



WEICHAI
潍柴动力股份有限公司
WEICHAI POWER CO., LTD.

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 2338)

DISCLOSEABLE TRANSACTIONS
DISCLOSEABLE AND CONNECTED TRANSACTIONS
DISPOSAL OF EQUITY INTERESTS IN
MAT COMPANIES
AND DALIAN HONGYUAN

The Board is pleased to announce that on 14 May 2007, the Company has entered into: (i) seven share transfer agreements with MAT Beijing in respect of the sale of its 75% equity interest in each of the MAT Companies to MAT Beijing; and (ii) a share transfer agreement with MAT Auto in respect of the sale of its 49% equity interest in Dalian Hongyuan to MAT Auto. The Board also announces that on 9 June 2007, the Company has entered into (i) seven supplemental share transfer agreements to each of the abovementioned share transfer agreements with MAT Beijing; and (ii) a supplemental share transfer agreement to the abovementioned share transfer agreement with MAT Auto.

The Disposals of the equity interests in the MAT Companies and Dalian Hongyuan by the Company, in aggregate, constitute Discloseable Transactions for the Company under the Listing Rules. Since the Disposals of the equity interests in the MAT Companies by the Company, in aggregate, constitute Discloseable and Connected Transactions for the Company under the Listing Rules, they are subject to the approval of the independent Shareholders of the Company.

A circular containing, *inter alia*, (i) further details of the Disposals; (ii) a letter from the independent board committee of the Company to the independent Shareholders in relation to the Discloseable and Connected Transactions; and (iii) a letter of advice from the independent financial adviser to the independent board committee of the Company and the independent Shareholders in relation to the Discloseable and Connected Transactions, will be sent to the Shareholders in due course.

The Board is pleased to announce that on 14 May 2007, the Company has entered into: (i) seven conditional share transfer agreements with MAT Beijing in respect of the sale of its 75% equity interest in each of the MAT Companies to MAT Beijing; and (ii) a conditional share transfer agreement with MAT Auto in respect of the sale of its 49% equity interest in Dalian Hongyuan to MAT Auto. The Board also announces that on 9 June 2007, the Company has entered into (i) seven supplemental share transfer agreements to each of the abovementioned share transfer agreements with MAT Beijing; and (ii) a supplemental share transfer agreement to the abovementioned share transfer agreement with MAT Auto.

I. MAT COMPANIES SHARE TRANSFER AGREEMENTS

The details of the Original MAT Companies Share Transfer Agreements are as follows:

Date

14 May 2007

Parties

- (1) MAT Beijing, the principal business of which is the import and export of goods and technologies and import and export agencies; and
- (2) the Company, the principal business of which is the research and development, manufacture and sale of high speed heavy duty diesel engines and engine parts; and, through its subsidiaries, the manufacture and sale of heavy-duty trucks and motor vehicle parts and accessories for heavy-duty trucks.

MAT Beijing is indirectly wholly-owned by Wang Wei, who is a director of each of Hangzhou Hongyuan Machinery, Hangzhou Hongyuan Sports, Kunshan Hongyuan and Tianjin Hongben, and was a director of Tianjin Hongning, Tangshan Hongben and Qingdao Hongben during the preceding 12 months. The Company holds a 75% equity interest and Wang Wei, through Honbase (being wholly-owned by Wang Wei) and Hong Kong Hongyuan (being a branch of or an entity controlled by Honbase), holds a 25% equity interest in each of the MAT Companies. Accordingly, Wang Wei and Honbase are connected persons of the Company. MAT Beijing, being an associate of Wang Wei and Honbase, is also a connected person of the Company.

Conditions precedent

The effectiveness of each of the Original MAT Companies Share Transfer Agreements was conditional upon the approval by the Board, which was obtained on 9 June 2007. Therefore, prior to 9 June 2007, the Original MAT Companies Share Transfer Agreements had not become effective. On 9 June 2007, the Supplemental MAT Companies Share Transfer Agreements were entered into, and completion of the MAT Companies Share Transfer Agreements is conditional upon the satisfaction of the following conditions:

- (1) the approval of the Disposals of the equity interests in the MAT Companies by the Shareholders; and
- (2) the requisite consents and approvals having been obtained from the relevant governmental and/or regulatory authorities in the PRC.

1. Qingdao Hongben Share Transfer Agreements

Assets disposed of

The subject matter of the Disposal under the Qingdao Hongben Share Transfer Agreements is a 75% equity interest in Qingdao Hongben. The said 75% equity interest in Qingdao Hongben is held by the Company and the remaining 25% equity interest in Qingdao Hongben is registered in the name of Honbase. Qingdao Hongben will cease to be a subsidiary of the Company following the Disposal.

Consideration

The aggregate consideration is RMB8,790,000. The consideration was determined after arm's length negotiation between the parties and by reference to the audited net asset value of Qingdao Hongben as at 31 March 2007 prepared in accordance with the PRC GAAP and the fact that Qingdao Hongben's principal business is non-core to the Group's businesses. The consideration will be paid in cash by MAT Beijing to an account designated by the Company as follows: 50% of the said consideration to be paid within two months from the date of the Original Qingdao Hongben Share Transfer Agreement and the remaining 50% of the said consideration to be paid within six months from the same date. According to the Supplemental Qingdao Hongben Share Transfer Agreement, the Company undertakes and warrants to MAT Beijing that, in the event that the Original Qingdao Hongben Share Transfer Agreement shall not become effective and unconditional, it shall return all payments received from MAT Beijing with interests (at the rate of the benchmark rate of bank loans) in one time within three business days.

Information on Qingdao Hongben

The principal business of Qingdao Hongben is the production of machinery tools and metallic accessories.

Based on the latest audited financial statements of Qingdao Hongben, the net asset value of Qingdao Hongben as at 31 December 2006 prepared in accordance with the PRC GAAP was approximately RMB19,734,400.

2. Hangzhou Hongyuan Machinery Share Transfer Agreements

Assets disposed of

The subject matter of the Disposal under the Hangzhou Hongyuan Machinery Share Transfer Agreements is a 75% equity interest in Hangzhou Hongyuan Machinery. The said 75% equity interest in Hangzhou Hongyuan Machinery is held by the Company and the remaining 25% equity interest in Hangzhou Hongyuan Machinery is registered in the name of Hong Kong Hongyuan. Hangzhou Hongyuan Machinery will cease to be a subsidiary of the Company following the Disposal.

Consideration

The aggregate consideration is RMB3,220,000. The consideration was determined after arm's length negotiation between the parties and by reference to the audited net asset value of Hangzhou Hongyuan Machinery as at 31 March 2007 prepared in accordance with the PRC GAAP, the fact that Hangzhou Hongyuan Machinery is loss making in 2006 and its principal business being non-core to the Group's businesses. The consideration will be paid in cash by MAT Beijing to an account designated by the Company as follows: 50% of the said consideration to be paid within two months from the date of the Original Hangzhou Hongyuan Machinery Share Transfer Agreement and the remaining 50% of the said consideration to be paid within six months from the same date. According to the Supplemental Hangzhou Hongyuan Machinery Share Transfer Agreement, the Company undertakes and warrants to MAT Beijing that, in the event that the Original Hangzhou Hongyuan Machinery Share Transfer Agreement shall not become effective and unconditional, it shall return all payments received from MAT Beijing with interests (at the rate of the benchmark rate of bank loans) in one time within three business days.

Information on Hangzhou Hongyuan Machinery

The principal business of Hangzhou Hongyuan Machinery is the production of metallic tools and machinery facilities.

Based on the latest audited financial statements of Hangzhou Hongyuan Machinery, the net asset value of Hangzhou Hongyuan Machinery as at 31 December 2006 prepared in accordance with the PRC GAAP was approximately RMB9,891,400.

Based on the latest audited financial statements of Hangzhou Hongyuan Machinery, the net loss before and after tax and extraordinary items of Hangzhou Hongyuan Machinery for the financial year ended 31 December 2006 prepared in accordance with the PRC GAAP was approximately RMB1,282,100 and approximately RMB1,651,000, respectively. Based on the audited financial statements of Hangzhou Hongyuan Machinery, the net profit before and after tax and extraordinary items of Hangzhou Hongyuan Machinery for the financial year ended 31 December 2005 prepared in accordance with the PRC GAAP was approximately RMB299,700 and approximately RMB485,200, respectively.

3. Hangzhou Hongyuan Sports Share Transfer Agreements

Assets disposed of

The subject matter of the Disposal under the Hangzhou Hongyuan Sports Share Transfer Agreements is a 75% equity interest in Hangzhou Hongyuan Sports. The said 75% equity interest in Hangzhou Hongyuan Sports is held by the Company and the remaining 25% equity interest in Hangzhou Hongyuan Sports is registered in the name of Hong Kong Hongyuan. Hangzhou Hongyuan Sports will cease to be a subsidiary of the Company following the Disposal.

Consideration

The aggregate consideration is RMB7,760,000. The consideration was determined after arm's length negotiation between the parties and by reference to the audited net asset value of Hangzhou Hongyuan Sports as at 31 March 2007 prepared in accordance with the PRC GAAP, the fact that Hangzhou Hongyuan Sports is loss making in 2006 and its principal business being non-core to the Group's businesses. The consideration will be paid in cash by MAT Beijing to an account designated by the Company as follows: 50% of the said consideration to be paid within two months from the date of the Original Hangzhou Hongyuan Sports Share Transfer Agreement and the remaining 50% of the said consideration to be paid within six months from the same date. According to the Supplemental Hangzhou Hongyuan Sports Share Transfer Agreement, the Company undertakes and warrants to MAT Beijing that, in the event that the Original Hangzhou Hongyuan Sports Share Transfer Agreement shall not become effective and unconditional, it shall return all payments received from MAT Beijing with interests (at the rate of the benchmark rate of bank loans) in one time within three business days.

Information on Hangzhou Hongyuan Sports

The principal business of Hangzhou Hongyuan Sports is the production and sale of gymnastic equipment and metallic tools.

Based on the latest audited financial statements of Hangzhou Hongyuan Sports, the net asset value of Hangzhou Hongyuan Sports as at 31 December 2006 prepared in accordance with the PRC GAAP was approximately RMB18,535,800.

Based on the latest audited financial statements of Hangzhou Hongyuan Sports, the net loss before and after tax and extraordinary items of Hangzhou Hongyuan Sports for the financial year ended 31 December 2006 prepared in accordance with the PRC GAAP was approximately RMB406,800 and approximately RMB349,800, respectively. Based on the audited financial statements of Hangzhou Hongyuan Sports, the net profit before and after tax and extraordinary items of Hangzhou Hongyuan Sports for the financial year ended 31 December 2005 prepared in accordance with the PRC GAAP was approximately RMB2,867,100 and approximately RMB2,493,700, respectively.

4. Kunshan Hongyuan Share Transfer Agreements

Assets disposed of

The subject matter of the Disposal under the Kunshan Hongyuan Share Transfer Agreements is a 75% equity interest in Kunshan Hongyuan. The said 75% equity interest in Kunshan Hongyuan is held by the Company and the remaining 25% equity interest in Kunshan Hongyuan is registered in the name of Hong Kong Hongyuan. Kunshan Hongyuan will cease to be a subsidiary of the Company following the Disposal.

Consideration

The aggregate consideration is RMB9,730,000. The consideration was determined after arm's length negotiation between the parties and by reference to the audited net asset value of Kunshan Hongyuan as at 31 March 2007 prepared in accordance with the PRC GAAP, the fact that Kunshan Hongyuan is loss making in 2006 and its principal business being non-core to the Group's businesses. The consideration will be paid in cash by MAT Beijing to an account designated by the Company as follows: 50% of the said consideration to be paid within two months from the date of the Original Kunshan Hongyuan Share Transfer Agreement and the remaining 50% of the said consideration to be paid within six months from the same date. According to the Supplemental Kunshan Hongyuan Share Transfer Agreement, the Company undertakes and warrants to MAT Beijing that, in the event that the Original Kunshan Hongyuan Share Transfer Agreement shall not become effective and unconditional, it shall return all payments received from MAT Beijing with interests (at the rate of the benchmark rate of bank loans) in one time within three business days.

Information on Kunshan Hongyuan

The principal business of Kunshan Hongyuan is the production of metallic tools and light machineries.

Based on the latest audited financial statements of Kunshan Hongyuan, the net asset value of Kunshan Hongyuan as at 31 December 2006 prepared in accordance with the PRC GAAP was approximately RMB24,852,600.

Based on the latest audited financial statements of Kunshan Hongyuan, the net loss before and after tax and extraordinary items of Kunshan Hongyuan for the financial year ended 31 December 2006 prepared in accordance with the PRC GAAP was approximately RMB5,105,800 and approximately RMB5,224,000, respectively. Based on the audited financial statements of Kunshan Hongyuan, the net profit before and after tax and extraordinary items of Kunshan Hongyuan for the financial year ended 31 December 2005 prepared in accordance with the PRC GAAP was approximately RMB11,258,100 and approximately RMB10,096,500, respectively.

5. Tianjin Hongben Share Transfer Agreements

Assets disposed of

The subject matter of the Disposal under the Tianjin Hongben Share Transfer Agreements is a 75% equity interest in Tianjin Hongben. The said 75% equity interest in Tianjin Hongben is held by the Company and the remaining 25% equity interest in Tianjin Hongben is registered in the name of Hong Kong Hongyuan. Tianjin Hongben will cease to be a subsidiary of the Company following the Disposal.

Consideration

The aggregate consideration is RMB30,090,000. The consideration was determined after arm's length negotiation between the parties and by reference to the audited net asset value of Tianjin Hongben as at 31 March 2007 prepared in accordance with the PRC GAAP, the fact that Tianjin Hongben is loss making in 2006 and its principal business being non-core to the Group's businesses. The consideration will be paid in cash by MAT Beijing to an account designated by the Company as follows: 50% of the said consideration to be paid within two months from the date of the Original Tianjin Hongben Share Transfer Agreement and the remaining 50% of the said consideration to be paid within six months from the same date. According to the Supplemental Tianjin Hongben Share Transfer Agreement, the Company undertakes and warrants to MAT Beijing that, in the event that the Original Tianjin Hongben Share Transfer Agreement shall not become effective and unconditional, it shall return all payments received from MAT Beijing with interests (at the rate of the benchmark rate of bank loans) in one time within three business days.

Information on Tianjin Hongben

The principal business of Tianjin Hongben is the production and sale of light machineries, vehicle parts and components and metallic strings.

Based on the latest audited financial statements of Tianjin Hongben, the net asset value of Tianjin Hongben as at 31 December 2006 prepared in accordance with the PRC GAAP was approximately RMB79,070,000.

Based on the latest audited financial statements of Tianjin Hongben, the net loss before and after tax and extraordinary items of Tianjin Hongben for the financial year ended 31 December 2006 prepared in accordance with the PRC GAAP was approximately RMB5,454,600 and approximately RMB4,835,400, respectively. Based on the audited financial statements of Tianjin Hongben, the net profit before and after tax and extraordinary items of Tianjin Hongben for the financial year ended 31 December 2005 prepared in accordance with the PRC GAAP was approximately RMB4,897,400 and approximately RMB5,162,500, respectively.

6. Tianjin Hongning Share Transfer Agreements

Assets disposed of

The subject matter of the Disposal under the Tianjin Hongning Share Transfer Agreements is a 75% equity interest in Tianjin Hongning. The said 75% equity interest in Tianjin Hongning is held by the Company and the remaining 25% equity interest in Tianjin Hongning is registered in the name of Hong Kong Hongyuan. Tianjin Hongning will cease to be a subsidiary of the Company following the Disposal.

Consideration

The aggregate consideration is RMB10,430,000. The consideration was determined after arm's length negotiation between the parties and by reference to the audited net asset value of Tianjin Hongning as at 31 March 2007 prepared in accordance with the PRC GAAP and the fact that Tianjin Hongyuan's principal business is non-core to the Group's businesses. The consideration will be paid in cash by MAT Beijing to an account designated by the Company as follows: 50% of the said consideration to be paid within two months from the date of the Original Tianjin Hongning Share Transfer Agreement and the remaining 50% of the said consideration to be paid within six months from the same date. According to the Supplemental Tianjin Hongning Share Transfer Agreement, the Company undertakes and warrants to MAT Beijing that, in the event that the Original Tianjin Hongning Share Transfer Agreement shall not become effective and unconditional, it shall return all payments received from MAT Beijing with interests (at the rate of the benchmark rate of bank loans) in one time within three business days.

Information on Tianjin Hongning

The principal business of Tianjin Hongning is the production and sale of metallic strings, light machineries and metallic fencing.

Based on the latest audited financial statements of Tianjin Hongning, the net asset value of Tianjin Hongning as at 31 December 2006 prepared in accordance with the PRC GAAP was approximately RMB24,601,100.

Based on the latest audited financial statements of Tianjin Hongning, the net profit before and after tax and extraordinary items of Tianjin Hongning for the financial year ended 31 December 2006 prepared in accordance with the PRC GAAP was approximately RMB954,300 and approximately RMB843,200, respectively. Based on the audited financial statements of Tianjin Hongning, the net profit before and after tax and extraordinary items of Tianjin Hongning for the financial year ended 31 December 2005 prepared in accordance with the PRC GAAP was approximately RMB5,189,700 and approximately RMB4,566,900, respectively.

7. Tangshan Hongben Share Transfer Agreements

Assets disposed of

The subject matter of the Disposal under the Tangshan Hongben Share Transfer Agreements is a 75% equity interest in Tangshan Hongben. The said 75% equity interest in Tangshan Hongben is held by the Company and the remaining 25% equity interest in Tangshan Hongben is registered in the name of Hong Kong Hongyuan. Tangshan Hongben will cease to be a subsidiary of the Company following the Disposal.

Consideration

The aggregate consideration is RMB3,210,000. The consideration was determined after arm's length negotiation between the parties and by reference to the audited net asset value of Tangshan Hongben as at 31 March 2007 prepared in accordance with the PRC GAAP and the fact that Tangshan Hongben's principal business is non-core to the Group's businesses. The consideration will be paid in cash by MAT Beijing to an account designated by the Company as follows: 50% of the said consideration to be paid within two months from the date of the Original Tangshan Hongben Share Transfer Agreement and the remaining 50% of the said consideration to be paid within six months from the same date. According to the Supplemental Tangshan Hongben Share Transfer Agreement, the Company undertakes and warrants to MAT Beijing that, in the event that the Original Tangshan Hongben Share Transfer Agreement shall not become effective and unconditional, it shall return all payments received from MAT Beijing with interests (at the rate of the benchmark rate of bank loans) in one time within three business days.

Information on Tangshan Hongben

The principal business of Tangshan Hongben is the production of metallic fencing and metallic tools.

Based on the latest audited financial statements of Tangshan Hongben, the net asset value of Tangshan Hongben as at 31 December 2006 prepared in accordance with the PRC GAAP was approximately RMB7,201,100.

Based on the latest audited financial statements of Tangshan Hongben, the net profit before and after tax and extraordinary items of Tangshan Hongben for the financial year ended 31 December 2006 prepared in accordance with the PRC GAAP was approximately RMB762,600 and approximately RMB568,200, respectively. Based on the audited financial statements of Tangshan Hongben, the net profit before and after tax and extraordinary items of Tangshan Hongben for the financial year ended 31 December 2005 prepared in accordance with the PRC GAAP was approximately RMB337,500 and approximately RMB251,400, respectively.

II. DALIAN HONGYUAN SHARE TRANSFER AGREEMENTS

The details of the Original Dalian Hongyuan Share Transfer Agreement are as follows:

Date

14 May 2007

Parties

- (1) MAT Auto, the principal business of which is the import and distribution of brakes, friction plates and rotors of vehicles; and
- (2) the Company, the principal business of which is the research and development, manufacture and sale of high speed heavy duty diesel engines and engine parts; and, through its subsidiaries, the manufacture and sale of heavy-duty trucks and motor vehicle parts and accessories for heavy-duty trucks.

Conditions precedent

The effectiveness of the Original Dalian Hongyuan Share Transfer Agreement was conditional upon:

- (1) the approval by the Board (which was obtained on 9 June 2007); and
- (2) the requisite consents and approvals having been obtained from the relevant governmental and/or regulatory authorities in the PRC.

On 9 June 2007, the Supplemental Dalian Hongyuan Share Transfer Agreement was entered into, and completion of the Dalian Hongyuan Share Transfer Agreements is conditional upon the approval of the Disposal of the equity interest in Dalian Hongyuan by the Shareholders (if required by the Stock Exchange).

Assets disposed of

The subject matter of the Disposal under the Dalian Hongyuan Share Transfer Agreements is 49% equity interest in Dalian Hongyuan. The said 49% equity interest in Dalian Hongyuan is beneficially owned and registered in the name of the Company and the remaining 51% equity interest in Dalian Hongyuan is held by MAT Auto. Since MAT Auto is held as to 75% by the Company and as to 25% by Wang Wei, Dalian Hongyuan will be held indirectly by the Company as to 75% following the Disposal.

Consideration

The aggregate consideration is RMB27,960,000. The consideration was determined after arm's length negotiation between the parties and by reference to the audited net asset value of Dalian Hongyuan as at 31 March 2007 prepared in accordance with the PRC GAAP, the fact that Dalian Hongyuan is loss making in 2006 and its principal business being non-core to the Group's businesses. The consideration will be paid in cash by MAT Auto to an account designated by the Company as follows: 50% of the said consideration to be paid within seven days after the approval by the Board and the board of directors of MAT Auto, and the remaining 50% of the said consideration to be paid within seven days after the obtaining of the approvals by the relevant governmental authority in the PRC and the completion of the relevant registration in respect of the Disposal.

Information on Dalian Hongyuan

The principal business of Dalian Hongyuan is the production of metallic tools and vehicle parts and components.

Based on the latest audited financial statements of Dalian Hongyuan, the net asset value of Dalian Hongyuan as at 31 December 2006 prepared in accordance with the PRC GAAP was approximately RMB63,944,800.

Based on the latest audited financial statements of Dalian Hongyuan, the net loss before and after tax and extraordinary items of Dalian Hongyuan for the financial year ended 31 December 2006 prepared in accordance with the PRC GAAP was approximately RMB2,092,600 and approximately RMB2,092,600, respectively. Based on the audited financial statements of Dalian Hongyuan, the net profit before and after tax and extraordinary items of Dalian Hongyuan for the financial year ended 31 December 2005 prepared in accordance with the PRC GAAP was approximately RMB293,600 and approximately RMB293,600, respectively.

III. REASONS FOR THE DISPOSALS

The Board is of the view that the Disposals are in line with the Group’s policy of disposing of the non-core assets of the Group as and when the appropriate opportunity arises. The equity interests in the MAT Companies and Dalian Hongyuan to be disposed of by the Company pursuant to the Disposals were originally held by TAGC and were only absorbed by the Company, together with other assets and liabilities of TAGC, pursuant to its merger with TAGC (the “**Merger**”), which was completed on 24 April 2007 (as announced by the Company in its circular dated 12 November 2006 and its announcement dated 25 April 2007).

The Board is of the view that the businesses carried on by the MAT Companies were unrelated to the core businesses of the Group. The Disposals of the equity interests in the MAT Companies will result in the MAT Companies ceasing to be the Company’s subsidiaries, which will facilitate the Group’s concentration on its core businesses. Following the Disposal of the equity interest in Dalian Hongyuan, Dalian Hongyuan will be wholly-owned by MAT Auto (being held by the Company as to 75% of its equity interest). The Board is of the view that such Disposal will enhance MAT Auto’s position in marketing and obtaining credit facilities for its export business. Further, each of Hangzhou Hongyuan Machinery, Hangzhou Hongyuan Sports, Kunshan Hongyuan, Tianjin Hongben and Dalian Hongyuan recorded a net loss before and after tax and extraordinary items for the year ended 31 December 2006, according to their respective audited financial statements for the same period prepared in accordance with the PRC GAAP. In view of the prospects of the operations of such companies, the Board is of the view that the Disposals would be beneficial to the Group’s future development. Accordingly, the Disposals are beneficial to the Group as a whole.

Based on the latest audited consolidated financial statements of each of the MAT Companies and Dalian Hongyuan for the financial year ended 31 December 2006 prepared in accordance with the PRC GAAP, and after taking into account the amount of the relevant consideration for and the net asset value of the MAT Companies as at 31 March 2007 prepared in accordance with the PRC GAAP, it is estimated that the Disposals will result in a net loss of approximately RMB102,095,000 for the Company. The proceeds of the Disposals in the amount of RMB101,190,000 will be used for general working capital purposes of the Group. Since the Company has only come to hold the equity interests in the MAT Companies through the Merger, the Board is of the view that it is impractical to ascertain the acquisition costs of the MAT Companies as they form part of the assets and liabilities of TAGC under the Merger.

The Board (not including the independent non-executive Directors who will rely on the advice of the independent financial adviser to the Company), consider the terms of each of the MAT Companies Share Transfer Agreements and the Dalian Hongyuan Share Transfer Agreement have been negotiated and arrived at on arms length basis and are on normal commercial terms and that such terms are in the interest of the Company and fair and reasonable so far as the Shareholders are concerned.

IV. LISTING RULES IMPLICATIONS

As the aggregate amount of the consideration of the Disposals of the MAT Companies and Dalian Hongyuan, together, exceeds 5% (but does not exceed 25%) of one or more of the applicable percentage ratios (as defined in Chapter 14 of the Listing Rules) of the Company, the Disposals constitute Discloseable Transactions for the Company under Chapter 14 of the Listing Rules.

Furthermore, as the Disposals of the equity interest in the MAT Companies are between the Company and its connected persons, and the applicable percentage ratios (as defined in Chapter 14 of the Listing Rules) of such Disposals are more than 2.5% and the consideration involved shall be more than HK\$10,000,000, in accordance with Chapter 14A of the Listing Rules, it is subject to the reporting, announcement and independent shareholders’ approval requirements under the Chapter 14A of the Listing Rules Listing Rules. No Shareholders will be required to abstain from voting in respect of the MAT Companies Share Transfer Agreements.

An independent board committee comprising independent non-executive Directors will be appointed to consider the terms of the Discloseable and Connected Transactions and to advise the independent Shareholders as to whether the Discloseable and Connected Transactions are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. An independent financial adviser will be appointed to advise the independent board committee of the Company and the independent Shareholders on the fairness and reasonableness of the terms of the Discloseable and Connected Transactions.

V. DESPATCH OF CIRCULAR

A circular containing, among others, (i) further details of the Disposals; (ii) a letter from the independent board committee to the independent Shareholders in relation to the Discloseable and Connected Transactions; and (iii) a letter of advice from the independent financial adviser to the independent board committee and the independent Shareholders in relation to the Discloseable and Connected Transactions, will be sent to the Shareholders in due course.

VI. DEFINITIONS

In this announcement, the following terms and expressions (unless the context otherwise requires) shall have the following meanings:

“Board”	the board of Directors
“Company”	潍柴動力股份有限公司 (Weichai Power Co., Ltd.), a joint stock limited company incorporated in the PRC with limited liability
“Dalian Hongyuan”	大連鴻源機械製造有限公司 (Dalian Hongyuan Machinery Manufacturing Co., Ltd.), a company established in the PRC
“Dalian Hongyuan Share Transfer Agreements”	comprise the Original Dalian Hongyuan Share Transfer Agreement and the Supplemental Original Dalian Hongyuan Share Transfer Agreement
“Directors”	directors of the Company
“Discloseable and Connected Transactions”	the disposals of the equity interests in the MAT Companies by the Company pursuant to the respective MAT Companies Share Transfer Agreements
“Discloseable Transactions”	the disposals of the equity interests in the MAT Companies pursuant to the respective MAT Companies Share Transfer Agreements and the disposal of the equity interest in Dalian Hongyuan by the Company pursuant to the Dalian Hongyuan Share Transfer Agreements
“Disposals”	the disposals of the equity interests in the MAT Companies pursuant to the respective MAT Companies Share Transfer Agreements and the disposal of the equity interest in Dalian Hongyuan by the Company pursuant to the Dalian Hongyuan Share Transfer Agreements; and “Disposal” shall mean any of them
“Group”	the Company and its subsidiaries
“Hangzhou Hongyuan Machinery”	杭州鴻源機械製造有限公司 (Hangzhou Hongyuan Machinery Manufacturing Co., Ltd.), a company established in the PRC
“Hangzhou Hongyuan Machinery Share Transfer Agreements”	comprise the Original Hangzhou Hongyuan Machinery Share Transfer Agreement and the Supplemental Hangzhou Hongyuan Machinery Share Transfer Agreement
“Hangzhou Hongyuan Sports”	杭州鴻源體育用品有限公司 (Hangzhou Hongyuan Sports Products Co., Ltd.), a company established in the PRC
“Hangzhou Hongyuan Sports Share Transfer Agreements”	comprise the Original Hangzhou Hongyuan Sports Share Transfer Agreement and the Supplemental Hangzhou Hongyuan Sports Share Transfer Agreement
“Honbase”	Honbase Industries Limited, a company incorporated in Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong Hongyuan”	a branch of or an entity controlled by Honbase, traded in the name of “鴻源貿易有限公司” or “香港鴻源貿易有限公司”
“Kunshan Hongyuan”	昆山鴻源機械製造有限公司 (Kunshan Hongyuan Machinery Manufacturing Co., Ltd.), a company established in the PRC
“Kunshan Hongyuan Share Transfer Agreements”	comprise the Original Kunshan Hongyuan Share Transfer Agreement and the Supplemental Kunshan Hongyuan Share Transfer Agreement

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MAT Auto”	MAT Automotive, Inc., a company incorporated in the United States of America
“MAT Beijing”	邁艾特(北京)國際貿易有限公司 (MAT (Beijing) International Trading Co., Ltd.), a company established in the PRC
“MAT Companies”	Qingdao Hongben, Hangzhou Hongyuan Machinery, Hangzhou Hongyuan Sports, Kunshan Hongyuan, Tianjin Hongben, Tianjin Hongning and Tangshan Hongben; and “MAT Company” shall mean any one of them
“MAT Companies Share Transfer Agreements”	comprise the Original MAT Companies Share Transfer Agreements and the Supplemental MAT Companies Share Transfer Agreements
“Original Dalian Hongyuan Share Transfer Agreement”	the share transfer agreement in respect of the sale of 49% equity interest in Dalian Hongyuan by the Company to MAT Auto referred to in the section headed “II. Dalian Hongyuan Share Transfer Agreements” in this announcement
“Original Hangzhou Hongyuan Machinery Share Transfer Agreement”	the Original Hangzhou Hongyuan Machinery Share Transfer Agreement referred to in the section headed “I. MAT Companies Share Transfer Agreements — 2. Hanzhou Hongyuan Machinery Share Transfer Agreements” in this announcement
“Original Hangzhou Hongyuan Sports Share Transfer Agreement”	the Original Hangzhou Hongyuan Sports Share Transfer Agreement referred to in the section headed “I. MAT Companies Share Transfer Agreements — 3. Hanzhou Hongyuan Sports Share Transfer Agreements” in this announcement
“Original Kunshan Hongyuan Share Transfer Agreement”	the Original Kunshan Hongyuan Share Transfer Agreement referred to in the section headed “I. MAT Companies Share Transfer Agreements — 4. Kunshan Hongyuan Share Transfer Agreements” in this announcement
“Original MAT Companies Share Transfer Agreements”	the share transfer agreements in respect of the sale of 75% equity interests in the MAT Companies by the Company to MAT Beijing referred to in the section headed “I. MAT Companies Share Transfer Agreements” in this announcement
“Original Qingdao Hongben Share Transfer Agreement”	the Original Qingdao Hongben Share Transfer Agreement referred to in the section headed “I. MAT Companies Share Transfer Agreements — 1. Qingdao Hongben Share Transfer Agreements” in this announcement
“Original Tangshan Hongben Share Transfer Agreement”	the Original Tangshan Hongben Share Transfer Agreement referred to in the section headed “I. MAT Companies Share Transfer Agreements — 7. Tangshan Hongben Share Transfer Agreements” in this announcement
“Original Tianjin Hongben Share Transfer Agreements”	the Original Tianjin Hongben Share Transfer Agreements referred to in the section headed “I. MAT Companies Share Transfer Agreements — 5. Tianjin Hongben Share Transfer Agreements” in this announcement
“Original Tianjin Hongning Share Transfer Agreement”	the Original Tianjin Hongning Share Transfer Agreement referred to in the section headed “I. MAT Companies Share Transfer Agreements — 6. Tianjin Hongning Share Transfer Agreements” in this announcement
“PRC”	the People’s Republic of China
“PRC GAAP”	the generally accepted accounting principles of the PRC
“Qingdao Hongben”	青島鴻本機械有限公司 (Qingdao Hongben Machinery Co., Ltd.), a company established in the PRC
“Qingdao Hongben Share Transfer Agreements”	comprise the Original Qingdao Hongben Share Transfer Agreement and the Supplemental Qingdao Hongben Share Transfer Agreement
“RMB”	Renminbi, the lawful currency of the People’s Republic of China
“Shareholder(s)”	holder(s) of the shares in the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Dalian Hongyuan Share Transfer Agreement”	the agreement supplemental to the Original Dalian Hongyuan Share Transfer Agreement
“Supplemental Hangzhou Hongyuan Machinery Share Transfer Agreement”	the agreement supplemental to the Original Hangzhou Hongyuan Machinery Share Transfer Agreement
“Supplemental Hangzhou Hongyuan Sports Share Transfer Agreement”	the agreement supplemental to the Original Hangzhou Hongyuan Spoprts Share Transfer Agreement
“Supplemental Kunshan Hongyuan Share Transfer Agreement”	the agreement supplemental to the Original Kunshan Hongyuan Share Transfer Agreement
“Supplemental MAT Companies Share Transfer Agreements”	the supplemental share transfer agreements to the Original MAT Companies Share Transfer Agreements
“Supplemental Qingdao Hongben Share Transfer Agreement”	the agreement supplemental to the Original Qingdao Hongben Share Transfer Agreement
“Supplemental Tangshan Hongben Share Transfer Agreement”	the agreement supplemental to the Original Tangshan Hongben Share Transfer Agreement
“Supplemental Tianjin Hongben Share Transfer Agreements”	the agreement supplemental to the Original Tianjin Hongben Share Transfer Agreement
“Supplemental Tianjin Hongning Share Transfer Agreement”	the agreement supplemental to the Original Tianjin Hongning Share Transfer Agreement
“Tangshan Hongben”	唐山鴻本機械製造有限公司 (Tangshan Hongben Machinery Manufacturing Co., Ltd.), a company established in the PRC
“Tangshan Hongben Share Transfer Agreements”	comprise the Original Tangshan Hongben Share Transfer Agreement and the Supplemental Tangshan Hongben Share Transfer Agreement
“Tianjin Hongben”	天津鴻本機械製造有限公司 (Tianjin Hongben Machinery Manufacturing Co., Ltd.), a company established in the PRC
“Tianjin Hongben Share Transfer Agreements”	comprise the Original Tianjin Hongben Share Transfer Agreements and the Supplemental Tianjin Hongben Share Transfer Agreements
“Tianjin Hongning”	天津鴻寧機械製造有限公司 (Tianjin Hongning Machinery Manufacturing Co., Ltd.), a company established in the PRC
“Tianjin Hongning Share Transfer Agreements”	comprise the Original Tianjin Hongning Share Transfer Agreement and the Supplemental Tianjin Hongning Share Transfer Agreement; and
“%”	per cent.

By order of the Board
Tan Xuguang
Chairman and CEO

Hong Kong, 13 June 2007

As at the date of this announcement, the executive directors of the Company are Mr. Tan Xuguang, Mr. Xu Xinyu, Mr. Sun Shaojun and Mr. Zhang Quan; the non-executive directors of the Company are Mr. Yeung Sai Hong, Mr. Yao Yu, Mr. Li San Yim, Mr. Liu Huisheng, Ms. Zhang Fusheng, Mr. Julius G. Kiss, Ms. Han Xiaoqun, Mr. Chen Xuejian, Mr. Gu Linsheng, Mr. Li Shihao and Mr. Liu Zheng; and the independent non-executive directors of the Company are Mr. Zhang Xiaoyu, Mr. Koo Fook Sun, Louis and Mr. Fang Zhongchang.