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 2012

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. As such, on the annual general meeting 2010 of the Company held on 18 May 2011, 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 RMB27,060 million, decreased by approximately 26.1%.
- Net Profit Attributable to the Shareholders of the Parent amounted to approximately RMB1,897 million, decreased by approximately 45.8%.
- Basic Earnings Per Share was approximately RMB1.14, decreased by approximately 45.7%.

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 2012 (the "Period"), together with comparative figures for the corresponding period of 2011 as follows:

CONSOLIDATED INCOME STATEMENT

January to June 2012 (Expressed in Renminbi Yuan)

	Notes	**January to June 2012**	January to June 2011
Revenue	*7*	**27,059,675,619.87**	36,627,413,795.46
Cost of sales	*7*	**21,870,178,160.78**	28,732,858,901.32
Taxes and surcharges	*8*	**113,704,474.09**	165,220,642.02
Distribution and selling expenses		**1,284,413,946.81**	1,531,098,513.51
General and administrative expenses		**1,394,743,831.63**	1,435,273,927.53
Financial expenses		**471,591.80**	3,470,888.64
Impairment loss of assets		**71,855,297.93**	99,786,985.50
Investment income		**75,086,612.90**	73,021,921.81
Incl: Share of profit of associates and jointly controlled enterprises		**25,027,666.32**	38,881,921.81
Operating profit		**2,399,394,929.73**	4,732,725,858.75
Add: Non-operating income		**125,940,533.41**	142,114,982.98
Less: Non-operating expenses		**17,236,368.59**	33,053,588.92
Incl: Loss on disposal of non-current assets		**9,101,848.85**	22,193,256.44
Total profit		**2,508,099,094.55**	4,841,787,252.81
Less: Income tax expense	*9*	**419,256,443.44**	756,570,770.67
Net profit		**2,088,842,651.11**	4,085,216,482.14
Net profit attributable to the shareholders of the parent		**1,897,252,608.20**	3,501,706,567.71
Minority interests		**191,590,042.91**	583,509,914.43
Earnings per share	*10*		
Basic earnings per share		**1.14**	2.10
Other comprehensive income	*11*	**(1,752,990.83)**	(219,843,175.85)
Total comprehensive income		**2,087,089,660.28**	3,865,373,306.29
Incl:			
Total comprehensive income attributable to the shareholders of the parent		**1,895,493,462.48**	3,281,863,391.86
Total comprehensive income attributable to minority owners		**191,596,197.80**	583,509,914.43

CONSOLIDATED BALANCE SHEET

30 June 2012 (Expressed in Renminbi Yuan)

ASSETS	*Notes*	**30 June 2012**	31 December 2011
Current assets			
Cash and cash equivalents		**13,007,409,424.51**	16,612,740,784.48
Notes receivable	*3*	**11,786,874,364.17**	9,551,350,772.66
Accounts receivable	*4*	**5,572,766,817.95**	4,737,509,830.84
Advances to suppliers		**460,497,352.78**	431,537,902.92
Dividends receivable		**4,529,218.53**	39,529,218.53
Interests receivable		**–**	300,495.58
Other receivables		**545,391,578.89**	240,646,814.45
Inventories		**8,538,571,012.83**	10,357,553,534.02
Non-current assets due within 1 year		**27,822,268.56**	–
Other current assets		**1,088,236,909.58**	737,579,223.78
Total current assets		**41,032,098,947.80**	42,708,748,577.26
Non-current assets			
Available-for-sale financial assets		**288,477,274.53**	234,011,928.12
Long-term receivables		**–**	27,720,035.60
Long-term equity investments		**1,115,668,550.55**	955,698,174.11
Investment property		**329,756,162.55**	250,328,337.12
Fixed assets		**10,150,793,848.78**	9,653,054,092.86
Construction in progress		**5,482,280,360.11**	5,103,645,581.44
Materials used in construction		**245,341.88**	10,275,638.26
Disposal of fixed assets		**4,386,716.38**	2,837,542.66
Intangible assets		**1,163,422,618.56**	1,155,490,455.27
Development expenditure		**5,238,563.36**	2,994,232.00
Goodwill		**537,908,504.02**	538,016,278.33
Long-term prepaid expenses		**151,039,506.10**	160,574,819.39
Deferred tax assets		**647,085,740.09**	741,151,727.82
Other non-current assets		**100,388.88**	–
Total non-current assets		**19,876,403,575.79**	18,835,798,842.98
Total assets		**60,908,502,523.59**	61,544,547,420.24

LIABILITIES AND EQUITY	*Notes*	**30 June 2012**	31 December 2011
Current liabilities			
Short-term loans		**1,172,660,032.06**	1,541,238,008.87
Notes payable	*5*	**6,096,533,351.50**	5,965,759,459.51
Accounts payable	*6*	**11,353,453,483.78**	13,078,975,509.97
Advances from customers		**1,046,049,588.34**	882,764,570.36
Payroll payable		**982,432,478.27**	1,134,476,103.29
Taxes payable		**142,671,588.94**	2,004,611,473.20
Interests payable		**126,410,978.29**	57,505,831.82
Dividends payable		**203,201,517.95**	59,135,231.94
Other payables		**4,056,392,780.65**	2,990,669,199.84
Non-current liabilities due within one year		**624,000,000.00**	700,000,000.00
Other current liabilities		**1,262,195,143.72**	998,201,870.63
Total current liabilities		**27,066,000,943.50**	29,413,337,259.43
Non-current liabilities			
Long-term borrowings		**220,000,000.00**	352,254,546.00
Bonds payable		**2,690,809,458.24**	2,687,471,069.22
Long-term payables		**5,500,000.00**	36,377,700.00
Special payables		**43,000,000.00**	23,000,000.00
Deferred tax liabilities		**57,649,950.35**	50,837,782.39
Other non-current liabilities		**95,452,545.64**	78,506,251.10
Total non-current liabilities		**3,112,411,954.23**	3,228,447,348.71
Total liabilities		**30,178,412,897.73**	32,641,784,608.14
Shareholders' equity			
Share capital		**1,666,091,366.00**	1,666,091,366.00
Capital reserve		**1,476,997,501.09**	1,520,836,404.54
Surplus reserve		**1,935,774,543.04**	1,935,774,543.04
Retained earnings		**19,544,310,125.73**	17,813,666,654.13
Exchange differences on foreign currency translation		**(38,883,477.31)**	(32,925,707.62)
Total equity attributable to the shareholders of the parent		**24,584,290,058.55**	22,903,443,260.09
Minority interests		**6,145,799,567.31**	5,999,319,552.01
Total shareholders' equity		**30,730,089,625.86**	28,902,762,812.10
Total liabilities and shareholders' equity		**60,908,502,523.59**	61,544,547,420.24

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

30 June 2012

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 accounting standards issued in February 2006, and the implementation guidance, interpretations and other relevant provisions issued subsequently by the MOF (collectively 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. Assets of subsidiaries held for sale are stated at the lower of fair value less estimated costs, and the original carrying value when it was qualified as held for sale. 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 Company and the Group as at 30 June 2012 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 not involving entities under common control at their fair values on the acquisition date.

The excess of the sum of the consideration paid (or equities securities 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 securities 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 securities 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 securities 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 2012 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 in the current period 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 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, interests receivable, available-for-sale financial assets, long-term equity investments, goodwill, deferred tax assets and other unallocated head office assets as these assets are managed on a group basis.

Segment liabilities exclude derivative instruments, borrowings, income tax payable, deferred tax liabilities and other unallocated head office 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 2012

	Diesel engines	Automobiles and other major automobile components	Non-major automobile components	Import & export services	Total
Segment revenue:					
Sale to external customers	9,468,724,121.94	16,981,084,602.87	534,360,726.16	75,506,168.90	27,059,675,619.87
Inter-segment sale	2,281,431,861.56	156,262.01	39,194,948.82	–	2,320,783,072.39
Total	11,750,155,983.50	16,981,240,864.88	573,555,674.98	75,506,168.90	29,380,458,692.26
Adjustment:					
Elimination of inter-segment sale					(2,320,783,072.39)
Revenue					27,059,675,619.87
Segment results	1,762,308,354.85	853,183,207.72	40,771,076.49	(8,226,161.36)	2,648,036,477.70
Adjustment:					
Elimination of inter-segment results					(323,256,569.06)
Interest income					162,279,026.57
Dividend income and unallocated income					201,027,146.30
Corporate and other unallocated expenses					(17,236,368.59)
Finance cost					(162,750,618.37)
Profit before tax					2,508,099,094.55
30 June 2012					
Segment assets	23,456,286,514.40	23,440,000,789.96	994,111,779.40	756,405,575.47	48,646,804,659.23
Adjustment:					
Elimination of inter-segment receivables					(1,752,349,400.86)
Corporate and other unallocated assets					14,014,047,265.24
Total assets					60,908,502,523.61
Segment liabilities	12,919,036,061.95	13,411,094,205.07	396,671,686.55	386,530,465.56	27,113,332,419.13
Adjustment:					
Elimination of inter-segment payables					(1,786,284,462.15)
Corporate and other unallocated liabilities					4,851,364,940.75
Total liabilities					30,178,412,897.73
January – June 2012					
Other segment information:					
Share of profit and loss from:					
Gain/(loss) from associates	40,496,514.43	(15,538,731.91)	–	69,883.80	25,027,666.32
Impairment gain/(loss) of inventories	2,909,736.53	(5,185,467.51)	(632,461.50)	–	(2,908,192.48)
Impairment reversal/(loss) of account receivables and other receivables	(36,534,995.39)	(29,494,445.81)	(3,366,037.01)	448,372.76	(68,947,105.45)
Depreciation and amortization	(278,858,364.34)	(405,889,686.09)	(15,730,653.34)	(12,970,737.55)	(713,449,441.32)
Gains/(loss) from disposal of fixed assets	1,529,170.51	2,319,319.31	294,962.32	–	4,143,452.14
Gain from disposal of intangible assets	1,912,519.00	–	–	–	1,912,519.00
Product warranty fees	(603,876,810.00)	(260,834,264.57)	–	–	(864,711,074.57)
Investment in associates	783,756,862.96	222,965,650.34	–	47,071,211.14	1,053,793,724.44
Capital expenditure	(1,036,671,421.94)	(1,549,162,954.14)	(35,652,658.55)	(10,540,384.52)	(2,632,027,419.15)

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
31 December 2011					
Segment assets	20,395,172,153.98	23,155,033,858.92	1,335,817,706.65	666,318,120.09	45,552,341,839.64
Adjustment:					
Elimination of inter-segment receivables					(1,655,244,665.81)
Corporate and other unallocated assets					17,647,450,246.41
Total assets					61,544,547,420.24
Segment liabilities	12,639,396,308.66	13,683,690,256.90	564,768,086.61	245,648,027.91	27,133,502,680.08
Adjustment:					
Elimination of inter-segment payables					(1,699,381,896.45)
Corporate and other unallocated liabilities					7,207,663,824.51
Total liabilities					32,641,784,608.14
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)
Gain/(loss) 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)

Group information

Information about products and services

Revenue from external transactions

	January-June 2012	January-June 2011
Diesel engines	**9,468,724,121.94**	14,358,660,329.72
Automobiles and other major automobile components	**16,981,084,602.87**	21,362,011,309.30
Non-major automobile components	**534,360,726.16**	817,809,427.24
Import & export services	**75,506,168.90**	88,932,729.20
	27,059,675,619.87	36,627,413,795.46

Geographic information

Revenue from external transactions

	January-June 2012	January-June 2011
Mainland China	**26,942,035,581.75**	34,494,957,212.32
Other countries and regions	**117,640,038.12**	149,261,246.21
	27,059,675,619.87	34,644,218,458.53

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

Total non-current assets

	30 June 2012	31 December 2011
Mainland China	**18,820,143,425.15**	17,711,809,904.30
Other countries and regions	**148,519,404.59**	148,825,282.74
	18,968,662,829.74	17,860,635,187.04

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 RMB2,570,469,892.69 (January to June 2011: RMB4,300,261,010.32) was derived from sales by Diesel engines segment and Automobiles and other major automobile components segment to a single customer, including sales to all entities which are known to be under common control by that customer.

3. NOTES RECEIVABLE

	30 June 2012	31 December 2011
Bank acceptance bills	**11,757,693,823.17**	9,537,263,772.66
Commercial acceptance bills	**29,180,541.00**	14,087,000.00
	11,786,874,364.17	9,551,350,772.66

As at 30 June 2012, top 5 notes receivable that were pledged are presented as follows:

Issuer	**Issuing date**	**Expiry date**	**Amount**	**Issued by**
Pang Da Automobile Trade Co., Ltd	2012.3.20	2012.9.20	100,000,000.00	Industrial and Commercial Bank of China
Baotou Northern Benz Heavy Truck Company Limited	2012.5.8	2012.11.8	30,000,000.00	Industrial and Commercial Bank of China
包頭市中駿汽車貿易有限公司	2012.2.27	2012.8.27	10,000,000.00	Industrial and Commercial Bank of China
山西世佳汽車貿易有限公司	2012.2.27	2012.8.27	10,000,000.00	Industrial and Commercial Bank of China
Huayin Equipment Machinery Group LTD, Inner Mongolia	2012.4.18	2012.10.18	10,000,000.00	Industrial and Commercial Bank of China
			160,000,000.00	

As at 31 December 2011, top 5 notes receivable that were pledged are presented as follows:

Issuer	**Issuing date**	**Expiry date**	**Amount**	**Issued by**
一汽解放汽車銷售有限公司	2011.10.14	2012.4.14	42,850,000.00	China Minsheng Bank
一汽非洲投資有限公司	2011.8.22	2012.2.22	24,530,103.00	Bank of China
Dongfeng Motor Co., Ltd (Commercial Vehicle Company)	2011.7.18	2012.1.18	10,000,000.00	China Merchants Bank
Dongfeng Motor Co., Ltd (Commercial Vehicle Company)	2011.7.18	2012.1.18	10,000,000.00	China Construction Bank
Dongfeng Motor Co., Ltd (Commercial Vehicle Company)	2011.7.18	2012.1.18	10,000,000.00	China Construction Bank
			97,380,103.00	

As at 30 June 2012 and 31 December 2011, the Group has not transferred any notes into accounts receivable due to issuers' failure in performance.

As at 30 June 2012, notes payable amounting to RMB297,840,894.08 (31 December 2011: RMB772,759,667.65) 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 2012	31 December 2011
Within 3 months	**3,701,972,670.06**	3,340,541,665.83
3 to 6 months	**1,053,276,156.60**	561,200,249.38
6 months to 1 year	**661,564,837.17**	772,279,665.14
1 to 2 years	**395,904,222.46**	351,849,915.70
2 to 3 years	**268,089,603.58**	290,295,211.06
Over 3 years	**250,637,688.98**	133,022,646.07
	6,331,445,178.85	5,449,189,353.18
Less: provision for bad debt in respect of accounts receivable	**758,678,360.90**	711,679,522.34
	5,572,766,817.95	4,737,509,830.84

Changes in provision for bad debts in respect of accounts receivable are presented as follows:

	30 June 2012	31 December 2011
Opening balance	**711,679,522.34**	780,731,652.28
Provision for the period/year	**96,643,920.30**	41,936,260.13
Decrease during the period/year:		
Reversal	**(29,813,069.62)**	(102,632,355.59)
Write-off	**(594,508.46)**	(8,356,034.48)
Disposal of subsidiaries	**(10,401,222.59)**	–
Subsidiaries held for sale	**(8,836,281.07)**	–
Closing balance	**758,678,360.90**	711,679,522.34

	30 June 2012			
	Gross carrying amount	**Proportion (%)**	**Provision for bad debt**	**Percentage (%)**
Individually significant items for which provision for bad debt is recognized separately	**534,900,347.10**	**8.45**	**325,145,232.68**	**60.79**
Items for which provision for bad debt is recognized by group	**5,665,376,172.53**	**89.48**	**361,454,000.71**	**6.38**
Not individually significant items for which provision for bad debt is recognized separately	**131,168,659.22**	**2.07**	**72,079,127.51**	**54.02**
	6,331,445,178.85	**100.00**	**758,678,360.90**	

	31 December 2011			
	Gross carrying amount	Proportion (%)	Provision for bad debt	Percentage (%)
Individually significant items for which provision for bad debt is recognized separately	502,876,031.87	9.23	318,517,284.15	63.34
Items for which provision for bad debt is recognized by group	4,839,326,909.81	88.81	322,955,442.91	6.67
Not individually significant items for which provision for bad debt is recognized separately	106,986,411.50	1.96	70,206,795.28	65.62
	5,449,189,353.18	100.00	711,679,522.34	

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

	30 June 2012				31 December 2011			
	Gross carrying amount	**Proportion (%)**	**Provision for bad debt**	**Percentage (%)**	Gross carrying amount	Proportion (%)	Provision for bad debt	Percentage (%)
Within 1 year	**5,334,716,614.67**	**94.16**	**250,156,083.96**	**4.69**	4,572,217,468.44	94.48	211,294,936.28	4.62
1 to 2 years	**200,030,735.76**	**3.53**	**21,106,371.90**	**10.56**	123,459,992.41	2.55	15,462,647.78	12.53
2 to 3 years	**39,729,100.34**	**0.70**	**11,916,990.09**	**30.00**	42,536,151.15	0.88	12,726,554.70	29.92
3 to 4 years	**19,281,692.89**	**0.34**	**9,640,846.45**	**50.00**	28,975,100.03	0.60	14,659,978.10	50.60
4 to 5 years	**14,961,352.97**	**0.27**	**11,977,032.41**	**80.05**	16,634,358.32	0.34	13,307,486.65	80.00
Over 5 years	**56,656,675.90**	**1.00**	**56,656,675.90**	**100.00**	55,503,839.46	1.15	55,503,839.40	100.00
	5,665,376,172.53	**100.00**	**361,454,000.71**		4,839,326,909.81	100.00	322,955,442.91	

In January to June 2012, the reversal or recovery of significant accounts receivables are presented as follows:

	Reason for reversal or recovery	**Basis for recognition of provision for original bad debts**	**Accumulated amount of provision for bad debts before the reversal or recovery**	**Amount reversed or recovered**
陝西榮昌源貿易有限公司	Partial or wholly recovery	Estimated recoverable amount	41,447,542.08	6,524,888.75
大同市易富商貿有限責任公司	Partial or wholly recovery	Estimated recoverable amount	26,575,080.39	1,922,248.00
山西通泰汽車銷售服務有限責任公司	Partial or wholly recovery	Estimated recoverable amount	56,634,426.00	5,400,000.00
大連陝汽汽車銷售有限責任公司	Partial or wholly recovery	Estimated recoverable amount	27,947,821.55	2,144,397.00
上海華嶽汽車銷售服務有限責任公司	Partial or wholly recovery	Estimated recoverable amount	13,899,019.04	1,631,222.18
			166,503,889.06	17,622,755.93

In 2011, the reversal or recovery of significant accounts receivables are presented as follows:

	Reason for reversal or recovery	Basis for recognition of provision for original bad debts	Accumulated amount of provision for bad debts before the reversal or recovery	Amount reversed or recovered
Inner Mongolia Yunchou Industry and Trade Co., Ltd	Partial or wholly recovery	Estimated recoverable amount	19,744,151.97	19,744,151.97
陝西榮昌源貿易有限公司	Partial or wholly recovery	Estimated recoverable amount	60,975,763.95	19,528,221.87
浙江同岳實業有限公司	Partial or wholly recovery	Estimated recoverable amount	15,547,730.62	12,503,594.62
大同市易富商貿有限責任公司	Partial or wholly recovery	Estimated recoverable amount	38,817,085.59	12,242,005.20
			135,084,732.13	64,017,973.66

For the period from January to June 2012, accounts receivable written off amounted to RMB594,508.46 (2011: RMB3,856,034.49). 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 2012, 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 2011: Nil). Balance of accounts receivable with other related parties are set out in Note VI.6 to the financial statements of the Company's 2012 Interim Report.

As at 30 June 2012, the top 5 accounts receivable are presented as follows:

	Gross carrying amount	Age	Percentage of total accounts receivable (%)
Zoomlion Heavy Industry Science and Technology Co., Ltd Yuanjiang Branch	431,927,149.15	Within 1 year	6.82
Shaanxi Fast Gear Automotive Transmission Co., Ltd.	403,365,277.38	Within 1 year	6.37
Beiqi Foton Motor Co., Ltd.	320,923,764.61	Within 1 year	5.07
東風汽車有限公司商用車零部件採購總部	263,491,478.76	Within 1 year	4.16
Shaanxi Automobile Group Changsha Huantong Automobile Manufacturing Co., Ltd	162,340,026.25	1 to 2 years	2.56
	1,582,047,696.15		24.98

As at 31 December 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)	465,078,713.33	Within 1 year	8.53
Beiqi Foton Motor Co., Ltd.	249,130,456.08	Within 1 year	4.57
Shaanxi Automobile Group Changsha Huantong Automobile Manufacturing Co., Ltd.	193,772,878.75	Within 2 years	3.56
LLC PC ARGO	153,993,791.80	Within 1 year	2.83
(阿爾及利亞) EURL GM TRADE	152,296,133.59	Within 1 year	2.79
	1,214,271,973.55		22.28

Accounts receivable denominated in foreign currencies are as follows:

	30 June 2012			31 December 2011		
	Original currency	**Exchange rate**	**RMB equivalent**	Original currency	Exchange rate	RMB equivalent
Accounts receivable						
– USD	**71,859,055.46**	**6.3249**	**454,501,339.88**	110,002,093.71	6.3009	693,112,192.28
– EUR	**8,986,297.74**	**7.8710**	**70,731,149.49**	12,858,770.66	8.1625	104,959,715.53
– HKD	**115.90**	**0.8152**	**94.48**	116.18	0.8107	94.19
– GBP	**3,022.02**	**9.8169**	**29,666.87**	348.29	9.7116	3,382.47
			525,262,251.72			798,075,384.47

5. NOTES PAYABLE

	30 June 2012	31 December 2011
Bank acceptance bill	**6,096,533,351.50**	5,965,759,459.51

As at 30 June 2012, the amount of notes payable falling due in the next accounting period was RMB6,096,533,351.50.

As at 30 June 2012, notes payable did not include amounts payable to shareholders that held 5% or more of the Company's voting shares (31 December 2011: nil). Please refer to Note VI. 6 to the financial statements of the Company's 2012 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 are generally settled within three months.

	30 June 2012	31 December 2011
Accounts payable	**11,353,453,483.78**	13,078,975,509.97

As at 30 June 2012, the aging analysis of accounts payable based on the invoice date is presented as follows:

	30 June 2012	31 December 2011
Within 3 months	**10,250,261,809.92**	12,204,971,043.43
3 to 6 months	**603,769,862.71**	539,622,179.76
6 months to 1 year	**241,948,524.40**	215,204,458.29
Over 1 year	**257,473,286.75**	119,177,828.49
Total	**11,353,453,483.78**	13,078,975,509.97

As at 30 June 2012, there was no material accounts payable which aged over one year (31 December 2011: nil).

As at 30 June 2012, amounts payable to shareholders that held 5% or more of the Company's voting shares included in accounts payable amounted to RMB1,728,284.14 (31 December 2011: RMB283,674.76). Please refer to Note VI. 6 to the financial statements of the Company's 2012 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 2012			31 December 2011		
	Original currency	**Exchange rate**	**RMB equivalent**	Original currency	Exchange rate	RMB equivalent
Accounts payable						
– USD	**4,221,499.12**	**6.3249**	**26,700,559.78**	5,142,173.67	6.3009	32,400,322.08
– EUR	**3,096,328.72**	**7.8710**	**24,371,203.35**	9,157,948.79	8.1625	74,751,757.01
			51,071,763.13			107,152,079.09

7. REVENUE AND COST OF SALES

The revenue is listed as follows:

Revenue includes turnover and other revenue that arise in the course of the Group's ordinary activities. The Group's turnover, which arises from the principal activities of the Group, represents the net invoiced value of goods sold, after allowances for returns, trade discounts and the value of services rendered; and gross rental income received and receivable from investment properties.

	January-June 2012	January-June 2011
Revenue from principal operations	**25,726,945,253.85**	34,644,218,458.53
Other revenue	**1,332,730,366.02**	1,983,195,336.93
	27,059,675,619.87	36,627,413,795.46

Cost of sales is listed as follows:

	January-June 2012	January-June 2011
Cost of sales for principal operations	**20,638,053,845.37**	26,938,105,646.70
Other cost of sales	**1,232,124,315.41**	1,794,753,254.62
	21,870,178,160.78	28,732,858,901.32

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

	January-June 2012		January-June 2011	
	Revenue	**Cost**	Revenue	Cost
Manufacturing of equipment	**25,540,142,195.95**	**20,458,261,502.77**	34,438,902,925.43	26,748,453,958.46
Others	**186,803,057.90**	**179,792,342.60**	205,315,533.10	189,651,688.24
	25,726,945,253.85	**20,638,053,845.37**	34,644,218,458.53	26,938,105,646.70

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

	January-June 2012		January-June 2011	
	Revenue	**Cost**	Revenue	Cost
Domestic	**24,389,530,987.78**	**19,482,068,385.00**	33,649,334,688.47	26,072,236,512.48
Overseas	**1,337,414,266.07**	**1,155,985,460.37**	994,883,770.06	865,869,134.22
	25,726,945,253.85	**20,638,053,845.37**	34,644,218,458.53	26,938,105,646.70

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

	January-June 2012		January-June 2011	
	Revenue	**Cost**	Revenue	Cost
Complete vehicles and key components	**19,535,270,412.51**	**15,414,518,002.05**	26,884,086,251.52	20,769,849,335.17
Non-automobile engines	**3,091,670,696.97**	**2,579,170,723.88**	3,508,561,031.12	2,820,502,075.13
Other automobile components	**2,743,106,751.33**	**2,297,427,778.20**	3,839,537,272.29	2,997,940,464.72
Others	**356,897,393.04**	**346,937,341.24**	412,033,903.60	349,813,771.68
	25,726,945,253.85	**20,638,053,845.37**	34,644,218,458.53	26,938,105,646.70

In January to June 2012, revenue from the top 5 customers is presented as follows:

	Amount	**Proportion of revenue (%)**
Beiqi Foton Motor Co., Ltd.	**2,570,469,892.69**	**9.50**
Zoomlion Heavy Industry Science and Technology Co., Ltd	**891,180,391.95**	**3.29**
Baotou Northern Benz Heavy Truck Company Limited	**646,205,731.63**	**2.39**
Pang Da Automobile Trade Co., Ltd	**634,149,760.42**	**2.34**
Faw Jiefang Automotive Co., Ltd	**617,652,130.16**	**2.28**
	5,359,657,906.85	**19.80**

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

	Amount	**Proportion of revenue (%)**
Beiqi Foton Motor Co., Ltd.	4,300,261,010.32	11.74
Faw Jiefang Automotive Co., Ltd	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
Pang Da Automobile Trade Co., Ltd	991,985,159.92	2.71
	10,117,012,486.11	27.62

Revenue is listed as follows:

	January-June 2012	January-June 2011
Revenue from principal operations		
Sales of goods and others	**25,726,945,253.85**	34,644,218,458.53
Other revenue		
Sales of materials	**924,890,065.99**	1,553,098,871.86
Sales of power	**23,704,776.29**	25,342,514.36
Lease income	**40,249,331.14**	31,094,803.30
Provision of non-industrial labour	**320,512.82**	867,662.83
Others	**343,565,679.78**	372,791,484.58
	1,332,730,366.02	1,983,195,336.93
	27,059,675,619.87	36,627,413,795.46

8. TAXES AND SURCHARGES

	January-June 2012	January-June 2011
Business tax	**7,064,688.02**	6,874,027.87
City construction tax	**57,024,936.09**	97,324,404.13
Educational surtax	**42,363,751.34**	58,628,845.84
Others	**7,251,098.64**	2,393,364.18
	113,704,474.09	165,220,642.02

Please refer to Note III. Taxes to the financial statements of the Company's 2012 Interim Report for tax rates.

9. INCOME TAX EXPENSES

	January-June 2012	January-June 2011
Current tax expenses	**329,366,921.82**	671,687,526.65
Deferred tax expenses	**89,889,521.62**	84,883,244.02
	419,256,443.44	756,570,770.67

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

		January-June 2012	January-June 2011
Total profit		**2,508,099,094.55**	4,841,787,252.81
Tax at statutory tax rate	*Note*	**624,698,609.04**	1,208,180,823.25
Effect of different tax rates applicable to parent company and some subsidiaries		**(254,309,384.83)**	(475,251,277.38)
Adjustments to current tax of previous periods		**(1,763,777.41)**	4,199,785.49
Profits and losses attributable to associates		**(3,754,149.95)**	(5,893,165.38)
Income not subject to tax		**(990,000.00)**	(910,450.00)
Expenses not deductible for tax		**17,502,034.88**	27,922,262.77
Tax incentives on eligible expenditures		**(23,239,274.86)**	(16,450,138.61)
Utilization of deductible losses from prior years		**(865,019.82)**	(6,559,629.96)
Unrecognized deductible losses		**60,406,642.70**	16,207,086.66
Effect of unrecognized deductible temporary difference		**1,570,763.69**	5,125,473.83
Tax expense at the Group's effective tax rate		**419,256,443.44**	756,570,770.67

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.

No provision for Hong Kong profit tax has been made as the Group had no taxable profits arising in Hong Kong for the period.

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 2012	January-June 2011
Earnings		
Net profit of the current period attributable to ordinary shareholders of the Company	**1,897,252,608.20**	3,501,706,567.71
Shares		
Weighted average number of the ordinary shares outstanding of the Company	**1,666,091,366.00**	1,666,091,366
EPS (RMB/share)	**1.14**	2.10

The Company holds no potential shares that are dilutive.

11. OTHER COMPREHENSIVE INCOME

	January-June 2012	January-June 2011
Gain/(loss) from changes in fair value of available-for-sale financial assets	**54,465,346.41**	(139,053,521.38)
Less: Income tax effects of changes in fair value of available-for-sale financial assets	**8,256,336.60**	(20,923,380.34)
	46,209,009.81	(118,130,141.04)
Share of investee's other comprehensive income under equity method	**(42,010,385.84)**	(114,229,533.20)
Exchange differences on foreign currency translation of foreign operations	**(5,951,614.80)**	12,516,498.39
	(1,752,990.83)	(219,843,175.85)

12. DIVIDEND

The Board proposed on 30 August 2012 to distribute a 2012 interim cash dividend of RMB1.00 (including tax) for every 10 shares based on the total share capital of 1,999,309,639 shares of the Company (six months ended 30 June 2011: No interim dividend recommended). Please refer to the further announcement to be issued by the Company for details on the closure of registers of members in determining the shareholders who are eligible for the interim dividend.

Pursuant to an annual general meeting of shareholders of the Company held on 29 June 2012, a mandate has been given to the Board for the payment of 2012 interim dividend.

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 2012 (the "Period").

I. Review of Operations

Entering the first half of 2012, amidst the complexity and severity of the economic conditions both at home and abroad, the Chinese Communist Party and the State Council adhered to the overall theme of "making steady progress" in balancing the relationship among maintaining a faster and steady economic development, adjustment of economic structure and management of inflation expectation. Steady economic growth was given priority in the government's implementation of its pro-active fiscal policies and robust monetary policies in its increasing efforts in adjusting and fine-tuning policies. The national economy was steady in general and attained positive growth at the same time.

The first half of the year witnessed steady growth in the national economy which was within expectations. Gross domestic product reached RMB22.71 trillion, representing a year-on-year growth of 7.8%, or a growth of 8.1% for the first quarter and 7.6% for the second quarter, illustrating a downward trend of growth from the first to the second quarter. During the Period, economic growth and fixed asset investment growth in the PRC slowed down and there were significant downturn in the heavy-duty truck market. During the Period, the aggregate sales of heavy-duty trucks in PRC were 371,600 units, representing a year-on-year decrease of 32%. In particular, the sales for the second quarter was 168,200 units, which represents a year-on-year decrease of 43.6% or a quarter-on-quarter decrease of 17.3%. Affected by the downturn of the heavy-duty truck market, the Company's aggregate sales of heavy-duty truck engines amounted to 126,300 units during the Period, representing a year-on-year decrease of 39.9%. The Company's share in the auxiliary market for heavy-duty trucks with a gross weight of above 14 tonnes market reached 34%, maintaining the Company's absolute leading position in the industry. Relying on the competitive advantage of its products, Shaanxi Heavy-duty Motor Company Limited (陝西重型汽車有限公司), a holding subsidiary of the Company, continued to lead the industry by reporting an aggregate sales of 49,200 units of heavy-duty trucks for the first half of the year, representing a year-on-year decrease of 22.1% which decrease nevertheless was still below industry average. Shaanxi Fast Gear Co. Ltd. (陝西法士特齒輪有限責任公司), a holding subsidiary of the Company, has maintained its absolute leading position in the industry albeit reporting an aggregate sales of 260,200 units of gear boxes, representing a year-on-year decrease of 41%.

During the Period, signs of downturn appeared in the fixed asset investment in the PRC, with the total fixed asset investment in the PRC amounting to RMB15.07 trillion, representing a year-on-year increase of 20.4% but the rate of increase showed a decrease of 5.2 percentage points from the corresponding period last year. Investment in real estate developments amounted to RMB3.06 trillion, representing a year-on-year growth of 16.6% and a decrease of 16.3 percentage points from the corresponding period last year. Under such influence, the industry of construction machinery recorded substantial decrease in sales. During the Period, the aggregate sales in the PRC's construction machinery market were approximately 389,500 units, representing a year-on-year decrease of 22.9%. In particular, 63,000 units of wheel loaders with a load capacity of 5 tonnes were sold, representing a year-on-year decrease of 33.3%. The Company's sales of engines for wheel loaders with a load capacity of 5 tonnes were 39,600 units, representing a year-on-year decrease of 47.6%. According to the information published on the website of China Construction Machinery Network (中國工程機械信息網), the Company's market share in the market of wheel loader with a load capacity of 5 tonnes reached 62.3%, maintaining the Company's leading position in the area.

During the Period, with our technology innovation, the Company continued to lead the power technology development trend in the PRC. For the first half of 2012, the Company reported a sales figure of 117,800 units of 10L and 12L China III engines, maintaining the stable leading position of China III heavy-duty engine products in heavy-duty trucks market. 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 amounted to 2,708 units and grew by 78.4% as compared to the same period last year. Of these sales, 2,382 units were adopted in passenger vehicles, representing a year-on-year growth of 227.3%. This demonstrated 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 scientific approach of "Driven by innovation, and grow organically" for its development, by continuously enhancing its level of management through adjustment of its model and structure, and boosting its steady and healthy development. Firstly, in thoroughly enshrining our notion of Betterment of WOS, we initiated full participation by our staff members to eliminate wastage and enhance labour productivity. Secondly, we continued to consolidate our information-based enhancement, by refining our information service network and setting up an information system which covers every aspect of our business operation to enhance work efficiency. Thirdly, all staff members were arranged to participate in our Product Year campaign. Product planning, product development, process optimization, supply-management, quality improvement, after-sale service and betterment support are the seven aspects which aimed to enhance product standards, improve brand image and expand international market recognition. Fourthly, the Company adhered to its self-innovative initiative. Efforts were stepped up in recruiting high-end talents from abroad, improving the organizational structure of technology centres and cooperating with domestic and international research institutes and tertiary institutions to boost the research and development of cutting-edge core technologies.

During the Period, the Company's revenue decreased by approximately 26.1% over the same period of 2011 to approximately RMB27,060 million. The net profit attributable to shareholders was approximately RMB1,897 million, representing a decrease of approximately 45.8% over the same period of 2011. The basic earnings per share were RMB1.14, representing a decrease of approximately 45.7% over the same period of 2011.

II. Dividend and Capitalisation from Retained Earnings

The Board proposed on 29 March 2012 to distribute 2 bonus shares for every 10 Shares held by its shareholders and a cash dividend of RMB1.00 (including tax) for every 10 shares based on the total share capital of 1,666,091,366 shares of the Company; which has been subsequently approved by the Company's shareholders at the annual general meeting held on 29 June 2012.

The Board proposed on 30 August 2012 to distribute an interim cash dividend of RMB1.00 (including tax) for every 10 shares held by its shareholders based on the total share capital of 1,999,309,639 shares of the Company. Please refer to the further announcement to be issued by the Company for details on the closure of registers of members in determining the shareholders who are eligible for the interim dividend.

III. Acquisition and Consolidation

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

IV. Outlook and Prospects

At present, the overall trend of economic development in the PRC is steady and within expectations. However, given that economic conditions at home and abroad are still complex with much uncertainty, there exists high downside pressure. In the second half of the year, it is expected that the key tone of the PRC's policy would be steady growth and its pro-active fiscal policies and robust monetary policies will continue to ensure the consistency and stability of the macroeconomic policies, while relevant policies will be fine-tuned to maintain the overall steady economic conditions.

Notwithstanding the severity of the current economic conditions in the PRC, the time span and extent of the continuation of the slowdown in the pace of economic growth shows that it is still better than the period of subprime crisis back in 2008. By using policy means to counteract and hedge against unfavorable external impact, it is likely that the existing trend of prolonged economic downturn will be reversed.

In the first half of the year, the economic downturn in the PRC has brought certain pressure. While adjustment and fine-tuning is expedited under the nation's macroscopic economic policy, various ministries and commissions of the PRC have, under the theme of "securing economic growth", launched various rules of implementation to encourage investment of private funding in monopolistic industries. The Ministry of Transport also pointed out recently that the automobile purchase tax in the amount of more than RMB510 billion shall be invested in constructing highways connecting regions which are under particularly bad conditions. Quality investments will provide a strong drive for "securing economic growth".

The following are the favourable factors for the industrial economic performance in the second half of the year:

Firstly, the new round of policies to boost domestic demand will favour stable economic growth. While there are currently greater downside risks in the macro economy, embarking upon investments has again become the major means of stablizing economic growth. Since the end of February, the granting of approvals of major construction projects in the PRC has obviously been sped up. The gradual launch of projects focusing on key geographical areas or key industries will effectively drive the growth of domestic demand, and the growth of investment in particular.

Secondly, the decrease in consumer price index has paved the way for the relaxation of the monetary policies. Since June this year, the central bank of the PRC has, for two times within a short time frame, reduced the benchmark interest rates applicable to lending and deposit-taking conducted by financial institutions, which took place after the most recent decrease three and a half years ago. It is expected that the second half of the year will see further decrease in consumer price index to less than 3%, paving the way for the relaxation of the monetary policies.

Thirdly, lower price level of bulk commodities can alleviate the cost pressure on industrial enterprises. The reduction in the price level of bulk commodities will to a certain extent lessen the pressure of importation inflation and alleviate the damage to profit as a result of high costs.

According to the figures recently published by the National Bureau of Statistics of China, the second quarter of the year witnessed a significant increase in the number of newly-commenced construction projects to 112,900, which was nearly twice the figure in the first quarter of the year. State funds stated for investment projects for the first six months was slightly higher than those for the first five months. State funds stated for the period from January to June grew by 17.0% year-on-year, which exceeded the figure for the period from January to May by 0.2 percentage points.

Concluding the above, state policies will be expected to reinforce curbs on inflation, expand domestic demand and facilitate civilian constructions in the second half of the year. The combination of robust monetary policies and proactive fiscal policies will be adopted to enhance the effects of the PRC's austerity measures in stabilizing the economy. In the second half of 2012, it is expected that the PRC economy will stabilize and improve, albeit substantial increase is not probable.

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 and construction-related heavy-duty trucks will be driven in a long term basis 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 in the PRC. With regard to the construction machinery market, investment growth may increase year-on-year in the second half of this year due to several favorable factors, such as the construction of affordable housing, the acceleration of the development of urbanization and civilian engineering construction, the continual relaxation of the policies applicable to private investment and the steady progress of the development strategies of the western regions of China. The overall demand in the construction machinery sector could be stronger than that in the first half of the year.

With the upcoming implementation of the China IV Emission Standards, and the establishment of the 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 strong loyal customer base, we will maintain our leading position in the market of high-power engines and high-duty gear boxes. The directors have full confidence in the development 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 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, in order to prepare for any 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 Company's coordinated development of the 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 a focused strategy on complete engines coupled with the core technology for power assembly, so as to develop itself into a unique and world-leading equipment manufacturer.

The Company considers that the industry adjustment poses both challenges and opportunities and paves the way for upgrading its corporate quality. The Company will take advantage of the 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 leading the industry's development in times of upward cycles.

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 2012 (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

The first half of the year witnessed steady growth in the national economy which was within expectations. Gross domestic product reached RMB22.71 trillion, representing a year-on-year growth of 7.8%, or a growth of 8.1% for the first quarter and 7.6% for the second quarter, illustrating a downward trend of growth from the first to the second quarter.

During the Period, the slowdown of economic growth and fixed asset investment growth in the PRC had caused a significant downturn year-on-year in the heavy-duty truck market. Aggregate sales of heavy-duty trucks in the PRC during the Period were approximately 371,600 units, representing a year-on-year decrease of 32%. In particular, the sales figure for the second quarter was approximately 168,200 units, which represents a year-on-year decrease of 43.6% or a quarter-on-quarter decrease of 17.3%.

2. Construction Machinery

During the Period, signs of downturn appeared in the fixed asset investment in the PRC, with the total fixed asset investment in the PRC amounting to RMB15.07 trillion, representing a year-on-year increase of 20.4% but the rate of increase showed a decrease of 5.2 percentage points from the corresponding period last year. Investment in real estate developments amounted to RMB3.06 trillion, representing a year-on-year growth of 16.6% and a decrease of 16.3 percentage points from the corresponding period last year. Under such influence, the industry of construction machinery recorded substantial decrease in sales. During the Period, the aggregate sales in the PRC's construction machinery market were approximately 389,500 units, representing a year-on-year decrease of 22.9%. In particular, 63,000 units of wheel loaders with a load capacity of 5 tonnes were sold, representing a year-on-year decrease of 33.3%.

II. The Group's Business

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

1. Sale 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 126,300 units in the Period, representing a year-on-year decrease of approximately 39.9%. The Company's market share in the heavy-duty truck with a gross weight of above 14 tonnes market reached 34%, maintaining the Company's absolute leading position in the industry.

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's sales of engines for wheel loader with a load capacity of 5 tonnes were approximately 39,600 units, representing a year-on-year decrease of approximately 47.6%. According to the information published on the website of China Construction Machinery Network (中國工程機械信息網), the Company's market share in the market of wheel loader with a load capacity of 5 tonnes reached 62.3%, maintaining the Company's leading position in the area.

2. Sale of Heavy-duty Trucks

Relying on the competitive advantage of its products, the Group reported an aggregate sales of approximately 49,200 units of heavy-duty trucks for the Period, representing a decrease of approximately 22.1% over the approximately 63,200 units of heavy-duty trucks sold in the corresponding period of last year, the rate of decrease being lower than the industry average. Prior to intra-group elimination, the truck business contributed approximately RMB13,106 million to the Group's sales revenue during the Period.

3. Sale of Heavy-duty Gear Boxes

During the Period, the Group sold approximately 260,200 units of heavy-duty gear boxes, representing a decrease of approximately 41% compared to approximately 441,000 units sold in the corresponding period of 2011, nevertheless maintaining its absolute leading position in the industry. Prior to intra-group elimination, the gear boxes business contributed approximately RMB3,773 million to the Group's sales revenue during the Period.

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

Apart from the production and sale of diesel engines for trucks and construction machinery, heavy-duty trucks and heavy-duty gear boxes, the Group is also engaged in the production and sales of engine parts and components and other truck parts and components such as: spark plugs, axles, chassis, air-conditioner compressors, etc. During the Period, the Group's sales of parts and components of engines and trucks amounted to approximately RMB1,068 million, representing a year-on-year decrease of approximately 31.45% or approximately RMB490 million compared to RMB1,558 million in the corresponding period of 2011.

III. Financial Review

1. The Group's Results of Operations

a. Revenue

The Group's revenue decreased from approximately RMB36,627 million in the corresponding period of 2011 to approximately RMB27,060 million in the Period, representing a decrease of approximately 26.1%. The decrease compared to the same period last year was mainly attributable to the slowdown in the pace of economic growth and fixed asset investment growth in the PRC. In particular, the revenue from principal operations decreased by approximately 25.7%, from approximately RMB34,644 million in the corresponding period of 2011 to approximately RMB25,727 million for the Period, which was mainly attributable to the decrease in sales of engines for construction machinery and heavy-duty trucks. During the Period, the Group sold a total of approximately 39,600 units of diesel engines for use in wheel loaders with a load capacity of 5 tonnes in the construction machinery sector, compared to approximately 76,000 units in the corresponding period of 2011, representing a decrease of approximately 47.6%. During the Period, Shaanxi Zhongqi recorded an aggregate sales of approximately 49,200 units of heavy-duty trucks, compared to approximately 63,200 units in the corresponding period of last year, representing a decrease of 22.1%. Other revenue decreased by approximately 32.78%, from approximately RMB1,983 million in the corresponding period of 2011 to approximately RMB1,333 million for the Period, which was primarily attributable to the 40.4% decrease in revenue generated from the sales of raw materials as compared to the corresponding period of last year.

b. *Profit from Principal Operations*

During the Period, the Group generated gross profit from principal operations in the amount of approximately RMB5,089 million, representing a decrease of approximately 34% as compared to approximately RMB7,706 million recorded in the corresponding period of 2011. Gross profit margin of principal operations was 19.8%, slightly lower than approximately 22.2% recorded in the corresponding period of 2011, which was mainly attributable to the adjustment in product sales mix.

c. *Distribution and selling expenses*

Distribution and selling expenses decreased by approximately 16.1% to approximately RMB1,284 million in the Period from approximately RMB1,531 million in the corresponding period of 2011. As a percentage of revenue, distribution and selling expenses increased from approximately 4.2% in the corresponding period of 2011 to approximately 4.7% in the Period.

d. *General and Administrative Expenses*

General and administrative expenses of the Group decreased by approximately 2.8% or approximately RMB40 million from approximately RMB1,435 million in the corresponding period of 2011 to approximately RMB1,395 million in the Period, which was mainly due to the decrease in staff costs and intermediary charges which were included as part of general and administrative expenses.

e. *Total Profit before Finance and Income Tax Expenses*

During the Period, the Group's total profit before finance and income tax expenses decreased by approximately 48.2% to approximately RMB2,509 million in the Period from approximately RMB4,845 million in the corresponding period of 2011. During the Period, the Group's operating margin was approximately 8.9%, which was lower than the corresponding period of 2011 of approximately 12.9%.

f. *Finance Expenses*

Finance expenses decreased by approximately 83.3% to approximately RMB0.5 million in the Period from approximately RMB3 million in the corresponding period of 2011. This decrease was mainly attributable to the interest income being more than interest expenses during the Period.

g. *Income Tax Expenses*

The Group's income tax expenses decreased by approximately 44.6% from approximately RMB757 million in the corresponding period of 2011 to approximately RMB419 million in the Period. During the Period, the Group's average effective tax rate increased to approximately 16.7%, as compared to approximately 15.6% in the corresponding period of 2011.

h. *Net Profit and Net Profit Margin*

The Group's net profit for the Period decreased by approximately 48.9% from approximately RMB4,085 million in the corresponding period of 2011 to approximately RMB2,089 million in the Period. During the Period, the net profit margin decreased to approximately 7.7%, as compared to approximately 11.2% in the corresponding period of 2011.

i. *Liquidity and Cash Flow*

During the Period, the Group generated net operating cash flows of approximately RMB-1,105 million. It was primarily attributable to the reduction in discount of notes receivable having regard to the surplus cash and cash equivalents of the Company during the Period, which is sufficient for the daily operation of the Company. As at 30 June 2012, the Group had net cash (cash and cash equivalents net of interest-bearing debts) of RMB5,580 million (as at 31 December 2011: the Group had a net cash (cash and cash equivalents net of interest-bearing debts) of RMB8,036 million). Based on the calculation above, the debt to equity ratio is not-applicable as the Group has a net cash position (as at 31 December 2011: 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. As such, on the annual general meeting 2010 of the Company held on 18 May 2011, 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.

b. *Assets and Liabilities*

As at 30 June 2012, the Group had total assets of approximately RMB60,909 million, of which approximately RMB41,032 million were current assets. As at 30 June 2012, the Group had cash and cash equivalents of approximately RMB13,007 million (as at 31 December 2011: RMB16,613 million). On the same date, the Group's total liabilities amounted to approximately RMB30,178 million, of which approximately RMB27,066 million were current liabilities. The current ratio was approximately 1.52 (as at 31 December 2011: 1.45).

c. Capital Structure

At 30 June 2012, the Group had total equity of approximately RMB30,730 million, of which approximately RMB24,584 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 2012 amounted to approximately RMB4,708 million, which included debenture of approximately RMB2,691 million and bank borrowings of approximately RMB2,017 million. The bank borrowings included approximately RMB463 million of fixed interest rate bank borrowings and approximately RMB1,554 million of floating interest rate bank borrowings. The Group's borrowings maturing within one year from 30 June 2012 amounted to approximately RMB1,797 million and borrowings maturing in more than one year from 30 June 2012 amounted to approximately RMB2,911 million. Other than approximately RMB76 million and RMB75 million which are Hong Kong dollars-denominated and US dollars-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 2012, bank deposits and notes receivables of approximately RMB3,100 million (as at 31 December 2011: RMB4,068 million) were pledged to banks to secure the Group's notes payables and notes 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. 22 to the financial statements of the Company's 2012 Interim Report.

e. Contingencies

On 30 June 2012, the Group provided to certain distributors and agents bank guarantee amounting to approximately RMB1,274 million (as at 31 December 2011: approximately RMB719 million) to secure their obtaining and use of banking facilities. On 30 June 2012, 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 RMB464 million (as at 31 December 2011: approximately RMB101 million).

Details are set out in Note VII to the financial statements of the Company's 2012 Interim Report.

f. Commitments

As at 30 June 2012, the Group had approximately RMB2,110 million capital commitments (as at 31 December 2011: approximately RMB2,561 million), among which contracted capital commitments amounted to approximately RMB2,097 million, principally for the capital expenditure in respect of acquisition of property, plant and equipment.

As at 30 June 2012, the Group had no investment commitments (as at 31 December 2011: approximately RMB200 million). Details are set out in Note VIII to the financial statement of the Company's 2012 Interim Report.

All the above commitments are expected to be funded from the Group's internal resources.

3. Other Financial Information

a. Employees

As at 30 June 2012, the Company had approximately 46 thousand employees. During the Period, the Group had paid remuneration of approximately RMB1,547 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 2012, the interests and short position (if any) of the directors, the chief executive and the supervisors in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code"), were as follows:

	Capacity	Number of "A" shares held	Number of "H" 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	52,640,000 *(Note 2)*	409,010	3.18%
Julius G. Kiss *(Note 4)*	Held by controlled corporation	34,400,000 *(Note 2)*	–	2.06%
Zhang Zhenhua *(Note 5)*	Interest held by spouse	19,600	–	0.001%

Notes:

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

2. These were previously foreign shares of the Company. The foreign shares were ordinary shares issued by the Company, with a Renminbi-denominated par value of RMB1.00 each, which were subscribed for and paid up in a currency other than Renminbi. These shares became “A” shares of the Company upon the “A” share listing of the Company on the Shenzhen Stock Exchange.

3. Yeung Sai Hong, a Non-executive Director, was directly and indirectly interested in the issued share capital of Peterson Holdings Company Limited (“Peterson”), which in turn held 52,640,000 “A” shares in the Company. Yeung Sai Hong was also indirectly interested in the issued share capital of Master Hand Investments Limited, which in turn held 409,010 “H” shares in the Company.

4. Julius G. Kiss, a Non-executive Director, was indirectly interested in the entire issued share capital of IVM Technical Consultants Wien Gesellschaft m.b.H. (“IVM”), which in turn held 34,400,000 “A” shares in the Company.

5. Zhang Zhenhua, an independent non-executive Director, was deemed to be interested in 19,600 “A” shares in the Company which were beneficially held by his wife, Ms. Wu Miaodi.

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

Save as disclosed above, as at 30 June 2012, none of the directors, the chief executive nor the supervisors had an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was recorded in the register required to be kept pursuant to Section 352 of the SFO, or as otherwise notified to the Company pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers.

Details of Changes in Share Capital and Substantial Shareholders' Shareholdings

1. Changes in shareholdings (as at 30 June 2012)

		Before the movement		Increase/decrease in the movement (+, –)					After the movement	
		No. of shares	Percentage	New shares issued	Bonus issue	Transfer from capital reserve	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	–	–	–	–	–	–	–	–	–
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 restricted shares can be listed and traded (as at 30 June 2012)

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

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

SHAREHOLDINGS OF THE SUBSTANTIAL SHAREHOLDERS (AS AT 30 JUNE 2012)

Total number of Shareholders	The number of shareholders is 164,575 among which 164,291 are shareholders of "A" shares and 284 are shareholders of "H" shares.

Shareholdings of the top ten shareholders

Name of shareholder	Type of Shareholder	Approximate percentage of shares held (%)	Total number of shares held	Number of restricted circulating shares held	Number of shares pledged or frozen
HKSCC Nominees Limited	Foreign shareholder	24.16%	402,570,395	–	N/A
Weichai Group Holdings Limited	State-owned legal person	16.83%	280,397,000	280,397,000	–
Weifang Investment Company	State-owned legal person	3.71%	61,796,960	61,796,960	–
Fujian Longyan Construction Machinery (Group) Company Limited	Domestic non-state-owned legal person	3.26%	54,250,200	48,160,000	–
Peterson Holdings Company Limited	Overseas legal person	3.16%	52,640,000	52,640,000	–
Shenzhen Chuangxin Investment Group Co., Ltd	Domestic non-state-owned legal person	2.49%	41,533,431	–	–
IVM Technical Consultants Wien Gesellschaft m.b.H	Overseas legal person	2.06%	34,400,000	25,800,000	–
Shandong Enterprise Trust Operation Company Limited	Domestic non-state-owned legal person	1.7%	28,400,000	23,000,000	–
Zhuzhou State-owned Assets Investment Holding Group Co., Ltd	State-owned legal person	1.00%	16,660,874	16,660,874	14,400,000
Guangxi Liugong Group Co., Ltd	State-owned legal person	0.86%	14,369,760	14,369,760	–

Shareholdings of the top ten non-restricted shareholders

Name of shareholder	Number of the non-restricted circulating shares held	Types of shares
HKSCC Nominees Limited	402,570,395	Overseas listed foreign shares
Shenzhen Chuangxin Investment Group Co., Ltd	41,533,431	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	12,736,287	RMB ordinary shares
Boshi Value Growth Fund	11,692,249	RMB ordinary shares
Agricultural Bank of China－中郵核心成長股票型證券投資基金	9,600,522	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	8,520,674	RMB ordinary shares
Fujian Longyan Construction Machinery (Group) Company Limited	6,090,200	RMB ordinary shares
Shandong Enterprise Trust Operation Company Limited	5,400,000	RMB ordinary shares
China Minsheng Banking Corp－銀華深證100指數分級證券投資基金	5,345,633	RMB ordinary shares

Save as the aforementioned, it is not certain whether there is any connected relationship among the top ten shareholders and the other top ten non-restricted shareholders, or whether there is any acting in concert relationship among them.

SUBSTANTIAL SHAREHOLDERS

The register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO (including interests filed with The Stock Exchange of Hong Kong Limited) shows that as at 30 June 2012, the following persons (other than the directors, the chief executive and the supervisors) had the following interests and 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%
Lazard Asset Management LLC	Investment manager	Long	—	—	60,733,557	15.00%	3.65%
JPMorgan Chase & Co.	Beneficial owner	Long	—	—	13,137,023	3.24%	0.79%
	Custodian – Corporation/ approved lending agent	Long	—	—	19,826,963	4.90%	1.19%
					32,963,986	8.14%	1.98%
	Beneficial owner	Short	—	—	7,323,831	1.81%	0.43%
The Capital Group Companies, Inc.	Investment manager	Long	—	—	32,372,600	8.00%	1.94%
Schroder Investment Management Limited	Investment manager	Long	—	—	28,383,000	7.01%	1.70%
Lazard Emerging Markets Equity Portifolio	Investment manager	Long	—	—	23,707,500	5.86%	1.42%
Morgan Stanley	Interest of corporation controlled by the substantial shareholder	Long	—	—	21,355,719	5.28%	1.28%
	Interest of corporation controlled by the substantial shareholder	Short	—	—	18,000,598	4.45%	1.08%

Notes:

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

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 2012.

EMOLUMENT POLICY

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

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

RETIREMENT SCHEMES

The Company participates in a defined contribution retirement insurance scheme organized by the PRC municipal government for its PRC employees and operates a mandatory provident fund scheme for its employees in Hong Kong. Contributions are made based on a certain percentage of payroll costs (PRC) and a percentage of the employees' basic salaries (Hong Kong).

The Company's pension cost charged to the income statement for the financial year is set out in Note V. 26 to the financial statements of the Company's 2012 Interim Report.

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 and the supervisors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the 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 purchases 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 all the independent non-executive directors of the Company. The chairman of the Audit Committee is Mr. Liu Zheng, an independent non-executive director. Mr. Liu has 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 (effective until 31 March 2012) and the Corporate Governance Code (effective from 1 April 2012) 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 of the Company, 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 30 August 2012.

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

The 2012 Interim Report will be despatched to the shareholders as well as made available on the Hong Kong Stock Exchange's website at www.hkexnews.hk and the Company's website at www.weichai.com.

By Order of the Board
Tan Xuguang
Chairman and Chief Executive Officer

Hong Kong
30 August 2012

As at the date of this announcement, the executive Directors of the Company are Mr. Tan Xuguang, Mr. Xu Xinyu, Mr. Li Dakai, Mr. Fang Hongwei, Mr. Sun Shaojun and Mr. Zhang Quan; the non-executive Directors of the Company are Mr. Chen Xuejian, Mr. Yeung Sai Hong, Mr. Julius G. Kiss, Ms. Han Xiaoqun, Mr. Jiang Kui and Mr. Liu Huisheng; and the independent non-executive Directors of the Company are Mr. Liu Zheng, Mr. Li Shihao, Mr. Loh Yih, Mr. Chu, Howard Ho Hwa, Mr. Zhang Zhenhua and Mr. Li Luwen.