



CHAIRMAN'S STATEMENT

I am pleased to announce the unaudited interim results of Weichai Power Co., Ltd. (the "Company") for the six months ended 30th June, 2004 (the "Period") on behalf of the board (the "Board") of the directors (the "Directors") of the Company.

The Company was incorporated on 23rd December, 2002 as a joint stock limited company with limited liability in the People's Republic of China (the "PRC").

The H shares of the Company have been successfully listed on the Main Board of The Stock Exchange of Hong Kong (the "Stock Exchange") since 11th March, 2004.

The Company is principally engaged in the manufacture and sale of high-speed, heavy-duty WD615 and WD618 diesel engines and other related parts and products. The Company manufactures four series of WD615 diesel engines (the "WD615 Engines"), namely vehicle engines (for heavy-duty vehicles and coaches), construction machine engines, vessel engines and power generator engines. WD615 Engines are water-cooled, linear, 6-cylinder, turbo-charging, high-speed diesel engines, which can generate a power of 110–266 kW and have met the Euro II emission standards. The Company also manufactures WD618 diesel engines (the "WD618 Engines"), which are a new series of diesel engines developed based on the WD615 series. In addition to having all the major features of the WD615 Engines, WD618 Engines, with larger displacement, can generate a power of 265–323 kW. The Company's WD618 Engines have also met the Euro II emission standards. As a leading manufacturer of the diesel engines in the PRC, the Company's market shares in supplying heavy-duty vehicles with a load capacity of 15 tonnes (and above) and wheel-loaders with a load capacity of 5 tonnes (and above) are approximately 75% and 73%, respectively.

Supported by our advanced production technology, high production capacity and experienced staff, we are able to supply a diverse range of quality products to our customers at very competitive prices. Leveraging on our strengths, for the Period, the Company achieved a turnover of approximately RMB2,801.8 million, representing a 60.7% increase over the same period in 2003, and a net profit attributable to shareholders of approximately RMB248.6 million, representing an increase of 102.4% over the same period in 2003.

In order to finance our business expansion and to strengthen our capital base, the Company conducted an initial public offering (the "IPO") and our H shares were successfully listed on the Main Board of the Stock Exchange on 11th March, 2004 (the "Listing"). The IPO was well received by international investors and the public investors in Hong Kong. The international placing was over-subscribed by over approximately 52 times and the Hong Kong public offer recorded an impressive subscription rate of over approximately 928 times. The net proceeds from the IPO were approximately RMB1,226.9 million (including the funds raised as a result of the exercise of the over-allotment option in connection with the IPO on 11th March, 2004). Such net proceeds are being used to implement the future plans as stated in the prospectus of the Company dated 26th February, 2004 (the "Prospectus").

The success of the IPO reflects investors' confidence in the future growth of the heavy-duty diesel engines industry in the PRC and the prospects of the Company. The management is deeply encouraged by the offering results.





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INTERIM DIVIDEND

In view of the outstanding results achieved by the Company during the Period, the Board has declared an interim dividend of RMB0.15 per share payable to the shareholders of the Company whose names appear in the registers of members of the Company on 14th September, 2004.

FUTURE OUTLOOK AND STRATEGY

Looking ahead, the future is full of opportunities and yet the competitive landscape of the diesel engines market in the PRC remains challenging. In addition to our continuous effort to strengthen and consolidate our leading positions in the 15 tonnes (and above) heavy-duty trucks and the 5 tonnes (and above) wheel-loaders markets, the Company will also seek to explore other markets including, for example, coaches with a length of 11 meters (and above), and to further broaden our customer base.

The Company is set to further expand our production capacity and the range of high value-added products. To this end, the second new production line with an annual capacity of over 30,000 sets of diesel engines is expected to commence commercial production in the second quarter of 2005. We will also improve our information system and employ high-calibre staff to further strengthen our senior management capability. From time to time, we will assess the market demand and, if necessary, implement appropriate expansion plans to further increase our production capacity. Our strategy is to leverage on our strong financial position and technical expertise as well as the experience of our strong management team to grow our business by a combination of further development of and investment in our existing core business and, or establishment of strategic alliance and, or synergistic acquisitions. We have indicated in our Prospectus that we may purchase the business of 杭州汽車發動機廠 (Hangzhou Motor Engine Factory ("Hangqi"), which is a fellow subsidiary with Weichai Factory) in the future, subject to the prevailing market situation as well as the financial conditions and operating performances of both the Company and Hangqi, and compliance with the disclosure, shareholders' approval and other requirements of the Listing Rules. We continue to evaluate the feasibility of acquiring the business or assets of Hangqi, but such evaluation is still at a preliminary stage at the date of this report.

The successful listing on the Main Board of the Stock Exchange is a milestone of the Company's further expansion. The Company will leverage on its competitive advantages, to seize every business opportunity to further expand and consolidate its market shares in different product industries that we target at. We strive to maximize shareholders' return and share with them the happiness of the success of the Company's continuous growth.





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ACKNOWLEDGEMENT

I would like to thank the Board, the management and all our staff for their hard work and dedication, as well as our shareholders and customers for their continuous support.

By Order of the Board
Mr. Tan Xuguang
Chairman and CEO

Hong Kong, 24th August, 2004

The Directors of the Company as at the date of this report are as follows:

Four executive directors, namely Tan Xuguang (Chairman and CEO), Mr. Xu Xinyu, Mr. Sun Shaojun, Mr. Zhang Quan, Eight non-executive directors, namely Mr. Yeung Sai Hong, Mr. Chen Xuejian, Mr. Yao yu, Mr. Li San Yim, Mr. Tong Jingen, Ms. Zhang Fusheng, Mr. Julius G. Kiss, Mr. Feng Gang and two independent non-executive directors, namely Mr. Zhang Xiaoyu and Mr. Koo Fook Sun, Louis.

