Types of shares
HKSCC Nominees Limited	402,595,596	Overseas listed foreign shares
Shenzhen Chuangxin Investment Group Co., Ltd	52,242,674	RMB ordinary shares
Agricultural Bank of China — 中郵核心成長股票型證券投資基金	26,357,890	RMB ordinary shares
Agricultural Bank of China －中郵核心優選股票型證券投資基金	16,261,007	RMB ordinary shares
Bank of China — 大成藍籌穩健證券投資基金	12,275,151	RMB ordinary shares
Fujian Longyan Construction Machinery (Group) Company Limited	10,690,237	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	9,816,204	RMB ordinary shares
IVM Technical Consultants Wien Gesellschaft m.b.H	8,600,000	RMB ordinary shares
Industrial and Commercial Bank of China－融通深證100指數證券投資基金	7,266,762	RMB ordinary shares
Peterson Holdings Company Limited	6,019,248	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 the same fund manager, namely China Post & Capital Fund Management Co., Ltd.

2. Save as the aforementioned, the Company does not know whether there is any connected relationship among the top ten shareholders and the other top ten non-restricted shareholders, or whether any of them are acting in concert.

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, 2011, the following persons (other than the directors, the chief executives 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 *(Note 1)*	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%
Shenzhen Chuangxin Investment Group Co., Ltd *(Note 2)*	Beneficial owner	Long	68,800,000	5.45%	–	–	4.13%
Shenzhen Chuangxin Investment Management Company *(Note 2)*	Held by controlled corporation	Long	68,800,000	5.45%	–	–	4.13%
Fujian Longyan Construction Machinery (Group) Company Limited ("Fujian Longgong") *(Note 3)*	Beneficial owner	Long	68,800,000	5.45%	–	–	4.13%
Li San Yim *(Note 3)*	Held by controlled corporation and spouse	Long	68,800,000	5.45%	–	–	4.13%
Ni Yinying *(Note 3)*	Held by controlled corporation and spouse	Long	68,800,000	5.45%	–	–	4.13%
Lazard Asset Management LLC	Investment manager	Long	–	–	62,425,757	15.42%	3.75%
Lone Pine Capital LLC	Investment manager	Long	–	–	37,600,000	9.29%	2.26%
JPMorgan Chase & Co.	Beneficial owner	Long	–	–	5,147,650	1.27%	0.31%
	Investment manager	Long	–	–	13,022,000	3.22%	0.78%
	Custodian Corporation/ approved lending agent	Long	–	–	18,002,207	4.45%	1.08%
					36,171,857	8.94%	2.17%

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
	Beneficial owner	Short	–	–	4,215,650	1.04%	0.25%
The Capital Group Companies, Inc.	Investment manager	Long	–	–	32,372,600	8.00%	1.94%
Morgan Stanley	Held by controlled corporation	Long	–	–	25,099,108	6.20%	1.51%
		Short	–	–	22,138,071	5.47%	1.33%
Lazard Emerging Markets Equity Portfolio	Beneficial owner	Long	–	–	24,972,500	6.17%	1.50%
Deutsche Bank Aktiengesellschaft	Beneficial owner	Long	–	–	4,516,983	1.12%	0.27%
	Investment manager	Long	–	–	5,488,000	1.35%	0.33%
	Holder of secured interests in Shares	Long	–	–	12,102,061	2.99%	0.73%
	Custodian Corporation/ approved lending agent	Long	–	–	793,000	0.19%	0.05%
					22,900,044	5.65%	1.38%
	Beneficial owner	Short	–	–	6,705,279	1.66%	0.40%
	Holder of secured interests in Shares	Short	–	–	11,159,461	2.75%	0.67%
					17,864,740	4.41%	1.07%

Notes:

1. State-owned Assets Supervision and Administration Commission of Shandong Province ("Shandong SASAC") held the entire capital of Weichai Group Holdings Limited (formerly known as Weifang Diesel Engine Works). For details, please refer to the announcement of the Company Dated 22 March 2006.

2. Shenzhen Chuangxin Investment Management Company was interested in approximately 33.73% of the registered capital of Shenzhen Chuangxin Investment Group Co., Ltd.

3. The registered capital of Fujian Longgong was held as to 69.16% by Li San Yim, a non-executive director of the Company, 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 at 30 June 2011.

Emolument Policy

The emolument policy of the employees of the Group is set up by the remuneration committee of the Company (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 customers 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 of the Company ("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 audited 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. 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 announcement.

Approval of the Audited Consolidated Financial Statements

The audited consolidated financial statements for the Period were approved by the Board on 29 August 2011.

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

The 2011 interim report will be despatched to the shareholders as well as made available on the Hong Kong Stock Exchange'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, 29 August 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.