



潍柴动力股份有限公司

WEICHAI POWER CO., LTD.

Stock Code : 2338

Interim Report 2007



潍柴动力

WEICHAI POWER

Contents

Corporate Information	2
Financial Highlights (Unaudited)	4
Chairman's Statement	5
Management Discussion and Analysis of Results of Operations and Financial Position	9
Condensed Consolidated Income Statement (Unaudited)	15
Condensed Consolidated Balance Sheet (Unaudited)	16
Condensed Consolidated Statement of Changes in Equity (Unaudited)	18
Condensed Consolidated Cash Flow Statement (Unaudited)	19
Notes to the Condensed Consolidated Financial Statements (Unaudited)	20
Supplementary Information	34



Corporate Information

Directors

EXECUTIVE DIRECTORS

Tan Xuguang (*Chairman and CEO*)
Xu Xinyu (*Executive Officer — Operations*)
Sun Shaojun (*Executive Officer — Technology*)
Zhang Quan (*Executive Officer — Marketing*)

NON-EXECUTIVE DIRECTORS

Yeung Sai Hong
Chen Xuejian
Yao Yu
Li San Yim
Liu Huisheng
Zhang Fusheng
Julius G. Kiss
Han Xiaoqun
Liu Zheng (appointed on 30th April 2007)
Li Shihao (appointed on 30th April 2007)
Gu Linsheng (appointed on 30th April 2007)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Koo Fook Sun, Louis
Zhang Xiaoyu
Fang Zhongchang

Supervisors

Sun Chengping
Wang Yong
Jiang Jianfang

Company Secretary, Chief Financial Officer and Qualified Accountant

Zhang Yuanfu (*FCCA, HKCPA*)

Secretary to the Board

Dai Lixin
197, Section A
Fu Shou East Street
High Technology Industrial Development Zone
Weifang
Shandong Province
The People's Republic of China
Postal Code: 261061
Tel: (86) (536)-229 7068
Fax: (86) (536)-819 7073
Website: <http://www.weichai.com>

Legal Representative

Jin Zhuojun
197, Section A
Fu Shou East Street
High Technology Industrial Development Zone
Weifang
Shandong Province
The People's Republic of China
Postal Code: 261061
Tel: (86) (536)-229 7068
Fax: (86) (536)-819 7073
Website: <http://www.weichai.com>

Authorised Representatives

Xu Xinyu
Zhang Yuanfu

Registered Address and Headquarters of the Company

197, Section A
Fu Shou East Street
High Technology Industrial Development Zone
Weifang
Shandong Province
The People's Republic of China
Postal Code: 261061
Tel: (86) (536)-229 7068
Fax: (86) (536)-819 7073
Website: <http://www.weichai.com>

Place of Business in Hong Kong

Suite 2501-2, 25th Floor
One International Finance Centre
1 Harbour View Street
Central, Hong Kong

Auditors

NON-PRC AUDITORS:

Deloitte Touche Tohmatsu
Certified Public Accountants

PRC AUDITORS:

山東正源和信有限責任會計師事務所
(Shandong Zheng Yuan Hexin Accountants Limited)

Legal Advisors

As to Hong Kong law:
Richards Butler

As to PRC law:
中倫金通律師事務所 (Zhong Lun Law Firm)

Audit Committee

Koo Fook Sun, Louis (*Chairman*)
Zhang Xiaoyu
Fang Zhongchang

Hong Kong H-share Registrar and Transfer Office

Computershare Hong Kong Investor Services Limited
Hopewell Centre
46th Floor
183 Queen's Road East
Wanchai
Hong Kong

Abbreviation of the Company's Shares and Stock Codes

A Shares: 濰柴動力 (Weichai Power) 000338
H Shares: 濰柴動力 (Weichai Power) 2338

Stock Exchange listings

A Shares: Shenzhen Stock Exchange
H Shares: The Stock Exchange of Hong Kong Limited
(the "Hong Kong Stock Exchange")

Investors and Media Relations

SECURITIES DEPARTMENT

Tel: (86) 536-229 7068
Fax: (86) 536-819 7073
Website: www.weichai.com

PUBLIC RELATIONS CONSULTANT

Hill & Knowlton Asia Ltd
Tel: (852) 2894 6321
Fax: (852) 2576 3551
Website: www.hillandknowlton.com.hk

Financial Highlights (Unaudited)

- Turnover amounted to approximately RMB9,308.4 million, increased by approximately 166.4%
- Profit attributable to shareholders amounted to approximately RMB926.2 million, increased by approximately 190.6%
- Basic earnings per share was approximately RMB2.30, increased up by approximately 137.1%

Chairman's Statement



Dear Shareholders:

On behalf of the Board of the Company, I would like to present the unaudited consolidated interim results of the Group for the Period.

Through the issue of A shares to the shareholders of 湘火炬汽車集團有限公司 (Torch Automobile Group Co., Ltd) ("TAGC") in exchange for the cancellation of their TAGC A shares, the Company has completed the share segregation reform of TAGC by means of a merger by absorption ("Merger"). As a result of the Merger, TAGC has been delisted and its shares have been cancelled and TAGC has ceased to exist. The businesses, assets and liabilities of TAGC have been merged into the Company. Following the merger by absorption of TAGC, the Company has successfully listed on the Shenzhen Stock Exchange's A Share market on 30th April 2007.

1. Review of Operations

In the Period, China's economy continued to grow in a rapid but stable pace. China recorded a GDP growth of 11.5% over the same period last year, while its fixed asset investments achieved a year-on-year increase of 25.9%. With the continuing rapid growth of the PRC economy, the heavy-duty truck and construction machinery industries in China have entered a new era of development.

In line with the continuous improvement of the nationwide road facilities and, in particular, the increase in the length and coverage of expressways, the logistics industry experienced repaid development and a concrete foundation for the growth of the heavy-duty truck industry was laid. The continual improvement of the relevant national laws and regulations, the intensified crack down on truck overloading and the large-scale implementation of the charge-by-weight policy directly facilitated the rapid development of the heavy-duty

truck industry in China towards the direction of high-power, high-tonnage and high-efficiency. According to the statistics of 中國汽車工業協會 (China Association of Automobile Manufacturers), the sales of heavy-duty trucks in the automobile industry in China reached approximately 255,822 units in the Period, representing a year-on-year growth of approximately 66.8%.

The heavy-duty truck market became increasingly competitive in China following its full development in the Period. According to the statistics of 中國汽車工業協會 (China Association of Automobile Manufacturers), the Company's major customers such as 陝西重型汽車有限公司 (Shaanxi Heavy-duty Motor Company Limited) ("Shaanxi Zhongqi"), 北汽福田汽車股份有限公司 (Beiqi Futian Motor Company Limited), 包頭北方奔馳重型汽車有限責任公司 (Baotou North-Benz Heavy-Duty Truck Co., Ltd.), 重慶紅岩汽車有限責任公司 (Chongqing Hongyan Heavy Duty Motor Company Limited), 安徽華菱重型汽車有限公司 (Anhui Hualing Heavy-Duty Automobile Group Co., Ltd.) and 安徽江淮汽車股份有限公司 (Anhui Jianghuai Automotive Co., Ltd.), etc. recorded strong growths with significant increases in market shares over the first half of 2006, driving the growth in sales of the Company's products. The Company's aggregate sales of heavy-duty truck engines reached approximately 85,400 units in the Period, representing a year-on-year increase of approximately 93.2%. The Company's market share in the heavy-duty truck market increased to approximately 36% in the Period from 27% in the corresponding period of 2006. During the Period, the Company successfully completed the merger by absorption of TAGC. Shaanxi Zhongqi, the Company's major subsidiary, reported an aggregate sales of approximately 30,600 units of heavy-duty trucks, representing an increase of approximately 104.0% over the same period last year. 陝西法士特齒輪有限責任公司 (Shaanxi Fast Gear Co. Limited) ("Shaanxi Fast"), the Company's another major subsidiary, reported an aggregate sales of approximately 243,600 units of gear boxes, representing an increase of approximately 112.6% over the same period last year.

At the same time, the growth of the construction machinery industry was further enhanced by the increase in infrastructure investments in China and the accelerated pace of construction projects such as hydraulic power, nuclear power, oil fields, railways, roads and ports. Urbanization-related construction and the construction of new villages provided huge room for the development of construction machinery. A total of approximately 123,989 units of construction machines were sold in China in the Period. Such increase was mainly driven by the sales of large construction machinery, which recorded a growth of approximately 23.2%. The production of construction machinery was further consolidated. According to the statistics of 中國工程機械協會 (China Construction Machinery Association), the Company's major customers such as 廣西柳工機械股份有限公司 (Guangxi Liugong Machinery Co., Ltd.), 中國龍工控股有限公司 (China Infrastructure Machinery Holdings Limited), 山東臨工工程機械有限公司 (Shandong Lingong Construction Machinery Co., Ltd.), 徐州工程機械集團有限公司 (Xuzhou Construction Machinery Group Inc.), 山東山工機械有限公司 (Shandong SEM Machinery Co., Ltd.), etc. recorded relatively strong growths over the first half of 2006. The Company's sales of engines for construction machinery were approximately 51,500 units in the Period, representing a year-on-year growth of approximately 41.4%. According to the information published on the website of 中國工程機械信息網 (China Construction Machinery Network), the Company had a market share of approximately 82.4% in the market of wheel loaders with a load capacity of 5 tones (and above) in the Period, representing a growth of approximately 3.0% over same period last year.

In the Period, with its technology innovation capability, the Company continued to lead the advancement of power-transmission technologies in China. Our proprietary Euro III emission standard compliant high-power, high-speed "Landking" (藍擎) engines were introduced in the market with orders being placed by our customers. During the Period, approximately 6,400 units of 12-litre high-speed high-power

WD12 engines, the only mature product of the same kind in China, were sold. The research and development of Euro IV engines is nearly completed. The pilot operation of the foundry industrial park, a facility of leading global standard in technology and environmental protection, has commenced its trial production. Its full operation will increase the Company's output of diesel engines to 200,000 tonnes (and above).

The Company sold a total of approximately 140,100 units of different models of diesel engines in the Period, representing an increase of approximately 68.7% over the corresponding period in 2006. During the Period, Shaanxi Zhongqi sold approximately 30,600 units of heavy-duty trucks, representing an increase of approximately 104.0% over the corresponding period in 2006. Shaanxi Fast sold approximately 243,600 units of gear boxes, representing an increase of approximately 112.6% over the corresponding period in 2006. The total revenue of the Group was approximately RMB9,308.4 million, representing an increase of approximately 166.4% over the corresponding period in 2006. The net profit attributable to shareholders increased by approximately 190.6% over the corresponding period in 2006 to approximately RMB926.2 million while basic earnings per share increased by 137.1% to approximately RMB2.30.

2. Dividend

Putting shareholders' interests and return as its top priority, the Company has been maintaining a relatively stable dividend policy. The Company will consider all relevant factors, including make reference to the general practices of dividend payment of domestic A share listed companies in the PRC, and review and establish the dividend policy as a A+H dual listing company. Therefore, the Board does not recommend the payment of an interim dividend for the Period. The Board will review the dividend policy of the Company when considering and preparing the Company's 2007 full year's results.

3. Acquisition and Consolidation

The Company proposed an innovative share segregation reform scheme for TAGC, which was effected through the issue of A shares by Weichai Power, an H-share listing company, to privatise TAGC. As a result of the Merger, TAGC has been delisted and its shares have been cancelled, and TAGC also ceased to exist and its businesses, assets and liabilities have been merged into the Company. The scheme not only gained recognition and full support from regulatory bodies including the China Securities and Regulatory Commission, but also received very favorable comments from international investment banks, who considered this 'an unprecedented case of merger between companies listed in Hong Kong and mainland China'. This scheme is praised by the industry as a landmark example of the domestic and overseas capital markets. On 30th April 2007, Weichai Power's A shares were listed on the Shenzhen Stock Exchange.

4. Outlook and Prospects

Looking ahead, in view of the opportunities from the rapid development of China's economy and the strong demand for downstream products, the Directors are optimistic about the prospects of the Company's business.

Following the merger by absorption of TAGC, the new company enjoys the advantage of having the most distinguished power assembly (engines, gear boxes and vehicle axles) in China. The completion of this automobile and parts industry chain strengthens the Company's ability to resist adversity. The integration of valuable resources and the realisation of the synergies of the Company's components to their maximum will be a main focus in the second half of the year and the years to come.

The Company's strategic development in the future will be to: continue the development of the **three major strategic modules**, namely, focus on the development of the commercial vehicle module, further strengthen the core competitiveness of the power assembly module

comprises engines and transmissions; and enlarge the scale of the automobile parts module. We aim to become one of the major conglomerates in China's automobile industry.

Meanwhile, the Company will accelerate the marketing of Euro III high-power high speed engines. We will utilize our unique resources and technical advantages to cater for the demands in the areas of environmental protection, energy conservation and the high-efficiency development of heavy-duty trucks, and continue our leadership in fostering a rapid development of the high-power high speed diesel engines industry in China.

5. Appreciation

Last but not least, I would like to take this opportunity to express my sincere appreciation to all our shareholders, the general public and our customers for their care and support, as well as all our staff for their hard work and dedication.

On behalf of the Board
Tan Xuguang
Chairman and CEO

Hong Kong, 28th August 2007

Management Discussion and Analysis of Results of Operations and Financial Position

Merger and Acquisition

On 12th November 2006, the Company entered into an agreement (the “Merger Agreement”) with TAGC in respect of the merger by absorption by the Company of TAGC (the “Merger”). The Merger involved the issue by the Company of Weichai A Shares of approximately 190.65 million to the then shareholders of TAGC (other than 濰柴動力(濰坊)投資有限公司 (Weichai Power (Weifang) Investment Co., Ltd.)). The Merger has been completed and the Weichai A Shares have been listed on the Shenzhen Stock Exchange since 30th April 2007.

TAGC is one of China's leading automobile manufacturers and is principally engaged in the manufacture and sale of heavy-duty trucks, heavy-duty transmissions, spark plugs, axles., chassis, air-conditioner compressors, etc. (the “Acquired TAGC Business”). The Acquired TAGC Business was merged into the Company since 30th April 2007. The major subsidiaries and their acquired business are as follows:

SHAANXI ZHONGQI

It is 51% held by the Company and is principally engaged in the manufacture and sale of heavy-duty vehicles and related parts. It is one of the five largest heavy duty truck manufacturers in the PRC.

SHAANXI FAST

It is 51% held by the Company and is principally engaged in the manufacture, sale, design and development of heavy duty truck transmission and other related parts. It is the largest manufacturer of gear boxes for heavy duty trucks in the PRC.

Industry Analysis

The Company is one of the major professional manufacturers of high-power high speed diesel engines in China. Following the merger by absorption of TAGC on 30th April 2007, the Company's business scope has expanded from the research, production and sales of engines and their parts and components, to heavy-duty vehicles, vehicle axles for heavy-duty vehicles, gear boxes and other parts and components of vehicles.

During the Period, the heavy-duty vehicle industry and the wheel loader industry maintained a relative high growth rate, thus fostering the robust development of the Company's power chain system such as engines,

gear boxes, vehicle axles and other parts and components of vehicles and heavy-duty vehicle products.

1. HEAVY-DUTY VEHICLE INDUSTRY

During the Period, the sales of the heavy-duty truck market remained robust. According to the data of 中國汽車工業協會 (China Association of Automobile Manufacturers), the domestic sales of heavy-duty trucks amounted to 255,822 units, representing a year-on-year growth of approximately 66.8%. This is mainly attributed to:

First, during the Period, the country's macro economy remained a strong momentum of growth, GDP and fixed asset investment remained a relative high level. According to the economic operation figures released by the National Bureau of Statistic, during the Period, China's GDP increased by 11.5% over the same period of last year, and whole-nation fixed asset investment increased by 25.9% over the same period of last year. This provided a beneficial macro environment to the development of the heavy-duty truck market.

Second, being the second year of China's “11th Five Year Plan” 2007 is the year recorded the highest amount of capital investment in projects. Various construction-specific vehicles and the transportation vehicle market remained the momentum of steady growth.

Third, during the Period, the state kept strengthening the management of overloading problems. The further promotion and implementation of the Charge-by-weight policy effectively resulted in a relative fall of the operation rate of the public transportation nationwide. This in turn drove the “skyrocketing” demand of road transport vehicles (trailers and ordinary goods vehicles).

Fourth, the state prioritized its support to the construction of new villages, environmental protection and the grand development of the western part. This coupled with the full opening of the domestic finance industry and the rapid growth of export generated a pulling effect on the demand side of the heavy-duty vehicle market in the Period.

2. CONSTRUCTION MACHINERY — THE WHEEL LOADER INDUSTRY

During the period, according to the statistics of 中國工程機械工業協會 (China Construction Machinery Association), a total of approximately 81,420 units of wheel loader was sold in the PRC, which recorded a growth of approximately 23.6%. Among the wheel-loaders sold, approximately 49,010 units of wheel loaders with a load capacity of 5 tonnes (and above) were sold in the Period, which recorded a growth of approximately 27.1%. The wheel loader industry continued to grow at a healthy and fast pace. This is mainly attributed to:

The country's macro economy remained a strong momentum of growth. During the "11th Five Year Plan" period, the pattern of the state's economic growth will still mainly rely on the pulling effect of the huge scale of fixed asset. The constant high level of investment will give the construction machinery industry a good opportunity for development that the industry will enter a golden development stage featuring stability. 2007 is the second year of the state's "11th Five Year Plan" Plan, the growth of fixed asset investment that has a closer relationship with the construction machinery demand will maintain a relative high level.

The construction machinery industry has entered a medium to long term rapid growth period. Chinese economy is entering the middle stage of heavy industrialization, and the industrialization of developed countries shows that during the heavy industrialization period construction machinery would enjoy long term prosperity. While China's huge infrastructure construction is still under development, the investment in the urbanization of rural areas, construction of new villages, railways, road infrastructure and public infrastructure will foster a continuous growth of domestic demand, macro adjustment and control in a mild manner and the soaring export growth will weaken the fluctuation due to the industry's cycles, and the construction machinery industry will maintain a rapid growth.

SALES OF DIESEL ENGINES *heavy-duty truck*

The Group is the largest supplier of diesel engines to major manufacturers of heavy-duty trucks with a load capacity of 15 tons (and above) in China. The key customers of the Company are: Shaanxi Zhongqi, 重慶紅岩重型汽車有限公司 (Chongqing Hongyan Heavy Duty Motor Company Limited), 北汽福田汽車有限公司 (Beiqi Futian Motor Company Limited), 包頭北方奔馳汽車有限公司 (Baotou North-Benz Heavy-duty Truck Co., Ltd.), 安徽華菱汽車集團有限公司 (Anhui Hualing Automobile Group Co., Ltd.) and 安徽江淮汽車股份有限公司 (Anhui Jianghuai Automotive Co., Ltd.), etc. Due to the reasons mentioned above, the above-mentioned customers of the Group expanded their market share rapidly in China in the Period. During the Period, the Group sold approximately 140,100 units of diesel engines in total, compared to approximately 83,027 units in the corresponding period of 2006, representing an increase of approximately 68.7%. Of the diesel engines sold in the Period, approximately 85,400 units (2006: 44,194 units) were truck engines, representing an increase of approximately 93.2% compared to the corresponding period of 2006.

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 tons (and above) in China. The key customers of the Group are: 廣西柳工機械股份有限公司 (Guangxi Liugong Machinery Co., Ltd), 中國龍工控股有限公司 (China Infrastructure Machinery Holdings Ltd.), 山東臨工工程機械有限公司 (Lingong Shandong Construction Machinery Co., Ltd), 徐州徐工物資供應有限公司 (Xuzhou Xugong Material Supplying Co., Ltd) and 山東山工機械有限公司 (Shandong SEM Machinery Co., Ltd), etc. During the Period, the Group sold approximately 140,100 units of diesel engines in total, compared to approximately 83,027 units in the corresponding period of 2006, representing an increase of approximately 68.7%. Of the diesel engines sold in the Period, approximately 51,500 units (2006: 36,425 units) were construction machinery engines, representing an increase of approximately 41.4% compared to that in the corresponding period of 2006.

SALE OF HEAVY-DUTY TRUCKS

Since the completion of the Merger with Torch and the listing of A shares of the Company on 30th April 2007, the Group is also engaged in the production and sale of heavy-duty trucks (the "Acquired Truck Business"). During the Period, Shaanxi Zhongqi sold approximately 30,600 units of heavy-duty trucks, representing an increase of approximately 104.0% compared that in the corresponding period of 2006. For the two months ended 30th June 2007 and prior to intra-group elimination, the Acquired Truck Business contributed revenues and net profit of approximately RMB2,300.2 million and RMB91.1 million respectively to the Group with approximately 9,700 units of heavy-duty trucks sold.

SALE OF HEAVY-DUTY GEAR BOX

Since the completion of the Merger with TAGC and the listing of A shares of the Company on 30th April 2007, the Group is also engaged in the production and sale of heavy-duty gear boxes (the "Acquired Gear Boxes Business"). During the Period, Shaanxi Fast sold approximately 243,600 units of heavy-duty gear boxes, representing an increase of approximately 112.6% compared that in 2006. For the two months ended 30th June 2007 and prior to intra-group elimination, the Acquired Gear Boxes Business contributed revenues and net profit of approximately RMB1,017.0 million and RMB194.3 million to the group with approximately 82,200 units of gear boxes sold.

SALE OF ENGINE AND HEAVY-DUTY TRUCK PARTS

Apart from the production and sales of diesel engines for trucks and construction machinery, heavy-duty trucks and heavy-duty gear boxes, the Group is also engaged in the production and sales of engine parts and other truck parts such as: spark plugs, axles, chassis, air-conditioner compressors etc. During the Period, the Group recorded an approximately 114.6% increase in sales of engine parts and truck parts to approximately RMB758.1 million in the Period. The surge was mainly attributable to the increase in accumulated sales volume of diesel engines in the previous years and the contribution from the Acquired TAGC Business.

Financial Review

TURNOVER

The Group's turnover increased by approximately 166.4% from approximately RMB3,493.6 million in the corresponding period of 2006 to approximately RMB9,308.4 million in the Period. The increase in turnover was mainly due to a rebound in demand in the heavy-duty trucks and construction machineries industries for diesel engines and the absorption of the Acquired TAGC Business. During the Period, the Group sold approximately 140,100 units of diesel engines in total, compared to approximately 83,027 units in the corresponding period of 2006, representing an increase of approximately 68.7% while the unit average selling price of its diesel engines remained relatively stable.

The Acquired TAGC Business contributed revenues of approximately RMB5,087.7 million the group, prior to intra-group elimination, for the period from the date of acquisition to 30th June 2007, representing approximately 54.7% of the total turnover of the Group. If the acquisition occurred on 1st January 2007, The Acquired TAGC Business would contribute revenues of approximately RMB11,119.6 million to the Group, prior to intra-group elimination. On such basis, the consolidated revenue for the Period would be approximately RMB15,340.4 million.

GROSS PROFIT AND GROSS PROFIT MARGIN

During the Period, the Group's gross profit increased by approximately 139.4% from approximately RMB885.0 million in 2006 to approximately RMB2,118.7 million in the Period as a result of the increase in the sales volume of diesel engines from approximately 83,027 units in the corresponding period of 2006 to approximately 140,100 units in the Period. Gross profit margin decreased from approximately 25.3% in the corresponding period of 2006 to approximately 22.8% in the Period, which was mainly due to that the Acquired TAGC Business had a relatively lower gross profit margin than that of the business of the Company. Excluding this impact, the Group's gross profit would increase by approximately 80.2% from approximately RMB885.0 million in the corresponding period of 2006 to approximately RMB1,594.7 million in the Period while the Group's gross profit margin would slightly increase from approximately 25.3% in the corresponding period of 2006 to approximately 26.3% in the Period.

DISTRIBUTION COSTS

Distribution costs increased from approximately RMB289.0 million in the corresponding period of 2006 to approximately RMB405.2 million in the Period. As a percentage of turnover, distribution costs decreased from approximately 8.3% in the corresponding period of 2006 to approximately 4.4% in the Period, which was mainly due to the significant increase in the economy of scale of the Company and the absorption of the Acquired TAGC Business. Excluding this impact, distribution costs for the Group would decrease from approximately RMB289.0 million in the corresponding period of 2006 to approximately RMB275.9 million in the Period. As a percentage of turnover, distribution costs would decrease from approximately 8.3% in the corresponding period of 2006 to approximately 4.5% in the Period.

ADMINISTRATIVE EXPENSES

Administrative expenses of the Group increased by approximately 108.1% from approximately RMB149.8 million in the corresponding period of 2006 to approximately RMB311.8 million in the Period. The increase in administrative expenses was mainly due to the absorption of the Acquired TAGC Business. As a percentage of turnover, the administrative expenses decreased from approximately 4.3% in the corresponding period of 2006 to approximately 3.3% in the Period which was mainly due to the significant increase in the economy of scale of the Group and the absorption of the Acquired TAGC Business. Excluding this impact, administrative expenses of the Company would increase from approximately RMB149.8 million in the corresponding period of 2006 to approximately RMB189.3 million in the Period. As a percentage of turnover, administrative expenses would decrease from approximately 4.3% in the corresponding period of 2006 to approximately 3.1% in the Period.

OPERATING PROFIT BEFORE FINANCE COST

As a result of greater economy of scale by absorption of the Acquired TAGC Business in the Period, the Group's operating profit increased by approximately 217.6% to approximately RMB1,330.0 million in the Period from approximately RMB418.8 million in the corresponding period of 2006. The Group's operating margin was also widened from approximately 12.0% in the corresponding period of 2006 to approximately 14.3% in the Period. Excluding this impact, operating profit

before finance cost of the Group would increase from approximately RMB418.8 million in the corresponding period of 2006 to approximately RMB846.1 million in the Period and the Company's operating margin would increase from approximately 12.0% in the corresponding period of 2006 to approximately 13.9% in the Period.

The Acquired TAGC Business contributed operating profit before finance cost of approximately RMB501.8 million to the group, prior to intra-group elimination, for the period from the date of acquisition to 30th June 2007, representing approximately 37.7% of the total operating profit before finance cost of the Group. If the acquisition occurred on 1st January 2007, The Acquired TAGC Business would contribute operating profit before finance cost of approximately RMB929.4 million to the Group, prior to intra-group elimination. On such basis, the consolidated operating profit before finance cost for the Period would be approximately RMB1,757.6 million and the consolidated operating profit margin for the Period would be approximately 11.5%.

FINANCE COSTS

Finance costs increased by approximately 185.6% to approximately RMB79.4 million in the Period from approximately RMB27.8 million in the corresponding period of 2006. This increase was mainly due to an increase in issues of short term debentures of the Company and increase of bank borrowings due to the absorption of the Acquired TAGC Business. Excluding this impact, finance costs of the Company would increase by approximately 60.1% from approximately RMB27.8 million in the corresponding period of 2006 to approximately RMB44.3 million in the Period.

INCOME TAXES

The Group's income tax expenses increased by approximately 153.6% to approximately RMB178.5 million in the Period from approximately RMB70.4 million in the corresponding period of 2006, which was mainly attributable to the substantial increase in assessable profit of the Group. In the Period, the Group's average effective tax rate decreased substantially from approximately 18.0% in the corresponding period of 2006 to approximately 14.3% in the Period. This decrease was mainly due to that the Acquired TAGC Business enjoyed a relatively lower profit tax rates as its production and sales were derived from the State high technology development zone.

Management Discussion and Analysis of Results of Operations and Financial Position (continued)

Excluding this impact, Group's average effective tax rate was approximately 14.4%, which decreased substantially compared to 18.0% in the corresponding period of 2006. This decrease was mainly due to the recognition of temporary deductible difference as deferred tax arose from the new adoption of the Accounting Standards for Business Enterprises promulgated by the Ministry of Finance of the PRC since 1st January 2007.

DIVIDEND

Putting shareholders' interests and return as its top priority, the Company has been maintaining a relatively stable dividend policy. The Company will consider all relevant factors, including make reference to the general practices of dividend payment of domestic A share listing companies, and review and establish the dividend policy as a A+H dual listed company. Therefore, the Board do not recommend payment of an interim dividend for the Period. The Company will consider the dividend policy of the Company in the preparing of the 2007 annual results announcement.

NET PROFIT AND NET PROFIT MARGIN

The Group's net profit for the Period increased substantially from approximately RMB320.7 million in the corresponding period of 2006 to approximately RMB1,072.1 million in the Period, whilst the net profit margin increased substantially from approximately 9.2% in the corresponding period of 2006 to approximately 11.5% in the Period. The increase in the net profit margin was mainly due to the decrease in the Group's average effective tax rate from approximately 18.0% in the corresponding period of 2006 to approximately 14.3% in the Period as a result of the absorption of the Acquired TAGC Business, which enjoyed a relatively lower profit tax rates. Excluding this impact, the Group's net profit for the Period would increase from approximately RMB320.7 million in 2006 to approximately RMB686.6 million in 2007, whilst the net profit margin increased substantially from approximately 9.2% in 2006 to approximately 11.3% in 2007.

The Acquired TAGC Business contributed net profit of approximately RMB403.4 million to the group, prior to intra-group elimination, for the period from the date of acquisition to 30th June 2007, representing approximately 37.6% of the total net profit of the Group. If the acquisition occurred on 1st January 2007, The Acquired TAGC Business would contribute net profit of approximately RMB674.1 million to the Group, prior to

intra-group elimination. On such basis, the consolidated net profit for the Period would be approximately RMB1,339.7 million and the consolidated net profit margin for the Period would be approximately RMB8.7%.

LIQUIDITY AND FINANCIAL RESOURCES

During the Period, the Group maintained a relatively healthy cash flow and capital resources, which were reasonably allocated to appropriate uses.

RESULTS OF OPERATIONS AND FINANCIAL POSITION

As at 30th June 2007, the net cash and cash equivalents of the Group amounted to approximately RMB1,135.8 million (as at 31st December 2006: RMB595.4 million).

As at 30th June 2007, the Group's total assets were approximately RMB24,000.8 million (as at 31st December 2006: RMB7,128.8 million), its total liabilities were approximately RMB13,446.2 million (as at 31st December 2006: RMB4,076.5 million) and its total equity reached approximately RMB10,554.6 million (as at 31st December 2006: RMB3,052.3 million).

The Group will have sufficient financial resources to fund its operations, as well as its current investment needs and development plans, in its ordinary course of business.

CAPITAL STRUCTURE

During the Period, the Group's bank borrowings were primarily denominated in RMB while its cash and cash equivalents were held in RMB and Hong Kong dollars.

During the Period, the Group financed its liquidity requirements through a combination of cash flow as generated from normal operation bills, payables and bank loans. It is the intention of the Group to maintain an appropriate mix of equity and debt to ensure an efficient capital structure from time to time. As at 30th June 2007, the Group had debts of approximately RMB2,615.5 million (as at 31st December 2006: RMB672.3 million) in aggregate and the gearing ratio was approximately 10.9% (as at 31st December 2006: 9.4%) (total debt/total asset). This increase was mainly due to an increase in issues of short term debentures of the Company and increase of bank borrowings due to the absorption the Acquired TAGC Business.

BUSINESS AND GEOGRAPHICAL SEGMENTS

For details of the analysis of business segments of the Group, please refer to note 5 to the unaudited consolidated financial statement.

PLEDGE OF ASSETS

At 30th June 2007, bank deposits and bills receivables of approximately RMB845.8 million (as at 31st December 2006: RMB494.0 million) were pledged to banks to secure bills payables issued and bills receivables by the Group. The pledged bank deposits carry prevailing bank interest rates. The pledge will be released upon the settlement of the relevant bank borrowings. The fair value of the bank deposits at the balance sheet dates approximates the carrying amount.

FOREIGN EXCHANGE RISK EXPOSURE

As almost all of the operations of the Group are located in China, its operating expenses as well as most of capital expenditure of the Group were denominated in RMB for the Period. Therefore, the Group did not experience any material difficulties or effects on its operations or liquidity as a result of fluctuations in currency exchange during the Period. The Directors believe that the Group will have sufficient foreign exchange currency to meet its foreign exchange requirements.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 30th June 2007.

CAPITAL COMMITMENTS

As at 30th June 2007, the Group had approximately RMB218.0 million capital commitments contracted (as at 31st December 2006: RMB57.2 million), principally for the capital expenditure in respect of acquisition of property, plant and equipment.

CAPITAL EXPENDITURE

During the Period, the Group's capital expenditure amounted to approximately RMB656.1 million (as at 31st December 2006: RMB527.4 million). This was mainly attributable to the acquisition of property, plant and equipment.

EMOLUMENT POLICY

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

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

Acquisition of TAGC

On 12th November 2006 (the "Announcement Date"), the Company entered into an agreement with TAGC whereby the Company agreed to issue an aggregate of 190,653,552 new "A" shares (the "Consideration Shares") to acquire 71.88% equity interest in TAGC that the Group did not already own (the "TAGC Acquisition") at an offer price of RMB20.47 per share. The offer price represented a premium of approximately 4.87% over the closing price of the Company's "H" shares on the last dealing date prior to the Announcement Date. TAGC was previously a 28.12% owned associate of the Company and all its businesses, assets and liabilities have been merged into the Company after the TAGC Acquisition. The TAGC Acquisition was completed on 23rd April 2007 and the Company's A shares were listed on the Shenzhen Stock Exchange on 30th April 2007, while its H shares continued to be listed on the Hong Kong Stock Exchange.

Upon completion of the TAGC Acquisition, the Group absorbed the assets and assumed the liabilities of TAGC and a goodwill has arisen as a result of the Merger. For a detailed calculation of the goodwill and its treatment, please refer to note 18 to the unaudited consolidated financial statements. The initial accounting treatment for the TAGC Acquisition has been determined provisionally, awaiting the receipt of professional valuation in relation to the fair value of the Consideration Shares and certain underlying assets and liabilities of TAGC. Hence, the goodwill may be subject to further changes upon finalisation of the accounting treatment, and its effect may or may not be material to the results of the Company prepared in accordance with the Hong Kong Financial Reporting Standards.

As goodwill is a non-cash item, any eventual determination on its measurement method and accounting treatment will not have any impact on the Company's future cashflow.

Condensed Consolidated Income Statement (Unaudited)

For the six months ended 30th June 2007

	Notes	Six months ended	
		30.6.2007 RMB'000 (unaudited)	30.6.2006 RMB'000 (unaudited)
Turnover		9,308,412	3,493,590
Cost of sales		(7,189,724)	(2,608,557)
Gross profit		2,118,688	885,033
Other income		28,839	32,103
Distribution expenses		(405,211)	(288,982)
Administrative expenses		(311,805)	(149,846)
Research and development expenses		(155,953)	(75,905)
Other expenses		(10,615)	(87)
Share of results of associates		66,101	16,523
Finance costs		(79,421)	(27,823)
Profit before taxation		1,250,623	391,016
Income tax expense	6	(178,489)	(70,351)
Profit for the period	7	1,072,134	320,665
Attributable to:			
Equity holders of the Company		926,158	318,742
Minority interests		145,976	1,923
		1,072,134	320,665
Dividends paid	8	67,685	54,450
Basic earnings per share	9	RMB2.30	RMB0.97

Condensed Consolidated Balance Sheet (Unaudited)

At 30th June 2007

	Notes	30.6.2007 RMB'000 (unaudited)	31.12.2006 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	5,451,482	1,942,176
Investment properties	10	31,587	—
Goodwill	18(ii)	2,969,457	—
Prepaid lease payments — non-current portion		211,491	59,213
Intangible assets		418,695	140,003
Interests in associates	11	226,711	1,067,731
Available-for-sale financial assets		75,358	20,000
Deposits paid for acquisition of property, plant and equipment		419,121	320,565
Deferred tax assets		52,662	—
		9,856,564	3,549,688
CURRENT ASSETS			
Inventories		3,233,800	896,992
Trade and bills receivables	12	8,215,824	1,397,276
Deposits, prepayments and other receivables		655,823	228,494
Prepaid lease payments — current portion		9,745	1,278
Disposal group held for sale	13	353,929	—
Pledged bank deposits		635,672	459,653
Bank balances and cash		1,039,438	595,386
		14,144,231	3,579,079
CURRENT LIABILITIES			
Trade and bills payables	14	7,593,328	2,465,570
Other payables and accruals		2,497,020	557,858
Amount due to a related party		75,887	66,229
Tax payable		414,267	195,641
Dividend payables		66,588	—
Bank and other borrowings — due within one year	15	1,440,128	198,087
Debentures	16	883,395	—
Warranty provision		127,311	47,165
Financial guarantee liabilities		26,418	—
		13,124,342	3,530,550
NET CURRENT ASSETS		1,019,889	48,529
TOTAL ASSETS LESS CURRENT LIABILITIES		10,876,453	3,598,217

Condensed Consolidated Balance Sheet (Unaudited) (continued)

At 30th June 2007

	Notes	30.6.2007 RMB'000 (unaudited)	31.12.2006 RMB'000 (audited)
NON-CURRENT LIABILITIES			
Amount due to a related party		29,954	61,510
Bank and other borrowings — due after one year	14	291,932	474,183
Deferred tax liabilities		—	10,267
		321,886	545,960
		10,554,567	3,052,257
CAPITAL AND RESERVES			
Share capital	17	520,654	330,000
Reserves		7,225,016	2,654,562
Equity attributable to equity holders of the Company		7,745,670	2,984,562
Minority interests		2,808,897	67,695
		10,554,567	3,052,257

Condensed Consolidated Statement of Changes in Equity (Unaudited)

For the six months ended 30th June 2007

	Attributable to equity holders of the Company										
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Statutory welfare reserve RMB'000	Translation reserve RMB'000	Asset revaluation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Minority interests RMB'000	Total RMB'000
At 1st January 2006	330,000	1,106,042	30,607	112,119	56,058	—	—	763,755	2,398,581	62,380	2,460,961
Profit for the period, representing total recognised income for the year	—	—	—	—	—	—	—	318,742	318,742	1,923	320,665
Final dividend paid	—	—	—	—	—	—	—	(54,450)	(54,450)	—	(54,450)
Transfer	—	—	—	30,257	—	—	—	(30,257)	—	—	—
At 30th June 2006	330,000	1,106,042	30,607	142,376	56,058	—	—	997,790	2,662,873	64,303	2,727,176
Revaluation increase on acquisition of additional interests in an associate and income recognised directly in equity	—	—	—	—	—	—	3,736	—	3,736	—	3,736
Profit for the period	—	—	—	—	—	—	—	383,953	383,953	3,392	387,345
Total recognised income for the period	—	—	—	—	—	—	3,736	383,953	387,689	3,392	391,081
Interim dividends paid	—	—	—	—	—	—	—	(66,000)	(66,000)	—	(66,000)
Transfer	—	—	—	38,238	—	—	—	(38,238)	—	—	—
At 31st December 2006	330,000	1,106,042	30,607	180,614	56,058	—	3,736	1,277,505	2,984,562	67,695	3,052,257
Revaluation increase on acquisition of interests in subsidiaries	—	—	—	—	—	—	65,355	—	65,355	—	65,355
Exchange difference arising on translation of foreign operation	—	—	—	—	—	(2,786)	—	—	(2,786)	—	(2,786)
Net income and expenses recognised directly in equity	—	—	—	—	—	(2,786)	65,355	—	62,569	—	62,569
Profit for the period	—	—	—	—	—	—	—	926,158	926,158	145,976	1,072,134
Total recognised income for the period	—	—	—	—	—	(2,786)	65,355	926,158	988,727	145,976	1,134,703
Issue of shares	190,654	3,712,023	—	—	—	—	—	—	3,902,677	—	3,902,677
Share issue expenses	—	(62,611)	—	—	—	—	—	—	(62,611)	—	(62,611)
Final dividends paid	—	—	—	—	—	—	—	(67,685)	(67,685)	—	(67,685)
Arising on acquisition of subsidiaries	—	—	—	—	—	—	—	—	—	2,203,914	2,203,914
Arising on acquisition of additional interest in a subsidiary	—	—	—	—	—	—	—	—	—	(5,502)	(5,502)
Contribution from minority shareholders	—	—	—	—	—	—	—	—	—	400,000	400,000
Deregistration of a subsidiary	—	—	—	—	—	—	—	—	—	(3,186)	(3,186)
Transfer	—	—	—	68,490	—	—	—	(68,490)	—	—	—
At 30th June 2007	520,654	4,755,454	30,607	249,104	56,058	(2,786)	69,091	2,067,488	7,745,670	2,808,897	10,554,567

As stipulated by the relevant regulations of the People's Republic of China (the "PRC"), the aggregate allocations to the statutory surplus reserve is 10% of the Company's profit after tax under the relevant accounting principles and financial regulations applicable to companies established in the PRC (the "PRC GAAP").

For and up to 31st December 2005, the aggregate allocations of the statutory welfare reserve was 5% of the Group's profit after tax under the PRC GAAP. No such statutory allocation is required from 1st January 2006.

According to the provision of Articles of Association of the Company and its subsidiaries, the statutory surplus reserve shall only be used for making up losses, capitalisation into share capital and expansion of the relevant entity's production and operation. The statutory welfare fund is used for the collective welfare of the relevant entity's staff and workers.

According to the Company's Articles of Association, distribution of profit by the Company is determined with reference to the profit as reported under the PRC GAAP or Hong Kong Financial Reporting Standards, whichever is less.

Condensed Consolidated Cash Flow Statement (Unaudited)

For the six months ended 30th June 2007

	Note	Six months ended	
		30.6.2007 RMB'000 (unaudited)	30.6.2006 RMB'000 (unaudited)
Net cash from operating activities		90,864	604,008
Net cash used in investing activities			
Acquisition of a subsidiary (net of cash and cash equivalents acquired)	18	477,335	(516,185)
Purchases of property, plant and equipment and deposits paid for property, plant and equipment		(719,644)	(433,269)
Other investing cash flows		(84,312)	62,592
		(326,621)	(886,862)
Net cash from (used in) financing activities			
Debentures raised		866,790	—
Contribution from minority shareholder		203,938	—
Net repayment of bank borrowings		(205,930)	(179,485)
Advance from an associate		—	213,240
Other financing cash flows		(85,811)	(57,386)
		778,987	(23,631)
Net increase (decrease) in cash and cash equivalents		543,230	(306,485)
Cash and cash equivalents at 1st January		595,386	709,996
Effect of foreign exchange rate changes		(2,786)	—
Cash and cash equivalents at 30th June		1,135,830	403,511
Analysis of the balances of cash and cash equivalents			
Cash and cash equivalents, being			
Bank balances and cash		1,039,438	403,511
Bank balances and cash (included in disposal group held for sale)		96,392	—
		1,135,830	403,511

Notes to the Condensed Consolidated Financial Statements (Unaudited)

For the six months ended 30th June 2007

1. Basis of Preparation

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and with Hong Kong Accounting Standards ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

2. Significant Events

On 12th November 2006 (the "Announcement Date"), the Company entered into an agreement with Torch Automobile Group Co., Ltd ("TAGC") whereby the Company agreed to issue an aggregate of 190,653,552 new "A" shares (the "Consideration Shares") to acquire 71.88% equity interest in TAGC that the Group did not already own (the "TAGC Acquisition") at an issue price of RMB20.47 per share (the "Issue Price"). The Issue Price represented a premium of approximately 4.87% over the closing price of the Company's "H" shares on the last dealing date prior to the Announcement Date. TAGC was previously a 28.12% owned associate of the Group. The TAGC Acquisition was completed on 23rd April 2007 (the "Completion Date") and the Company issued the Consideration Shares on the same day.

On the Completion Date, (i) the shares of TAGC were cancelled; (ii) TAGC's assets were absorbed into and its liabilities assumed by the Company; and (iii) TAGC were deregistered and ceased to exist. In addition, the Company's A shares were listed on the Shenzhen Stock Exchange on 30th April 2007 while its H shares continued to be listed on the Stock Exchange.

The assets absorbed and liabilities assumed upon completion of the TAGC Acquisition are set out in note 18 to the condensed consolidated financial statements.

3. Principal Accounting Policies

The condensed consolidated financial statements have been prepared under the historical cost basis.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31st December 2006. In addition, the Group newly adopted the following accounting policies upon completion of Merger during the period:

GOODWILL

Goodwill arising on an acquisition of a subsidiary represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant subsidiary at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on an acquisition of a subsidiary is presented separately in the consolidated balance sheet.

3. Principal Accounting Policies (continued)

GOODWILL (continued)

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

NON-CURRENT ASSETS HELD FOR SALE

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of the assets' ("disposal groups") previous carrying amount and fair value less costs to sell.

INVESTMENT PROPERTIES

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is charged so as to write off the cost of investment properties using the straight-line method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement in the year in which the item is derecognised.

FINANCIAL GUARANTEE CONTRACTS

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 Revenue.

3. Principal Accounting Policies (continued)

BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

GOVERNMENT GRANTS

Government grants are recognised as income over the periods necessary to match them with the related costs. Grants related to expense items are recognised in the same period as those expenses are charged in the condensed consolidated income statement and are reported separately as “other income”.

4. Adoption of New and Revised Hong Kong Financial Reporting Standards

In the current interim period, the Group has applied, for the first time, a new standard, amendment and interpretations (new “HKFRSs”) issued by the HKICPA, which are effective for the Group’s financial year beginning on 1st January 2007. The adoption of the new HKFRSs has had no material effect on how the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not applied the following new and revised standards or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the financial statements of the Group. However, the directors are not yet in a position to determine whether HKFRS 8 would have a significant impact on how the disclosure of segmental information are presented.

HKAS 23 (Revised)	Borrowing Costs ¹
HKFRS 8	Operating Segments ¹
HK(IFRIC)-Int 11	HKFRS 2: Group and Treasury Share Transactions ²
HK(IFRIC)-Int 12	Service Concession Arrangements ³

¹ Effective for annual periods beginning on or after 1st January 2009.

² Effective for annual periods beginning on or after 1st March 2007.

³ Effective for annual periods beginning on or after 1st January 2008.

5. Segment Information

BUSINESS SEGMENTS

For management purposes, the Group is currently organised into the following major divisions: (i) manufacturing and sales of diesel engines and related parts (“Diesel engines”), (ii) manufacturing and sale of automobiles and major automobile components other than diesel engines (“Automobiles and other major automobile components”), (iii) manufacturing and sale of minor automobile components (“Minor automobile components”) and (iv) provision and import of export services (“Import & export services”).

5. Segment Information (continued)**BUSINESS SEGMENTS (continued)**

These operating divisions are the basis on which the Group reports its primary segment as below:

Six months ended 30th June 2007

	Diesel engines RMB'000	Automobiles and other major automobile components RMB'000	Minor automobile components RMB'000	Import & export services RMB'000	Elimination RMB'000	Consolidated RMB'000
REVENUE						
External sales	5,627,377	3,188,228	318,488	174,319	—	9,308,412
Inter-segment sales*	444,172	—	37,667	—	(481,839)	—
	6,071,549	3,188,228	356,155	174,319	(481,839)	9,308,412
RESULTS						
Segment results	844,338	352,174	19,613	44,444	—	1,260,569
Unallocated corporate expenses						(25,465)
Other income						28,839
Share of results of associates						66,101
Finance costs						(79,421)
Profit before taxation						1,250,623
Income tax expense						(178,489)
Profit for the period						1,072,134

* Inter-segment sales were charged with reference to the prevailing market price.

Six months ended 30th June 2006

For the six months ended 30th June 2006, the Group was principally engaged in the business of manufacture and sales of diesel engines and related parts and substantially all of the Group's turnover and operating results were derived from the People's Republic of China (the "PRC") and accordingly, no analysis of business segment is presented.

6. Income Tax Expense

	Six months ended	
	30.6.2007 RMB'000 (unaudited)	30.6.2006 RMB'000 (unaudited)
The charge comprises:		
PRC Enterprise Income Tax	199,939	72,414
Overseas tax	3,093	—
	203,032	72,414
Deferred tax	(24,543)	(2,063)
	178,489	70,351

PRC Enterprise Income Tax is calculated at the statutory income tax rate of 33% (six months ended 30th June 2006: 33%) of the assessable profit of the Group, except that the assessable profit derived from the production in the high technology development zone is taxed at a preferential rate of 15% (six months ended 30th June 2006: 15%) pursuant to the following governmental notices:

- (i) Notice of Ministry of Finance and the State Administration of Taxation concerning certain preferential policies on enterprise income tax (財政部、國家稅務總局《關於企業所得稅若干優惠政策的通知》), and
- (ii) the Notice of the State Administration of Taxation concerning proper implementation of the continuing administrative work after the cancellation delegation of the examination and approval procedure for enterprise income tax (國家稅務總局《關於做好已取消和下放管理的企業所得稅審批項目後續管理工作的通知》).

Pursuant to the notice issued by Jiang Jing Municipal Tax Bureau, the Company's Chongqing branch is also subject to PRC Enterprise Income Tax at a preferential rate of 15% (2006: 15%).

Pursuant to 《國家科委(92)國家發火字858號》 and 《湖南省科學技術廳簽發的高新技術企業認定證書》, the Company's Zhuzhou branch is approved as an enterprise that satisfied the condition of being in high technology development and is subject to a preferential tax rate of 15%.

Pursuant to 《國家稅務總局關於落實西部大開發有關稅收政策具體實施意見的通知》, certain subsidiaries which are approved as 《西部地區國家鼓勵產業的內資企業》 are also subject to a preferential tax rate of 15%.

The Company's Hong Kong branch is subject to Hong Kong Profits Tax at 17.5% (six months ended 30th June, 2006: 17.5%) on its estimated assessable profit. No provision for Hong Kong Profits Tax has been made as the branch had no assessable profit for the year.

Taxation in other jurisdiction is calculated at the rates prevailing in the relevant jurisdiction.

There was no significant unprovided deferred taxation during the period or at the balance sheet date.

7. Profit for the Period

	Six months ended	
	30.6.2007 RMB'000 (unaudited)	30.6.2006 RMB'000 (unaudited)
Profit for the period has been arrived at after charging:		
Depreciation of property, plant and equipment	176,190	84,255
Depreciation of investment properties	180	—
Amortisation of intangible assets	33,884	31,111
Release of prepaid lease payments	1,624	639
and after crediting:		
Bank interest income	12,225	6,706

8. Dividend

In June 2007, a dividend of RMB0.13 per share amounting to RMB67,685,000 was approved to be paid to shareholders as the final dividend for 2006.

In June 2006, a dividend of RMB0.165 per share amounting to RMB54,450,000 was paid to shareholders as the final dividend for 2005.

The directors do not recommend the payment of an interim dividend and proposed the profit be retained.

9. Basic Earnings Per Share

The calculation of basic earnings per share attributable to equity holders of the Company is based on the profit for the period attributable to equity holders of the Company of approximately RMB926,158,000 (six months ended 30th June 2006: RMB318,742,000) and on 402,680,083 (six months ended 30th June 2006: 330,000,000) weighted average number of ordinary shares in issue during the period.

No diluted earnings per share has been presented as there is no potential ordinary shares in issue during both periods.

10. Movements in Property, Plant and Equipment and Investment Properties

During the six months ended 30th June 2007, property, plant and equipment and investment properties with an aggregate net book value of approximately RMB3,063,091,000 and RMB31,767,000, respectively, were absorbed as a result of the completion of the TAGC Acquisition as detailed in note 2.

In addition, the Group also invested approximately RMB656,166,000 in acquiring property, plant and equipment (six months ended 30th June 2006: RMB96,155,000).

11. Interests in Associates

	30.6.2007 RMB'000 (unaudited)	31.12.2006 RMB'000 (audited)
Cost of investment in TAGC which was listed in the PRC	—	1,046,872
Cost of investment in unlisted associates	227,569	—
Share of post-acquisition (loss) profit	(858)	20,859
	226,711	1,067,731

At 31st December 2006, the Group held 28.12% interests in TAGC. Pursuant to the completion of the TAGC Acquisition on 23rd April 2007, (i) TAGC's shares were cancelled, (ii) TAGC's assets were absorbed into and its liabilities assumed by the Group, and (iii) TAGC was deregistered and ceased to exist.

11. Interests in Associates (continued)

At 30th June 2007, the Group had interest in the following associates:

Name of entity	Place of incorporation	Proportion of issued and fully paid registered capital held by the Company		Principal activities
		Directly	Indirectly	
Eaton Fast Gear (Xian) Co., Ltd (伊頓法士特(西安)有限公司)	PRC	20%	25%	Manufacturing of heavy duty automobile gear and parts
Zhuzhou Auto Trading Market (株洲汽車交易市場)	PRC	—	23%	Agency service of trading second hand motor vehicles
Shaanxi Eurostar Auto Co., Ltd (陝西歐舒特汽車股份有限公司)	PRC	—	33%	Manufacturing and of automobile and related parts
Shandong Lianhe Goods Transportation Co., Ltd. (山東聯合物流有限公司)	PRC	—	40%	Logistics related services
Shaanxi Tonghui Automobile Transportation Co., Ltd. (陝西通滙汽車物流有限公司)	PRC	—	40%	Logistics related services
Far East Flagship (Beijing) International Technology Co., Ltd. (遠東旗艦(北京)國際科技有限公司)	PRC	—	38%	System development and technical support
Torch Xian Security Science and Technology Co., Ltd (西安安防科技有限公司)	PRC	40%	5%	Manufacturing and trading of security related products
Xian Cummins Engine Co., Ltd ("Xian Cummins") (西安康明斯發動機有限公司)	PRC	—	25%	Manufacturing and trading of diesel engine and parts

12. Trade and Bills Receivables

	30.6.2007 RMB'000 (unaudited)	31.12.2006 RMB'000 (audited)
Third party customers	2,990,709	43,892
Related party and connected person customers	171,792	124,586
Less: accumulated impairment	(294,009)	(8,032)
	2,868,492	160,446
Bills receivable (Note)	5,347,332	1,236,830
	8,215,824	1,397,276
Trade and bills receivables (included in disposal group held for resale)	189,119	—
	8,404,943	1,397,276

Note: The bills are non-interest bearing and have a maturity of six months.

The credit terms granted by the Group to its customers are normally in the range from 30 days to 180 days. However, customers with established trading records could be granted longer credit period. The following is an aged analysis of trade and bills receivables, net of impairment losses, as at the balance sheet date is as follows:

	30.6.2007 RMB'000 (unaudited)	31.12.2006 RMB'000 (audited)
Within 90 days	6,332,592	1,163,198
Between 91 to 180 days	1,372,109	104,279
Between 181 to 365 days	517,087	30,187
Over 365 days	183,155	99,612
	8,404,943	1,397,276

13. Disposal Group held for Sale

Pursuant to the debt agreement entered into by TAGC on 18th April 2006 with certain banks to restructure its bank borrowings and guarantees (the "Debt Restructuring Agreement"), TAGC was to dispose its 75% interest in MAT Automobile Inc. ("MAT") and nine other TAGC subsidiaries associated with the operation of MAT (collectively referred to as the "MAT Group"). Accordingly, on the completion of TAGC Acquisition, MAT Group is accounted for as disposal group held for sale.

On 14th May 2007, the Company entered into seven sales and purchase agreements with MAT (Beijing) International Trading Co., Ltd. ("MAT Beijing"), a company indirectly owned by Wang Wei who has 25% interests in the MAT Group, to dispose seven PRC subsidiaries in the MAT Group to MAT Beijing for a total consideration of RMB101,190,000.

The disposal was approved by the shareholders of the Company at its extraordinary general meeting on 22nd August 2007 and details of which are set out in a circular of the Company dated 3rd July 2007.

The directors expect that the net proceeds from the disposal of the entire MAT Group will approximate the net carrying amount of MAT Group and accordingly, no impairment loss has been recognized.

14. Trade and Bills Payables

	30.6.2007 RMB'000 (unaudited)	31.12.2006 RMB'000 (audited)
Third party suppliers	5,833,712	1,357,532
Related party and connected person suppliers	159,774	26,227
	5,993,486	1,383,759
Bills payable (Note)	1,599,842	1,081,811
	7,593,328	2,465,570
Trade and bills payables (included in disposal group held for resale)	147,627	—
	7,740,955	2,465,570

Note: The bills are non-interest bearing and have maturity of six months.

	30.6.2007 RMB'000 (unaudited)	31.12.2006 RMB'000 (audited)
An analysis of trade and bills payables as at the balance sheet date is as follows:		
Within 90 days	5,802,070	1,672,493
Between 91 to 180 days	567,772	685,237
Between 181 to 365 days	1,224,540	15,360
Over 365 days	146,573	92,480
	7,740,955	2,465,570

15. Bank and Other Borrowings

During the six months ended 30th June 2007, bank and other borrowings of approximately RMB1,264,940,000 were assumed by the Group as a result of the completion of TAGC Acquisition as detailed in note 2.

In addition, the Group obtained bank and other borrowings of approximately RMB215,859,000 (six months ended 30th June 2006: RMB132,532,000) to finance the Group's operation.

16. Debentures

On 23rd January 2007, the Company issued certain unsecured short term debentures in an aggregate principal amount of RMB900 million in the PRC. The debentures, being zero coupon with a face value of \$100 each, were priced and issued at a discount of RMB96.31 each, and are due for repayment on 24th January 2008. The proceeds from the debentures were used to meet the Group's production, operational and other working capital needs.

17. Share Capital

	Number of shares			Registered, issued and fully paid RMB'000
	Domestic shares '000	H shares '000	A shares '000	
At 1st January 2007	203,500	126,500	—	330,000
Issue of shares (note 18)	—	—	190,654	190,654
Conversion of domestic shares to A shares (Note)	(203,500)	—	203,500	—
At 30th June 2007	—	126,500	394,154	520,654

Each share has a par value of RMB1.

Note: As part of the share reform in the PRC, the Company's domestic shares were converted into "A" shares upon completion of the TAGC Acquisition.

18. Acquisition of a Subsidiary

As explained in note 2, TAGC was previously a 28.12% associate of the Group. Upon completion of the TAGC Acquisition, the Group absorbed the assets and assumed the liabilities of TAGC and issued the Consideration Shares. This transaction has been accounted for using the purchase method of accounting.

18. Acquisition of a Subsidiary (continued)

The net assets absorbed in the transaction and the goodwill arising are as follows:

	TAGC's carrying amount before combination RMB'000	Fair value adjustments RMB'000	Provisional fair value RMB'000
Net assets absorbed:			
Property, plant and equipment	2,903,876	159,215	3,063,091
Prepaid lease payments	107,700	—	107,700
Premium on prepaid lease payments	—	33,266	33,266
Intangible assets	118,134	172,966	291,100
Investment properties	31,767	—	31,767
Available for sale investments	25,358	—	25,358
Deposits paid for property, plant and equipment	27,528	—	27,528
Interests in associates	223,369	—	223,369
Deferred tax assets	91,905	(58,022)	33,883
Inventories	2,078,628	21,372	2,100,000
Trade and bills receivables	4,719,402	—	4,719,402
Deposits, prepayments and other receivables	785,696	—	785,696
Pledged bank deposits	187,090	—	187,090
Bank balances and cash	477,335	—	477,335
Disposal group held for sale	370,143	—	370,143
Trade and bills payables	(4,120,466)	—	(4,120,466)
Other payables and accrual	(2,580,986)	—	(2,580,986)
Financial guarantee liabilities	(25,501)	—	(25,501)
Tax payables	(133,999)	—	(133,999)
Bank and other borrowings	(1,264,940)	—	(1,264,940)
Warranty provision	(14,517)	—	(14,517)
Minority interests	(2,107,532)	(96,382)	(2,203,914)
	1,899,990	232,415	2,132,405
Transfer from interests in associates			(534,278)
Revaluation increase in net assets attributable to the 28.12% interest in TAGC previously held by the Group			(65,355)
			1,532,772
Goodwill (note ii)			2,369,905
Total consideration			3,902,677
Satisfied by:			
Issue of shares (note i)			3,902,677
Net cash inflow arising on acquisition:			
Cash and cash equivalents acquired			477,335

18. Acquisition of a Subsidiary (continued)

The initial accounting for the TAGC Acquisition has been determined provisionally, awaiting the receipt of professional valuation in relation to the fair value of the Consideration Shares and certain underlying assets and liabilities of TAGC. Hence, the goodwill may be subject to further changes upon finalisation of initial accounting.

TAGC contributed approximately RMB5,087.7 million and approximately RMB403.4 million to the Group's turnover and profit for the period between the Completion Date and the balance sheet date.

If the TAGC Acquisition had been completed on 1st January 2007, total group turnover for the six months ended 30th June 2007 would have been approximately RMB15,340.4 million, and profit for the period would have been approximately RMB1,339.7 million. This pro forma information is for illustration purposes only and is not necessarily indicative of the turnover and results of the operation of the Group that actually could have been achieved had the TAGC Acquisition been completed on 1st January 2007, nor is it intended to be a projection of future results.

Notes:

(i) The Issue Price of the Consideration Shares was provisionally adopted by the directors to calculate the Group's cost of TAGC Acquisition.

(ii) **GOODWILL**

	RMB'000
CARRYING AMOUNT	
Arising on TAGC Acquisition	2,369,905
Transferred from interests in associates	599,552
At 30th June 2007	2,969,457

The carrying amount of goodwill at 30th June 2007 were related to the following cash generating units:

	RMB'000
Automobile and other major automobile components ("CGU A")	2,886,100
Minor automobile components ("CGU B")	83,357
	2,969,457

CGU A

The recoverable amount of this unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period, and discount rate of 10%. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the unit's past performance and management's expectations for the market development.

CGU B

The recoverable amount of this unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a five year period, and discount rate of 10%. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the unit's past performance and management's expectations for the market development.

19. Pledge of Assets

At 30th June 2007, the following assets were pledged to banks:

	30.6.2007 RMB'000 (unaudited)	31.12.2006 RMB'000 (audited)
Property, plant and equipment	172,193	—
Prepaid lease payments	100,947	—
Trade and bills receivables	210,135	34,300
Bank deposits	635,672	459,653
	1,118,947	493,953

20. Contingencies and Commitments

	30.6.2007 RMB'000 (unaudited)	31.12.2006 RMB'000 (audited)
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	218,016	57,230
Capital expenditure in respect of acquisition of property, plant and equipment authorised but not contracted for	562,436	249,221

21. Post Balance Sheet Event

Other than as disclosed in note 13, there were no other material post balance sheet events.

Supplementary Information

Summary of Differences between Condensed Consolidated Financial Statement prepared under Hong Kong Financial Reporting Standards (“HKFRS”) and those under Accounting Standards for Business Enterprises (“PRC GAAP”)

The Group has also prepared a set of condensed consolidated financial statement in accordance with relevant accounting principles and regulations applicable to enterprises established in the Peoples’ Republic of China (“PRC”). In the current period, the Group has applied, for its first time, the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC that are effective for accounting periods beginning on or after 1st January 2007.

The condensed financial statements prepared under HKFRS and those prepared under PRC GAAP have the following major differences:

	Net profit attributable to equity holders of the Company for six months ended 30th June		Net assets attributable to equity holders of the Company as at	
	2007 RMB'000	2006 RMB'000	30th June 2007 RMB'000	31st December 2006 RMB'000
As per condensed consolidated financial statements prepared under HKFRS:	926,158	318,742	7,745,670	2,984,562
Impact of HKFRS adjustments in respect of				
— reversal of intangible amortisation (note i)	—	(20,809)	(31,112)	(31,112)
— deferred tax effect on temporary differences not recognized under PRC GAAP (note ii)	—	6,086	10,267	10,267
— deemed interest expenses (note iii)	3,182	4,660	(5,970)	(9,152)
— acquisition of TAGC (note iv)	45,873	129,073	(3,211,237)	710,923
As per financial statements prepared under PRC GAAP	975,213	437,752	4,507,618	3,665,488

- (i) Up to 31st December 2006, trademarks were amortized under PRC GAAP but were subject to impairment test under HK GAAP. Starting 1st January 2007, trademarks are not amortized but are subject to impairment test under both PRC GAAP and HK GAAP;
- (ii) recognition of deferred tax asset/liability under HKFRS for the tax consequence of temporary differences by applying enacted statutory tax rates applicable to future years to differences between the financial statement carrying amounts and the tax basis of existing assets and liabilities, which are not recognized under PRC GAAP.
- (iii) the installments payable to Weifang Diesel Engine Works, which held 14.91% interest in the Company, for the acquisition of intangibles have been stated at present value discounted using market rates under HKFRS while under PRC GAAP, the installments payable are stated at gross amount. Accordingly, deemed interest expense arises on the installments payable to Weichai Factor under HKFRS is not recognised under PRC GAAP.
- (iv) The Group has previously held 28.12% equity interests in Torch Automobile Group Limited (“TAGC”), under PRC GAAP, the assets and liabilities of the TAGC and its subsidiaries (the “TAGC Group”) assumed by the Group upon completion of its acquisition of remaining 71.88% equity interests (“TAGC Acquisition”) are included in the condensed consolidated balance sheet of the Group at historical cost using “pooling of interest” method. The difference between the historical cost of the assets absorbed and liabilities assumed of TAGC Group and the purchase price paid is recorded as an adjustment to shareholders’ equity.

Under HKFRS, TAGC was accounted for as an associate of the Group up to date of exchange of control and the TAGC Acquisition has been accounted for using the purchase method which accounted for the assets, liabilities and contingent liabilities of TAGC Group at their fair value at the date of acquisition. The excess of the purchase consideration over the value of the net assets acquired is capitalized as a goodwill and is tested for impairment at least annually.

Note: There are also differences in other items in the condensed financial statements due to differences in classification between HKFRS and PRC GAAP.

Directors' and Supervisors' Interests in Shares and Underlying Shares

As at 30th June 2007, the interests of the Directors, Supervisors and their associates in the shares and underlying shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code"), were as follows:

Name of Director	Capacity	Number of domestic shares or foreign shares held	Approximate % of the issued share capital of the company
Tan Xuguang	Beneficial owner	4,300,000 (Note 1)	0.8%
Xu Xinyu	Beneficial owner	1,000,000 (Note 1)	0.2%
Sun Shaojun	Beneficial owner	1,000,000 (Note 1)	0.2%
Zhang Quan	Beneficial owner	1,000,000 (Note 1)	0.2%
Liu Huisheng	Beneficial owner	600,000 (Note 1)	0.1%
Yeung Sai Hong (Note 3)	Held by controlled corporation	23,500,000 (Note 2)	4.5%
Li San Yim (Note 4)	Held by spouse and controlled corporation	21,500,000 (Note 1)	4.1%
Julius G. Kiss (Note 5)	Held by controlled corporation	10,750,000 (Note 2)	2.1%
Name of Supervisor			
Wang Yong	Beneficial owner	350,000 (Note 1)	0.1%

Notes:

1. *These are domestic shares of the Company. Domestic shares are ordinary shares issued by the Company, with a Renminbi-denominated par value of RMB1.00 each, which are subscribed for and paid up in Renminbi or credited as fully paid up. These shares have become A shares of the Company upon the A share listing of the Company on the Shenzhen Stock Exchange.*
2. *These are foreign shares of the Company. Foreign shares are ordinary shares issued by the Company, with a Renminbi-denominated par value of RMB1.00 each, which are subscribed for and paid up in a currency other than Renminbi. These shares have become A shares of the Company upon the A share listing of the Company on the Shenzhen Stock Exchange.*

Supplementary Information (continued)

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 23,500,000 foreign shares of the Company.*
4. *Li San Yim, a non-executive Director, and his spouse, Ni Yinying, were interested in 69.16% and 30.84%, respectively, in the registered capital of 福建龍岩工程機械(集團)有限公司 Fujian Longgong Construction Machinery (Group) Company Limited ("Fujian Longgong") which in turn held 21,500,000 domestic shares of the Company, and therefore Li San Yim was deemed to be interested in these shares of the Company.*
5. *Julius G. Kiss, a non-executive Director, was indirectly interested in the entire issued share capital of IVM Technical Consultants Wien Gesellschaft m.b.H. ("IVM"), which in turn held 10,750,000 foreign shares of the Company.*

Save as disclosed above, none of the Directors, Supervisors, nor their associates had any interests or short positions in any shares or underlying shares of the Company or any of its associated corporations as at 30th June 2007.

Details of changes in share capital and substantial shareholders' shareholdings

(I) CHANGES IN SHAREHOLDINGS

1. Changes in share capital

Following the merger by absorption of TAGC, the Company's A shares successfully listed on the Shenzhen Stock Exchange on 30th April 2007. The shareholding structure of the Company is as follows:

	Beginning of the Period		Increase/decrease during the Period (+, -)				End of the Period		
	Quantity	Percentage (%)	New shares issued	Bonus issue	Transfer of surplus to capital	Others	Sub-total	Quantity	Percentage (%)
I. Restricted circulating Shares	203,500,000	61.67%	15,140,586			161	15,140,747	218,640,747	41.99%
1. State-owned shares			15,140,586				15,140,586	15,140,586	2.91%
2. State-owned legal person shares	101,450,000	30.74%						101,450,000	19.49%
3. Shares held by other domestic entities	67,800,000	20.55%				161	161	67,800,161	13.02%
including:									
Shares held by non State-owned legal persons	53,000,000	16.06%						53,000,000	10.18%
Shares held by domestic natural persons	14,800,000	4.48%				161	161	14,800,161	2.84%
4. Shares held by other foreign entities	34,250,000	10.38%						34,250,000	6.58%
including:									
Shares held by overseas legal persons	34,250,000	10.38%						34,250,000	6.58%
Shares held by overseas natural persons									

Supplementary Information (continued)

	Beginning of the Period		Increase/decrease during the Period (+, -)				End of the Period		
	Quantity	Percentage (%)	New shares issued	Bonus issue	Transfer of surplus to capital	Others	Sub-total	Quantity	Percentage (%)
II. Non-restricted circulating Shares	126,500,000	38.33%	175,512,966			-161	175,512,805	302,012,805	58.01%
1. RMB ordinary Shares			175,512,966			-161	175,512,805	175,512,805	33.71%
2. Domestic listed foreign Shares									
3. Overseas listed foreign Shares	126,500,000	38.33%						126,500,000	24.3%
4. Others									
III. Total number of Shares	330,000,000	100%	190,653,552			0	190,653,552	520,653,552	100%

Notes:

- Under the approval of the Extraordinary General Meeting and the Class General Meetings of the Company held on 29th December 2006 and the sanction of the CSRC Zheng Jian Fazi No. [2007] 64 (監發行字 [2007] 64號) 30th March 2007, the Company issued 175,512,966 shares and completed the merger by share conversion and absorption of TAGC. The Company's A Shares were listed on the Shenzhen Stock Exchange on 30 April under the approval of the Shenzhen Stock Exchange.
- Other movements are that Mr. Zhang Yupu assumed the responsibility as a executive officer during the Period, the 161 shares originally held by him became restricted shares.

2. Time during which restricted Shares can be listed and traded

Time	Additional shares can be listed and traded upon expiry of the restricted period	Remaining restricted Shares	Remaining non-restricted Shares	Description
30th April 2010	218,640,586	0	0	Under the commitments of the holders of non-circulating shares of the Company and 24 natural-person promoter shareholders, no shares of the Company shall be transferred within 36 months commencing from its listing on Shenzhen Stock Exchange.
30th April 2008	42	119	0	the shares held by officer Zhang Yupu and can be transferred after the first anniversary of the listing of the shares of the Company in accordance with the relevant rules of CSRC.

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

Serial No	Names of restricted Shares Shareholders	Number of restricted Shares held	Time permitted to be listed and traded in the market	Number of Shares permitted to be listed and traded in the market	Restriction
1.	濰坊柴油機廠 (Weifang Diesel Engine Works)	77,647,900	30th April 2010	0	Under the commitments of the holders of non-circulating shares of the Company and 24 natural-person promoter shareholders, no shares of the Company shall be transferred or managed by other person or repurchased by the Company within 36 months commencing from its listing on the Shenzhen Stock Exchange.
2.	Peterson Holdings Company Limited	23,500,000	30th April 2010	0	
3.	福建龍岩工程機械（集團）有限公司 (Fujian Longyan Construction Machinery (Group) Company Limited)	21,500,000	30th April 2010	0	
4.	深圳市創新投資集團有限公司 (Shenzhen Chuangxin Investment Group Company Limited)	21,500,000	30th April 2010	0	
5.	濰坊市投資公司 (Weifang Investment Company)	19,311,550	30th April 2010	0	
6.	株州市國有資產投資經營有限公司 (Zhuzhou State-owned Assets Administration Management Company Limited)	15,140,586	30th April 2010	0	
7.	奧地利IVM技術諮詢維也納有限公司 (IVM Technical Consultants Wien Gesellschaft m.b.H)	10,750,000	30th April 2010	0	
8.	山東省企業託管經營股份有限公司 (Shandong Enterprise Trust Operation Company Limited)	10,000,000	30th April 2010	0	
9.	廣西柳工集團有限公司 (Guangxi Liugong Group Limited)	4,490,550	30th April 2010	0	
10.	Tan Xuguang	4,300,000	30th April 2010	0	

(II) SHAREHOLDINGS OF THE SUBSTANTIAL SHAREHOLDERS (AS AT 30TH JUNE 2007)

Total number of Shareholders

The number of shareholders is 27,202, among which 26,877 are shareholders of A share and 325 are shareholders of H share

Shareholdings of the top ten shareholders

Names of Shareholders	Type of Shareholders	Approximate percentage of shares held (%)	Total number of shares held	Number of restricted Shares held	Number of Shares pledged or frozen
HKSCC Nominees Limited	Foreign shareholder	24.19%	125,954,699	0	N/A
濰坊柴油機廠 (Weifang Diesel Engine Works)	State-owned legal person	14.91%	77,647,900	77,647,900	0
Peterson Holdings Company Limited	Overseas legal person	4.51%	23,500,000	23,500,000	0
深圳市創新投資集團有限公司 (Shenzhen Chuangxi Investment Group Co.,Ltd)	Domestic non state-owned legal person	4.13%	21,500,000	21,500,000	0
福建龍岩工程機械（集團）有限公司 (Fujian Longyan Construction Machinery (Group) Company Limited)	Domestic non state-owned legal person	4.13%	21,500,000	21,500,000	0
濰坊市投資公司 (Weifang Investment Company)	State-owned legal person	3.71%	19,311,550	19,311,550	0
株洲市國有資產投資經營有限公司 (Zhuzhou State-owned assets Administration Management Company Limited)	State-owned	2.91%	15,140,586	15,140,586	0
China Industrial and Commercial Bank — 南方績優成長股票型證券投資基金	Domestic non state-owned legal person	2.31%	12,003,350	0	0
奧地利IVM技術諮詢維也納有限公司 (IVM Technical Consultants Wien Gesellschaft m.b.H)	Overseas legal person	2.06%	10,750,000	10,750,000	0
山東省企業託管經營股份有限公司 (Shandong Enterprise Trust Operation Company Limited)	Domestic non state-owned legal person	1.92%	10,000,000	10,000,000	0

Shareholdings of the top ten non-restricted shareholders

Names of Shareholders	Number of the non-restricted shares held	Types of Shares
HKSCC Nominees Limited	125,954,699	Overseas listed foreign shares
China Industrial and Commercial Bank — 南方績優成長股票型證券投資基金	12,003,350	RMB ordinary shares
Bank of China — 南方高增長股票型開放式證券投資基金	7,400,000	RMB ordinary shares
China Construction Bank — 華夏優勢增長股票型證券投資基金	4,649,438	RMB ordinary shares
China Industrial and Commercial Bank — 易方達價值精選股票型證券投資基金	4,200,000	RMB ordinary shares
China Industrial and Commercial Bank — 易方達價值成長混合型證券投資基金	3,502,219	RMB ordinary shares
Bank of China — 華寶興業先進成長股票型證券投資基金	3,480,610	RMB ordinary shares
China Industrial and Commercial Bank — 廣發策略優選混合型證券投資基金	3,370,516	RMB ordinary shares
Bank of Communications — 滙豐晉信動態策略混合型證券投資基金	3,131,405	RMB ordinary shares
Industrial Bank Co., Ltd — 興業全球視野股票型證券投資基金	3,121,387	RMB ordinary shares

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

1. Among the aforementioned shareholders, 南方績優成長股票型證券投資基金 and 南方高增長股票型開放式證券投資基金 both are managed by a fund manager, namely 南方基金管理公司 (Southern China Southern Fund Management Co., Ltd).
2. Among the aforementioned shareholders, 易方達價值精選股票型證券投資基金 and 易方達價值成長混合型證券投資基金 both are managed by a fund manager, namely 易方達基金管理公司 (E Fund Management Co., Ltd).
3. Save as the aforementioned, it's not certain whether there is any connected relationship between the top ten shareholders and the other top ten non-restricted shareholders, or whether there is any acting in concert relationship between them.

Details of the Directors, Supervisors and Chief executives

I. SHAREHOLDINGS OF THE DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES

Nine of the directors, supervisors and chief executives of the Company, namely Tan Xuguang, Xu Xinyu, Zhang Quan, Sun Shaojun, Liu Huisheng, Tong Dehui, Dai Lixin, Feng Gang and Wang Yong, who are both chief executives and among the 24 natural-person promoter shareholders, have undertaken that they will not transfer any shares of the Company within 36 months commencing from its listing on the Shenzhen Stock Exchange until the restriction period is expired, when the share held thereon can be transferred in accordance with the relevant rules of China Securities Regulatory Commission and Shenzhen Stock Exchange. Furthermore, the 161 shares originally held by executive officer Zhang Yupu have been frozen, and can be transferred from 30th April 2008 in accordance with the relevant rules of China Securities Regulatory Commission and Shenzhen Stock Exchange.

II. APPOINTMENT AND RESIGNATION OF THE DIRECTORS, SUPERVISORS AND OFFICERS

1. Gu Linsheng, Li Shihao and Liu Zheng were appointed as additional non-executive directors of the Company under the approval of the 2006 Extraordinary General Meeting of the Company held on 29th December 2006. They shall hold office from the completion date of the Company's merge by absorption of TAGC until 17th December 2008.
2. Subject to the review on the fifth meeting of the second phase of the board meeting, Zhang Yupu and Li Dakai were appointed as executive chief executive officers of the Company.

Arrangement to Purchase Shares or Debentures

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

Purchase, Sale or Redemption of 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 People's Republic of China, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Audit Committee

The Audit Committee comprises three independent non-executive Directors of the Company. The Chairman of the Audit Committee is Mr. Koo Fook Sun, Louis, an independent non-executive Director. Mr. Koo is an experienced investment banker with appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") for the purpose of such appointment.

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

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

Throughout the Period, other than the roles of the Chairman and the Chief Executive Officer being performed by Mr. Tan Xuguang (“Mr. Tan”), the Company has complied with all the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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, a balancing mechanism exists so that the interests

Compliance with the Model Code

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

Approval of the Unaudited Consolidated Financial Statement

The unaudited consolidated financial statements for the Period have approved by the Board on 28th August 2007.

Publication of interim results on the websites of the Stock Exchange of Hong Kong Limited and the Company

The 2007 Interim Report will be despatched to Shareholders as well as made available on The Stock Exchange of Hong Kong Limited’s website at www.hkex.com.hk and the Company’s website at www.weichai.com.