

Chairman's Statement



CHAIRMAN'S STATEMENT

Dear shareholders:

On behalf of the Board, I am pleased to present the unaudited interim results of the Company for the Reporting Period.

REVIEW OF OPERATING RESULTS

During the Reporting Period, the central government of the PRC continued to implement a series of macro-tightening measures which slowed down the investment in infrastructures in the PRC. With effect from 1st April, 2005, the central government has implemented a new policy of Vehicles' Maximum Measurement On Size, Weight and Loading Capacity 《道路車輛外廓尺寸·軸荷及質量限值》, which required all truck

manufacturers to redesign their trucks so as to meet certain design standards with specific length, height and chassis structure standards. As a result of which, the nationwide crackdown on truck overloading has been easing off since the second quarter of 2005. The implementation of the above-mentioned measures had certain negative impacts on the heavy-duty trucks and construction machineries industries, which in turn substantially slowed down the increase in sales of the Company of diesel engines which were used in these industries as compared to the previous year. Nevertheless, during the Reporting Period, we still played a very active role in the PRC in supplying diesel engines used in heavy-duty trucks with a load capacity of 15 tonnes (and above) and wheel loaders with a load capacity of 5 tonnes (and above), representing approximately 80% (2004: 75%) and 78% (2004: 73%) market share, respectively for the Reporting Period. The Company recorded a turnover of approximately RMB3,228.3 million, representing a growth of approximately 15.2% compared to the same period in 2004. The net profit attributable to shareholders increased slightly by approximately 3.0% to approximately RMB250.2 million and earnings per share reached approximately RMB0.76 per share. During the Reporting Period, the sales volume of diesel engines was approximately 68,646 units as compared to 64,130 units for the same period in 2004, representing a growth of approximately 7.0%.

DIVIDENDS

Since its listing in March, 2004, the Company has maintained a relatively stable dividend policy. The Board was authorised by the shareholders of the Company to approve the distribution of an interim dividend for 2005 at the annual general meeting of the Company which was held on

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WEICHAI POWER CO., LTD.
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27th May, 2005. The Board has resolved to pay an interim dividend of RMB0.165 per share (2004: RMB0.15 per share) to reward the continuing support and confidence of our shareholders towards the Company. The dividend will be paid on 30th September, 2005.

ACQUISITIONS

Hangzhou Motor Engines Factory (杭州汽車發動機廠) ("Hangqi")

As stated in the announcement of the Company dated 28th September, 2004, the Company has entered into a framework agreement with 中國重型汽車集團有限公司 (China Heavy Duty Truck Group Co., Ltd) ("CHDTGL"). As at the date of this report, the relevant valuation work on the assets of Hangqi is still in progress. Due to the on-going restructuring of CHDTGL, the valuation process has taken longer time than the Directors expected. However, the Directors of the Company are still confident that the transaction can be completed before 31st December, 2005 if the terms can be agreed by CHDTGL and all relevant approvals required from the PRC government can be obtained and the restructuring of the CHDTGL can be completed without delay.

Torch Automobile Group Co., Ltd (湘火炬汽車集團股份有限公司) ("Torch Auto")

On 11th August, 2005, 濰柴動力(濰坊)投資有限公司, a PRC joint venture company in which the Company holds 45% of its registered capital, signed a share transfer agreement and a loan transfer agreement with, inter alia, 中國華融資產管理公司 (China HuaRong Asset Management Corp.) for the acquisition of an approximately 28.12% interest in Torch Auto, a company listed on The Shenzhen Stock Exchange in the PRC, for a total consideration of approximately RMB1,023.4 million. The transaction is expected to be completed before 31st December, 2005 if all relevant approvals required from the PRC government can be obtained.

PROSPECTS

Looking ahead, although the diesel engines market in China is expected to remain competitive and challenging, the Directors are still optimistic about the future of our Company and believe that the industry is full of opportunities. In addition to our continuous effort to strengthen and consolidate our leading positions in the 15 tonnes (and above) heavy-duty trucks and 5 tonnes (and above) wheel-loaders markets, the Company will also seek to further explore opportunity for acquiring related business, further broaden our customers base and consolidate our business.

Torch Auto is principally engaged in the manufacturing of the heavy-duty trucks and its related key auto parts such as: gearbox and spark plug, etc. The Company will explore potential business opportunities and synergies with Torch Auto in the near future. As such, it is expected that the investment in Torch Auto will contribute positively to the future development of the Company.

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The Company will also focus on the research and development of new generation of diesel engines which comply with Euro IV emission standard based on the newly invented Euro III WP10 and WP12 series of diesel engines. The Company expects that the above-mentioned research and development project will commence at the end of 2005 and hopefully will be completed by 2008.

APPRECIATION

We believe that the delivery of high quality products is only possible with our diligent, dedicated and experienced employees, and only by retaining these qualified employees can the Company achieve sound and rapid growth in face of the competitive landscape in the future. So I would like to pay tribute to our staff for their loyalty and workforce. I would also like to thank my fellow Board members and other senior management for their hard work and dedication, as well as our customers for their continuous support.

By Order of the Board
Mr. Tan Xuguang
Chairman

Hong Kong, 26th August, 2005

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

Four executive Directors, namely Mr. Tan Xuguang (Chairman), 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 three independent non-executive Directors, namely Mr. Zhang Xiaoyu, Mr. Fang Zhong Chang and Mr. Koo Fook Sun Louis.