



WEICHAI

潍柴動力股份有限公司
WEICHAI POWER CO., LTD.

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

(Stock Code: 2338)

**REVISED CAPS FOR EXISTING CONTINUING CONNECTED TRANSACTIONS
AND
PROPOSED APPOINTMENT OF AN ADDITIONAL INDEPENDENT NON-EXECUTIVE DIRECTOR**

SUMMARY

The Company conducts the Continuing Connected Transactions with certain of its connected persons. At the time of the listing of the Company's H Shares on the Stock Exchange, the Company obtained from the Stock Exchange a waiver from strict compliance with the connected transactions requirements under the Listing Rules in respect of the Continuing Connected Transactions for the two financial years ending 31 December, 2005 and a separate annual cap has been assigned to each of such Continuing Connected Transactions for each of the two years ending 31 December, 2005.

The Company monitors and anticipates its Continuing Connected Transactions, and based on its internal estimate of the demand for the Company's products as well as the operating conditions of the Company, the Company proposes to revise certain of the Existing Caps. Rule 14A.34 provides exemptions for certain continuing connected transactions from the independent shareholders' approval requirement under Rule 14A.48 (Provided That the relevant continuing connected transaction (on an annual basis) does not exceed 2.5% of each of the percentage ratios (but other than the profits ratio), or if it is equal to or more than 2.5% but less than 25% of any of such percentage ratios and the annual consideration is less than HK\$10,000,000). Certain of the New Caps do not exceed, but certain of them exceed, the 2.5% Threshold. Accordingly, with respect to those New Caps which exceed the 2.5% Threshold (being the Non-exempt Continuing Connected Transactions), they will be subject to the reporting requirements set out in Rules 14A.45 and 14A.46 and the annual review requirements of Rules 14A.37 and 14A.38 and approval from the relevant independent Shareholders at the EGM will be required; whereas the Exempt Continuing Connected Transactions are only subject to the reporting requirements set out in Rules 14A.45 and 14A.46 and the annual review requirements of Rules 14A.37 and 14A.38. Furthermore, the provisions of Rule 14A.35 permit the Continuing Connected Transactions Agreements to have a term of three years, and therefore the Company has entered into the Supplemental Agreements (certain of which are conditional on the relevant independent Shareholders approving the relevant New Caps at the EGM) to extend the term of the relevant Continuing Connected Transactions Agreements to 31 December, 2006.

The Continuing Connected Transactions are listed below:

Connected person and details of relevant Continuing Connected Transactions		2004 RMB' million	2005 RMB' million	2006 RMB' million
I. Weichai Factory				
1.	Provision of general services by Weichai Factory to the Company			
	Existing Cap	15	16	—
	New Cap	n/a	n/a	18**
2.	Supply and/or connection of utilities by Weichai Factory to the Company			
	Existing Cap	135	170	—
	New Cap	n/a	n/a	170**
3.	Lease of Buildings and Equipment by Weichai Factory to the Company			
	Existing Cap	43	43	—
	New Cap	n/a	n/a	43*
4.	Supply of WD615 Engines by the Company to Weichai Factory			
	Existing Cap	6	7	—
	New Cap	90**	115**	115**
5.	Supply of finished diesel engine parts by Weichai Factory to the Company			
	Existing Cap	65	93	—
	New Cap	75*	115**	180**
6.	Supply of semi-finished diesel engine parts by the Company to Weichai Factory			
	Existing Cap	45	52	—
	New Cap	175**	200**	200**
7.	Provision of sales and warranty period repair services by the Company to Weichai Factory			
	Existing Cap	8	8	—
	New Cap	16**	16**	16**
II. Chongqing Weichai				
1.	Provision of general services by Chongqing Weichai to the Company			
	Existing Cap	5	6	—
	New Cap	10*	13*	16**
2.	Supply and/or connection of utilities by Chongqing Weichai to the Company			
	Existing Cap	65	90	—
	New Cap	n/a	n/a	90**
3.	Lease of Chongqing Properties by Chongqing Weichai to the Company			
	Existing Cap	4	4	—
	New Cap	n/a	n/a	4*
4.	Provision of processing services by Chongqing Weichai to the Company			
	Existing Cap	96	164	—
	New Cap	n/a	n/a	164**

2004 **2005** **2006**
RMB' million *RMB' million* *RMB' million*

III. The China Heavy Duty Truck Group

1. Supply of diesel engines and finished diesel engine parts by the Company to CHDTGL and/or its associates			
Existing Cap	1,029	1,465	—
New Cap	1,800**	2,600**	4,100**

2. Supply of finished and semi-finished diesel engine parts by CHDTGL and/or its associates to the Company			
Existing Cap	37	45	—
New Cap	70*	110**	165**

IV. Weichai Gas

Supply of WD615 Engines and related parts by the Company to Weichai Gas			
Existing Cap	6	10	—
New Cap	30*	70*	140**

V. Guangxi Liugong Machinery

Supply of WD615 Engines and parts by the Company to Guangxi Liugong Machinery			
Existing Cap	259	287	—
New Cap	400**	600**	710**

VI. Fujian Longgong

Supply of diesel engines and parts by the Company to Fujian Longgong			
Existing Cap	76	76	—
New Cap	105**	155**	185**

VII. Shanghai Longgong

Supply of diesel engines and parts by the Company to Shanghai Longgong			
Existing Cap	198	199	—
New Cap	315**	470**	555**

VIII. Weichai Deutz

Supply of semi-finished diesel engine parts by the Company to Weichai Deutz			
Existing Cap	24	55	—
New Cap	n/a	n/a	55*

Notes:

- (1) Where New Caps are denoted with "n/a" in the above table, it means that the Company does not intend to revise the relevant Existing Caps, and those relevant Existing Caps will continue to apply.
- (2) For the purposes of the ascertaining whether a Continuing Connected Transaction would exceed the 2.5% Threshold and hence whether it is an Exempt Continuing Connected Transaction or a Non-exempt Continuing Connected Transaction, the transactions within each of the following paragraphs (i) to (v) have been aggregated:
 - sections I(1), I(2), II(1) and II(2) above;
 - sections I(4), I(6) and I(7) above;
 - sections I(3) and II(3) above;
 - sections I(5) and II(4) above; and
 - sections VI and VII above.
- (3) Where a New Cap is marked "**", that means the relevant Continuing Connected Transactions are Exempt Continuing Connected Transactions.
- (4) Where a New Cap is marked "**", that means the relevant Continuing Connected Transactions are Non-exempt Continuing Connected Transactions, because they either individually or when aggregated in the manner as referred to in paragraph (2) above exceed the 2.5% Threshold, or more than HK\$10,000,000 (even if they may be less than 25% of each of the percentage ratios (other than the profits ratio)).

In order to comply with the requirement of Rule 3.10(1) that each listed issuer must have at least three independent non-executive directors, the Board proposes to appoint Mr. Fang Zhong Chang (房忠昌) as an independent non-executive Director.

The Company will convene the EGM to consider and, if thought fit, approve the appointment of Mr. Fang Zhong Chang (房忠昌) as an independent non-executive Director and to seek the relevant independent Shareholders' approval for the relevant New Caps. A circular containing the particulars of the Continuing Connected Transactions, a letter from the Independent Board Committee, a letter from the Independent Financial Adviser and the notice convening the EGM, will be dispatched to the Shareholders as soon as practicable.

A. BACKGROUND TO CONTINUING CONNECTED TRANSACTIONS

The Company was established by Weichai Factory (as lead promoter), together with other promoters (being certain senior management members and strategic investors), entering into a promoters' agreement in November 2002. Weichai Factory injected its operating assets and liabilities relating to WD615 and WD618 Engines as part of its capital contribution to the Company. Certain of the said strategic investors and/or their associates are also customers of the Company. Since such strategic investors and Weichai Factory are promoters of the Company, the ongoing transactions between them and/or their associates constitute continuing connected transactions of the Company.

At the time of the listing of the Company's H Shares on the Stock Exchange, the Company obtained from the Stock Exchange a waiver from strict compliance with the connected transactions requirements under the Listing Rules in respect of the Continuing Connected Transactions for the two financial years ending 31 December, 2005 and a separate annual cap has been assigned to each of such Continuing Connected Transactions for each of the two years ending 31 December, 2005 (the "Existing Caps").

B. NEW CAPS

The Company monitors and anticipates its Continuing Connected Transactions, and based on its internal estimate of the demand for the Company's products as well as the operating conditions of the Company, the Company proposes to revise certain of the Existing Caps (such revised caps shall be referred to as the "New Caps") as set out below.

Rule 14A.34 provides exemptions for certain continuing connected transactions from the independent shareholders' approval requirement under Rule 14A.48 (provided that the relevant continuing connected transaction (on an annual basis) does not exceed the 2.5% Threshold. Certain of the New Caps do not exceed, but certain of them exceed, the 2.5% Threshold. Accordingly, with respect to those New Caps which exceed the 2.5% Threshold (being the Non-exempt Continuing Connected Transactions), they will be subject to the reporting requirements set out in Rules 14A.45 and 14A.46 and the annual review requirements of Rules 14A.37 and 14A.38 and approval from the relevant independent Shareholders at the EGM will be required; whereas the Exempt Continuing Connected Transactions are only subject to the reporting requirements set out in Rules 14A.45 and 14A.46 and the annual review requirements of Rules 14A.37 and 14A.38.

C. EXTENSION OF THE CONTINUING CONNECTED TRANSACTIONS AGREEMENTS

Furthermore, the provisions of Rule 14A.35 permit the Continuing Connected Transactions Agreements to have a term of three years, and therefore the Company has entered into the Supplemental Agreements (certain of which are conditional on the relevant independent Shareholders approving the relevant New Caps at the EGM) to extend the term of the relevant Continuing Connected Transactions Agreements to 31 December, 2006.

D. CONTINUING CONNECTED TRANSACTIONS

Details of the Continuing Connected Transactions have been set out in the Prospectus. A summary of the Continuing Connected Transactions, the reasons for seeking the New Caps and the variations to the Continuing Connected Transactions Agreements are set out in this section below.

(Note: Where New Caps are denoted with "n/a" in any of the tables in this section below, it means that the Company does not intend to revise the relevant Existing Caps, and those relevant Existing Caps will continue to apply.)

I. Continuing connected transactions between the Company and Weichai Factory

1. Provision of general services by Weichai Factory to the Company

Agreement: 1. General services agreement dated 17 November, 2003 (as amended)
2. Supplemental Agreement dated 15 September, 2004

Parties: 1. The Company
2. Weichai Factory

Expiry date: 31 December, 2006 (under the Supplemental Agreement)

Other terms and details:

Pursuant to the general services agreement, Weichai Factory has agreed to provide certain general services to the Company, namely, environmental protection, security, fire, repair, maintenance and other general services and the payment of certain town land use right tax in relation to the property occupied and/or used by the Company (and/or its staff, if applicable), for a term of three years with effect as from 1 January, 2003.

Under the general services agreement, the fees to be charged by Weichai Factory will be based on the costs incurred by it and apportioned on a pro-rata basis according to the area of the relevant property occupied and/or used by the Company plus a service charge representing 20% of such costs.

The Company estimates that the amount payable by the Company to Weichai Factory in respect of such general services for the two years ending 31 December, 2005 will not exceed the Existing Caps, and that the amount payable for the year ending 31 December, 2006 will not exceed RMB18 million, and such amount is set as the New Cap for the year ending 31 December, 2006.

The table below summarises the Existing Caps and New Cap for the Continuing Connected Transactions set out in this sub-section for the three years ending 31 December, 2006.

	2004 RMB' million	2005 RMB' million	2006 RMB' million
Existing Cap	15	16	—
New Cap	n/a	n/a	18

The above Existing Caps and New Cap have been estimated by the Company primarily based on the relevant historical costs incurred plus a service charge representing 20% of such costs and the estimated salary growth rate for each of the three financial years ending 31 December, 2006.

Since the New Cap for this Continuing Connected Transaction for the year ending 31 December, 2006 (when aggregated with those New Caps for the same period under sections I(2), II(1) and II(2) below) exceeds the 2.5% Threshold, it constitutes Non-exempt Continuing Connected Transaction of the Company under Chapter 14A of the Listing Rules and will be subject to the reporting requirements set out in Rules 14A.45 and 14A.46 and the annual review requirements of Rules 14A.37 and 14A.38, and approval from the independent Shareholders (being Shareholders other than Weichai Factory and Tan Xuguang (who is the general manager of Weichai Factory), who will abstain from voting at the EGM in relation to the resolution to be proposed in respect of this New Cap, and no other Shareholders will be required to abstain from voting in

relation thereto at the EGM) at the EGM will be required. Furthermore, since this Continuing Connected Transaction is a Non-exempt Continuing Connected Transaction and is subject to independent Shareholders' approval as aforesaid, the relevant Supplemental Agreement (which will extend the term of the original general services agreement to 31 December, 2006) is conditional upon the said resolution being passed at the EGM. All the other terms of the original general services agreement remain unchanged.

2. Supply and/or connection of utilities by Weichai Factory to the Company

Agreement: 1. Utility services agreement dated 17 November, 2003
2. Supplemental Agreement dated 15 September, 2004

Parties: 1. The Company
2. Weichai Factory

Expiry date: 31 December, 2006 (under the Supplemental Agreement)

Other terms and details:

Pursuant to the utility services agreement, Weichai Factory has agreed to provide or provide the connection of (as the case may be) certain utility and energy services to the Company, namely, water, electricity, gas, steam, oxygen, nitrogen, compressed air, waste water treatment and supply of treated waste water, etc., for a term of three years with effect as from 1 January, 2003.

The costs incurred by Weichai Factory with respect to the provision and/or connection of the utility and energy services to the Company were determined based on the amount of utilities supplied to the Company.

Under the utility services agreement, the fees payable by the Company to Weichai Factory in respect of the relevant utility and energy services will be determined based on the usage of the Company and by reference to the market prices of such utilities. If only government published rates are available with respect to certain utilities, the fees payable will be determined by reference to the government published rates plus the wastage, depreciation and repair expenses incurred by Weichai Factory in relation thereto. If no market price or government published rates with respect to the above utilities are available, the Company will pay the costs incurred by Weichai Factory in relation to the provision of the relevant utility and energy services plus a service charge representing 20% of such costs.

The Company estimates that the fees payable by the Company to Weichai Factory in respect of the utility and energy services mentioned above for the two years ending 31 December, 2005 will not exceed the Existing Caps and that the amount payable for the year ending 31 December, 2006 will not exceed the Existing Cap for the year ending 31 December, 2005 (being RMB170 million), and such amount is set as the New Cap for the year ending 31 December, 2006.

The table below summarises the Existing Caps and New Cap for the Continuing Connected Transactions set out in this sub-section for the three years ending 31 December, 2006.

	2004 RMB' million	2005 RMB' million	2006 RMB' million
Existing Cap	135	170	—
New Cap	n/a	n/a	170

The Company estimates that the utility and energy services costs incurred by the Company in 2006 will remain the same as that of 2005, as the Company's new production facility (which is expected to become operational in 2005) (i) will not require the provision of utility and energy services by Weichai Factory, and (ii) will assume part of the production work of the Company's existing production facility.

Since the New Cap exceeds the 2.5% Threshold, these Continuing Connected Transactions for the year ending 31 December, 2006 constitute Non-exempt Continuing Connected Transactions of the Company under Chapter 14A of the Listing Rules and will be subject to the reporting requirements set out in Rules 14A.45 and 14A.46 and the annual review requirements of Rules 14A.37 and 14A.38, and approval from the independent Shareholders (being Shareholders other than Weichai Factory and Tan Xuguang (who is the general manager of Weichai Factory), who will abstain from voting at the EGM in relation to the resolution to be proposed in respect of this New Cap, and no other Shareholders will be required to abstain from voting in relation thereto at the EGM) at the EGM will be required. Furthermore, since these Continuing Connected Transactions are Non-exempt Continuing Connected Transactions and are subject to independent Shareholders' approval as aforesaid, the relevant Supplemental Agreement (which will extend the term of this utility services agreement to 31 December, 2006) is conditional upon the said resolution being passed at the EGM. All the other terms of the original utility services agreement remain unchanged.

3. Lease of buildings and equipment by Weichai Factory to the Company

Agreement: Asset lease agreement dated 21 October, 2003

Parties: 1. The Company
2. Weichai Factory

Expiry date: 30 June, 2008 (but, at any time during the term of this agreement, the Company has the right to terminate this agreement)

Other terms and details:

Pursuant to the asset lease agreement, Weichai Factory has agreed to lease to the Company, certain buildings (including factories and warehouses with a total gross floor area of 63,245 sq.m.) situated in Weichai Factory (the "Buildings") and all the equipment in relation to the manufacture of certain semi-finished diesel engine parts (collectively known as the "Equipment") located in the Buildings (and such Buildings and Equipment are commonly known as the casting and forging workshop) for a term of 5 years commencing 1 July, 2003 (and, at any time during the term of this agreement, the Company has the right to terminate this agreement) at an annual rental of RMB42,814,310, and RMB43 million has accordingly been set as the Existing Cap for this Continuing Connected Transaction. Since the same amount will continue to be payable for the year ending 31 December, 2006, such amount is set as the New Cap for the year ending 31 December, 2006. Vigers Appraisal & Consulting Limited (being the property valuer engaged by the Company for the purpose of preparing a

valuation report contained in the Prospectus in relation to various property interests of the Company) confirmed in Prospectus that the above annual rental reflected the then prevailing market rates and was fair and reasonable.

The table below summarises the Existing Caps and New Cap for the Continuing Connected Transactions set out in this sub-section for the three years ending 31 December, 2006.

	2004 RMB' million	2005 RMB' million	2006 RMB' million
Existing Cap	43	43	—
New Cap	n/a	n/a	43

Since the New Cap does not exceed the 2.5% Threshold, this Continuing Connected Transaction constitute Exempt Continuing Connected Transactions of the Company under Chapter 14A of the Listing Rules and will be subject to the reporting requirements set out in Rules 14A.45 and 14A.46 and the annual review requirements of Rules 14A.37 and 14A.38. The terms of this asset lease agreement remain unchanged.

4. Supply of WD615 Engines by the Company to Weichai Factory

Agreement: 1. Framework agreement dated 17 November, 2003
2. Supplemental Agreement dated 15 September, 2004

Parties: 1. The Company
2. Weichai Factory

Expiry date: 31 December, 2006 (under the Supplemental Agreement)

Other terms and details:

Weichai Factory is also engaged in the manufacture and sale of power generators, of which the Company's WD615 Engines are one of the components. Such sales by the Company are conducted on the basis of market prices and the Company has entered into the framework agreement with Weichai Factory in this regard.

Due to the power shortage in China, the Company believes that factories purchase their own power generators to maintain normal operations, and as a result, the demand for power generators in China has increased significantly. As such, any increase in orders for Weichai Factory's power generators will in turn drive Weichai Factory's demand for the Company's WD615 Engines (in particular the higher end models of WD615 Engines), being one of the components of Weichai Factory's power generators. The Company is a leading manufacturer of the diesel engines in the PRC with 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) of approximately 75% and 73%, respectively. This evidences the quality and competitiveness of the Company's Engines generally. With the proximity between the Company's production facilities and those of Weichai Factory and in view of the high quality and competitiveness of the Company's Engines, the Company believes that Weichai Factory will continue to purchase the Company's Engines for the manufacture of its power generators.

For the above reasons and based on the average selling prices of its WD615 Engines for the 6 months ended 30 June, 2004, the Company estimates that the total consideration payable by Weichai Factory to the Company for the three years ending 31 December, 2006 will not exceed RMB90 million, RMB115 million and RMB115 million, respectively, and such amounts have accordingly been set as the proposed New Caps for these Continuing Connected Transactions.

The table below summarises the Existing Caps and New Caps for the Continuing Connected Transactions set out in this sub-section for the three years ending 31 December, 2006.

	2004 RMB' million	2005 RMB' million	2006 RMB' million
Existing Cap	6	7	—
New Cap	90	115	115

The severe escalation of power shortage in China has far exceeded the anticipation of the Company at the time when it estimated the relevant Existing Caps. As a result thereof, the orders for Weichai Factory's power generators as well as Weichai Factory's demand for the Company's WD615 Engines have increased tremendously. The above proposed New Caps have been prepared by the Company primarily based on (i) the estimate prepared by Weichai Factory of the number of diesel engines required by Weichai Factory for 2004 (which amount is contained in the Supplemental Agreement and is more than ten times of that previously supplied by Weichai Factory), an estimated 25% growth rate for 2005 and Weichai Factory's anticipation that infrastructure investments in the power sector will increase power supply in the PRC and therefore the demand for its power generators will remain steady in 2006, and (ii) the Company's estimate of the average unit prices of those diesel engines throughout the periods.

Since the New Caps exceed the 2.5% Threshold, these Continuing Connected Transactions for the three years ending 31 December, 2006 constitute Non-exempt Continuing Connected Transactions of the Company under Chapter 14A of the Listing Rules and will be subject to the reporting requirements set out in Rules 14A.45 and 14A.46 and the annual review requirements of Rules 14A.37 and 14A.38, and approval from the independent Shareholders (being Shareholders other than Weichai Factory and Tan Xuguang (who is the general manager of Weichai Factory), who will abstain from voting at the EGM in relation to the resolution to be proposed in respect of this New Cap, and no other Shareholders will be required to abstain from voting in relation thereto at the EGM) at the EGM will be required. Furthermore, since these Continuing Connected Transactions are Non-exempt Continuing Connected Transactions and are subject to independent Shareholders' approval as aforesaid, the relevant Supplemental Agreement (which will extend the term of this framework agreement to 31 December, 2006 and will revise the estimated demand for the Company's products for the two years ending 31 December, 2005 as well as containing an estimate for the year ending 31 December, 2006) is conditional upon the said resolution being passed at the EGM. Save as aforesaid, all the other terms of the original framework agreement remain unchanged.

5. Supply of finished diesel engine parts by Weichai Factory to the Company

Agreement: 1. Finished diesel engine parts supply agreement dated 17 November, 2003
2. Supplemental Agreement dated 15 September, 2004

Parties: 1. The Company
2. Weichai Factory

Expiry date: 31 December, 2006 (under the Supplemental Agreement)

Other terms and details:

Pursuant to the finished diesel engine parts supply agreement, Weichai Factory has agreed that, for a period of three years with effect as from 1 January, 2003, with respect to any supply of finished diesel engine parts by Weichai Factory to the Company, such supply will be made at a consideration equal to the lower of (i) the costs in relation to the manufacture of the relevant finished diesel engine parts incurred by Weichai Factory plus a service charge not exceeding 20% of such costs; or (ii) the relevant market prices (if available).

As a result of the growing demand for the heavy-duty vehicles and construction machines and the power shortage in China as mentioned above, and the increase in demand for the Company's Engines by those sectors, the Company has experienced a significant growth in sales of WD615 Engines in the second quarter of 2004.

The Company estimates that the total consideration payable by the Company to Weichai Factory for the three financial years ending 31 December, 2006 will not exceed RMB75 million, RMB115 million and RMB180 million, respectively, and such amounts have accordingly been set as the proposed New Caps.

The table below summarises the Existing Caps and the New Caps for the Continuing Connected Transactions set out in this sub-section for the three years ending 31 December, 2006.

	2004 RMB' million	2005 RMB' million	2006 RMB' million
Existing Cap	65	93	—
New Cap	75	115	180

The above proposed New Caps have been prepared by the Company primarily based on its estimate of the production volume of diesel engines and of the average unit prices (which have been projected based on the Company's estimated salary growth rate) of those finished diesel engine parts to be purchased by the Company.

The significant growth of the proposed New Caps is mainly attributable to the estimated increase in the production volume of the Company's WD615 Engines due to the growing demand for the heavy-duty vehicles and construction machines and the power shortage in China as mentioned above and, on such bases, the Company's estimation of its production volume of Engines for the three financial years ending 31 December, 2006 not exceeding 130,000, 200,000 and 300,000 units of Engines, representing an approximately 50% increase year-on-year.

Since the New Cap for the year ending 31 December, 2004 does not exceed the 2.5% Threshold, this Continuing Connected Transaction constitutes Exempt Continuing Connected Transactions of the Company under Chapter 14A of the Listing Rules and will be subject to the reporting requirements set out in Rules 14A.45 and 14A.46 and the annual review requirements of Rules 14A.37 and 14A.38.

However, as the New Caps for the two years ending 31 December, 2006 exceed the 2.5% Threshold, these Continuing Connected Transactions constitute Non-exempt Continuing Connected Transactions of the Company under Chapter 14A of the Listing Rules and will be subject to the reporting requirements set out in Rules 14A.45 and 14A.46 and the annual review requirements of Rules 14A.37 and 14A.38, and approval from the independent Shareholders (being Shareholders other than Weichai Factory and Tan Xuguang (who is the general manager of Weichai Factory), who will abstain from voting at the EGM in relation to the resolution to be proposed in respect of this New Cap, and no other Shareholders will be required to abstain from voting in relation thereto at the EGM) at the EGM will be required. Furthermore, since these Continuing Connected Transactions are Non-exempt Continuing Connected Transactions and are subject to independent Shareholders' approval as aforesaid, the relevant Supplemental Agreement (which will extend the term of this finished diesel engine parts supply agreement to 31 December, 2006) is conditional upon the said resolution being passed at the EGM. All the other terms of the original finished diesel engine parts supply agreement remain unchanged.

6. Supply of semi-finished diesel engine parts by the Company to Weichai Factory

Agreement: 1. Semi-finished diesel engine parts supply agreement dated 17 November, 2003
2. Supplemental Agreement dated 15 September, 2004

Parties: 1. The Company
2. Weichai Factory

Expiry date: 31 December, 2006 (under the Supplemental Agreement)

Other terms and details:

Pursuant to the semi-finished diesel engine parts supply agreement, the Company has agreed that, for a period of three years with effect as from 1 July, 2003, with respect to any supply of semi-finished diesel engine parts by the Company to Weichai Factory, such supply will be made at a consideration based on the costs in relation to the provision of the semi-finished diesel engine parts incurred by the Company plus a service charge not exceeding 20% of such costs, but will not be less than the relevant market prices, if any (provided that it is permitted by the relevant laws and regulations in the PRC to do so).

As a result of the power shortage in China as mentioned above, the demand for Weichai Factory's power generators has increased significantly. The demand for Weichai Factory's medium-speed diesel engines has also increased. The severe escalation of power shortage in China has far exceeded the anticipation of the Company at the time when it estimated the relevant Existing Caps. As a result thereof, the orders for Weichai Factory's power generators as well as Weichai Factory's demand for the Company's semi-finished diesel engine parts have increased tremendously. The Company believes that, owing to the quality of its

semi-finished diesel engine parts and their compatibility with the diesel engines of Weichai Factory. Weichai Factory will continue to source such semi-finished diesel engine parts from the Company. As such, the Company estimates that the total consideration payable by Weichai Factory to the Company for the three financial years ending 31 December, 2006 will not exceed RMB175 million, RMB200 million and RMB200 million, respectively, and such amounts have accordingly been set as the proposed New Caps for these Continuing Connected Transactions.

The table below summarises the Existing Caps and New Caps for the Continuing Connected Transactions set out in this sub-section for the three years ending 31 December, 2006.

	2004 RMB' million	2005 RMB' million	2006 RMB' million
Existing Cap	45	52	—
New Cap	175	200	200

The above New Caps have been prepared by the Company primarily based on its estimate of the quantity of the semi-finished diesel engine parts to be sold by the Company to Weichai Factory, which in turn was based on the estimation (i) prepared by Weichai Factory of its production volume of power generators and medium-speed diesel engines (which is approximately 210% of the estimate previously supplied by Weichai Factory) and an approximately 25% increase in the costs of such semi-finished diesel engine parts required on a per unit of diesel engine basis for 2004, an estimated 15% production volume growth rate for 2005 and Weichai Factory's anticipation that infrastructure investments in the power sector will increase power supply in the PRC and therefore the demand for its power generators will remain steady in 2006, and (ii) the Company's estimation of the average selling price of its semi-finished diesel engine parts which was based on the estimated costs in relation to the provision of the semi-finished diesel engine parts plus a service charge of 20% of such costs.

Since the New Caps exceed the 2.5% Threshold, these Continuing Connected Transactions for the three years ending 31 December, 2006 constitute Non-exempt Continuing Connected Transactions of the Company under Chapter 14A of the Listing Rules and will be subject to the reporting requirements set out in Rules 14A.45 and 14A.46 and the annual review requirements of Rules 14A.37 and 14A.38, and approval from the independent Shareholders (being Shareholders other than Weichai Factory and Tan Xuguang (who is the general manager of Weichai Factory), who will abstain from voting at the EGM in relation to the resolution to be proposed in respect of this New Cap, and no other Shareholders will be required to abstain from voting in relation thereto at the EGM) at the EGM will be required. Furthermore, since these Continuing Connected Transactions are Non-exempt Continuing Connected Transactions and are subject to independent Shareholders' approval as aforesaid, the relevant Supplemental Agreement (which will extend the term of this supply agreement to 31 December, 2006) is conditional upon the said resolution being passed at the EGM. All the other terms of the original supply agreement remain unchanged.

7. *Provision of sales and warranty period repair services by the Company to Weichai Factory*

Agreement:	1. Master sales and warranty period repair services agreement dated 17 November, 2003
	2. Supplemental Agreement dated 15 September, 2004
Parties:	1. The Company
	2. Weichai Factory
Expiry date:	31 December, 2006 (under the Supplemental Agreement)

Other terms and details:

As the Company and Weichai Factory share the same sales and maintenance network prior to the incorporation of the Company, and such network has become part of the business of the Company after its incorporation, the Company and Weichai Factory entered into the master sales and warranty period repair services agreement in this regard. Under such agreement, the Company has agreed to provide sales and warranty period repair services to the customers of Weichai Factory with respect to the diesel engines manufactured by Weichai Factory for a period of three years with effect as from 1 September, 2003. In consideration of the services provided by the Company, Weichai Factory has agreed to pay the Company an annual service fee of 3% of the total amount of sales of diesel engines procured by the Company. The 3% service charge is determined based on the historical sales and maintenance costs incurred by Weichai Factory.

Due to the factors mentioned in the paragraph headed "6. Supply of semi-finished diesel engine parts by the Company to Weichai Factory" above, sales of medium-speed diesel engines has increased significantly. As such, the Company estimates that the total service fees payable by Weichai Factory to the Company for the three financial years ending 31 December, 2006 will not exceed approximately RMB16 million, RMB16 million and RMB16 million, respectively, and such amounts have accordingly been set as the New Caps for these Continuing Connected Transactions.

The table below summarises the Existing Caps and New Caps for the Continuing Connected Transactions set out in this sub-section for the three years ending 31 December, 2006.

	2004 RMB' million	2005 RMB' million	2006 RMB' million
Existing Cap	8	8	—
New Cap	16	16	16

The above New Caps have been estimated by the Company based on 3% of the estimated amount of the sales of the diesel engines manufactured by Weichai Factory (which amount is in line with (but approximately 9% less than) Weichai Factory's estimated production volume of power generators and medium-speed diesel engines for 2004 as stated in the paragraph headed "6. Supply of semi-finished diesel engine parts by the Company to Weichai Factory" above) procured by the Company. As a result of the power shortage in China as mentioned above, the demand for Weichai Factory's power generators has increased significantly. The demand for Weichai Factory's medium-speed diesel

engines has also increased. The severe escalation of power shortage in China has far exceeded the anticipation of the Company at the time when it estimated the relevant Existing Caps. As a result thereof, the orders for Weichai Factory's power generators as well as Weichai Factory's demand for the Company's semi-finished diesel engine parts have increased tremendously. However, Weichai Factory anticipates that infrastructure investments in the power sector will increase power supply in the PRC and therefore the demand for its power generators will become steady in 2006, and therefore, Weichai Factory has taken a conservative view on its sales volume for 2005 and 2006, and hence the New Caps for 2005 and 2006 remain the same as that for 2004.

Since the New Caps for this Continuing Connected Transaction for each of the three years ending 31 December, 2006 (when aggregated with those New Caps for each of the corresponding periods under sections I(4) and I(6) above) exceed the 2.5% Threshold, they constitute Non-exempt Continuing Connected Transactions of the Company under Chapter 14A of the Listing Rules and will be subject to the reporting requirements set out in Rules 14A.45 and 14A.46 and the annual review requirements of Rules 14A.37 and 14A.38, and approval from the independent Shareholders (being Shareholders other than Weichai Factory and Tan Xuguang (who is the general manager of Weichai Factory), who will abstain from voting at the EGM in relation to the resolution to be proposed in respect of these New Caps, and no other Shareholders will be required to abstain from voting in relation thereto at the EGM) at the EGM will be required. Furthermore, since these Continuing Connected Transactions are Non-exempt Continuing Connected Transactions and are subject to independent Shareholders' approval as aforesaid, the relevant Supplemental Agreement (which will extend the term of the original services agreement to 31 December, 2006) is conditional upon the said resolution being passed at the EGM. All the other terms of the original services agreement remain unchanged.

II. *Ongoing connected transactions between the Company and Chongqing Weichai*

1. *Provision of general services by Chongqing Weichai to the Company*

Agreement:	1. General services agreement dated 17 November, 2003 (as amended)
	2. Supplemental Agreement dated 15 September, 2004
Parties:	1. The Company
	2. Chongqing Weichai
Expiry date:	31 December, 2006 (under the Supplemental Agreement)

Other terms and details:

Pursuant to the general services agreement, Chongqing Weichai has agreed to provide certain general services to Chongqing Branch, namely, environmental protection, security, fire and other general services and the payment of certain town land use right tax in relation to the property used by Chongqing Branch for a term of three years with effect as from 1 July, 2003.

Under the general services agreement, the fees to be charged by Chongqing Weichai will be based on the costs incurred by it and apportioned on a pro-rata basis according to the area of the property occupied and/or used by Chongqing Branch (and/or its staff, if applicable) plus a service charge representing 20% of such costs (save that the town land use right tax paid by Chongqing Weichai on behalf of Chongqing Branch and its staff, if applicable, will not be subject to the said 20% service charge). The 20% service charge was determined by reference to the document issued by the Ministry of Finance on 21 December, 2001 regarding the accounting treatment of sales of goods between connected parties and also by reference to the gross profit margin of the Company.

With respect to certain public utilities provided by Chongqing Weichai to certain common area by both Chongqing Weichai and Chongqing Branch, the costs with respect to such public utilities incurred by Chongqing Weichai will be shared between Chongqing Weichai and Chongqing Branch pro-rated according to their respective annual sales.

Due to the heavy rain and flooding in Chongqing this year, the drainage system and some properties of Chongqing Weichai have been badly damaged and require substantial repairing. Costs of repair and maintenance work of Chongqing Weichai are therefore expected to increase significantly as a result of such unforeseen events. In addition, Chongqing Weichai estimates that its average annual salary growth rate will increase from 20% to 30% in 2005 and 2006 as a result of the economic boom in Chongqing. As such, the Company estimates that the service fees payable by the Company to Chongqing Weichai in respect of such general services for the three financial years ending 31 December, 2006 will not exceed RMB10 million, RMB13 million, and RMB16 million, respectively, and such amounts have accordingly been set as the New Caps for these Continuing Connected Transactions.

The table below summarises the Existing Caps and New Caps for the Continuing Connected Transactions set out in this sub-section for the three years ending 31 December, 2006.

	2004 RMB' million	2005 RMB' million	2006 RMB' million
Existing Cap	5	6	—
New Cap	10	13	16

Since the New Cap for this Continuing Connected Transaction for the year ending 31 December, 2006 (when aggregated with those New Caps for the same period under sections I(1) and I(2) above and II(2) below) exceeds the 2.5% Threshold, it constitutes a Non-exempt Continuing Connected Transaction of the Company under Chapter 14A of the Listing Rules and will be subject to the reporting requirements set out in Rules 14A.45 and 14A.46 and the annual review requirements of Rules 14A.37 and 14A.38, and approval from the independent Shareholders (being Shareholders other than Weichai Factory and Tan Xuguang (who is the general manager of Weichai Factory), who will abstain from voting at the EGM in relation to the resolution to be proposed in respect of this New Cap, and no other Shareholders will be required to abstain from voting in relation thereto at the EGM) at the EGM will be required. Furthermore, since this Continuing Connected Transaction is Non-exempt Continuing Connected Transaction and is subject to independent Shareholders' approval as aforesaid, the relevant Supplemental Agreement (which will extend the term of the original general services agreement to 31 December, 2006) is conditional upon the said resolution being passed at the EGM. All the other terms of the original general services agreement remain unchanged.

2. *Supply and/or connection of utilities by Chongqing Weichai to the Company*

Agreement:	1.	Utility services agreement dated 17 November, 2003
	2.	Supplemental Agreement dated 15 September, 2004
Parties:	1.	The Company
	2.	Chongqing Weichai
Expiry date:	31 December, 2006 (under the Supplemental Agreement)	

Other terms and details:

Pursuant to the utility services agreement, Chongqing Weichai has agreed to provide or provide the connection of (as the case may be) the following utility and energy services to the Chongqing Branch, namely, water, electricity, natural gas, steam, oxygen, nitrogen and compressed air, etc. for a term of three years with effect as from 1 July, 2003.

Under the utility services agreement, the fees payable by the Company to Chongqing Weichai in respect of the relevant utility and energy services will be determined based on the usage thereof by the Chongqing Branch, or, if it is not possible to measure such usage, pro-rated according to the respective sales of Chongqing Weichai and the Chongqing Branch and by reference to the market prices of such utilities. If only government published rates are available with respect to certain utilities, the fees payable will be determined by reference to the government published rates plus the wastage, depreciation and repair expenses incurred by Chongqing Weichai in relation to the provision of the relevant utilities. If no market prices or government published rates with respect to any of the above utilities are available, the Company will pay the costs incurred by Chongqing Weichai in relation to the provision of the above utility and energy services plus a service charge representing 20% of such costs.

The Company estimates that the fees payable by the Company to Chongqing Weichai in respect of the utility and energy services mentioned above for the two years ending 31 December, 2005 will not exceed the Existing Caps, and that the amount payable for the year ending 31 December, 2006 will not exceed the Existing Cap for the year ending 31 December, 2005 (being RMB90 million), and such amount is set as the New Cap for the year ending 31 December, 2006.

The table below summarises the Existing Caps and New Cap for the Continuing Connected Transactions set out in this sub-section for the three years ending 31 December, 2006.

	2004	2005	2006
	RMB' million	RMB' million	RMB' million
Existing Cap	65	90	—
New Cap	n/a	n/a	90

The Company estimates that the utility and energy services costs incurred by the Chongqing Branch in 2006 will remain the same as that of 2005, as the Company's new production facility (which is expected to become operational in 2005 (i) will not require the provision of utility and energy services by Chongqing Weichai, and (ii) will assume part of the production work of the Company's existing production facility.

Since the New Cap exceeds the 2.5% Threshold, these Continuing Connected Transactions for the year ending 31 December, 2006 constitute Non-exempt Continuing Connected Transactions of the Company under Chapter 14A of the Listing Rules and will be subject to the reporting requirements set out in Rules 14A.45 and 14A.46 and the annual review requirements of Rules 14A.37 and 14A.38 and approval from the independent Shareholders (being Shareholders other than Weichai Factory and Tan Xuguang (who is the general manager of Weichai Factory, being the controller of Chongqing Weichai), who will abstain from voting at the EGM in relation to the resolution to be proposed in respect of this New Cap) at the EGM will be required.

Furthermore, since these Continuing Connected Transactions are Non-exempt Continuing Connected Transactions and are subject to independent Shareholders' approval as aforesaid, the relevant Supplemental Agreement (which will extend the term of this utility services agreement to 31 December, 2006) is conditional upon the said resolution being passed at the EGM. All the other terms of the original utility services agreement remain unchanged.

3. *Lease of properties by Chongqing Weichai to the Company*

Agreement:	Lease agreement dated 1 July, 2003	
Parties:	1.	The Company
	2.	Chongqing Weichai
Expiry date:	30 June, 2008 (but, at any time during the term of this agreement, the Company has the right to terminate this agreement)	

Other terms and details:

Pursuant to the lease agreement, Chongqing Weichai has agreed to lease to the Company, certain land and buildings situated thereon, at which the Chongqing Production Line is situated, for a term of 5 years effective as from 1 July, 2003 (and, at any time during the term of this agreement, the Company has the right to terminate this agreement) at an annual rental of RMB3,404,000, and RMB4 million has accordingly been set as the Existing Caps for this Continuing Connected Transaction. Since the same amount will continue to be payable for the year ending 31 December, 2006, such amount is set as the New Cap for the year ending 31 December, 2006.

The table below summarises the Existing Caps and New Cap for the Continuing Connected Transactions set out in this sub-section for the three years ending 31 December, 2006.

	2004	2005	2006
	RMB' million	RMB' million	RMB' million
Existing Cap	4	4	—
New Cap	n/a	n/a	4

Since the New Cap does not exceed the 2.5% Threshold, these Continuing Connected Transactions constitute Exempt Continuing Connected Transactions of the Company under Chapter 14A of the Listing Rules and will be subject to the

reporting requirements set out in Rules 14A.45 and 14A.46 and the annual review requirements of Rules 14A.37 and 14A.38. The terms of this asset lease agreement remain unchanged.

4. *Provision of processing services by Chongqing Weichai to the Company*

Agreement:	1.	Processing services agreement dated 17 November, 2003 (as amended)
	2.	Supplemental Agreement dated 15 September, 2004
Parties:	1.	The Company
	2.	Chongqing Weichai
Expiry date:	31 December, 2006 (under the Supplemental Agreement)	

Other terms and details:

Pursuant to the processing services agreement, Chongqing Weichai has agreed to provide processing services to the Chongqing Branch with respect to certain semi-finished diesel engine parts for a period of three years with effect as from 1 July, 2003. The service fees to be charged by Chongqing Weichai is based on the lower of (i) the costs in relation to the provision of such processing services incurred by Chongqing Weichai plus a service charge representing 20% of such costs; or (ii) the relevant market prices (if available). The 20% service charge was determined by reference to the document issued by the Ministry of Finance on 21 December, 2001 regarding the accounting treatment of sales of goods between connected parties and also by reference to the gross profit margin of the Company.

The Company estimates that the service fees payable by the Company to Chongqing Weichai in respect of such processing services for the two years ending 31 December, 2005 will not exceed the Existing Caps, and that the amount payable for the year ending 31 December, 2006 will not exceed the Existing Cap for the year ending 31 December, 2005 (being RMB164 million), and such amount is set as the New Cap for the year ending 31 December, 2006.

The table below summarises the Existing Caps and New Cap for the Continuing Connected Transactions set out in this sub-section for the three years ending 31 December, 2006.

	2004	2005	2006
	RMB' million	RMB' million	RMB' million
Existing Cap	96	164	—
New Cap	n/a	n/a	164

The above caps were prepared by the Company primarily based on its estimate of the processing volume required by the Company, which is in turn a function of the production volume of the Company, and of the processing cost per kg which has been prepared based on the Company's estimate of its salary growth rate.

The Company estimates that the costs incurred in relation to the provision of processing services by Chongqing Weichai to the Company in 2006 will remain the same as that of 2005, as the Company's new production facility (which is expected to become operational in 2005) (i) will not require the provision of processing services by Chongqing Weichai, and (ii) will assume part of the production work of the Company's existing production facility.

Since the New Cap exceeds the 2.5% Threshold, these Continuing Connected Transactions for the year ending 31 December, 2006 constitute Non-exempt Continuing Connected Transactions of the Company under Chapter 14A of the Listing Rules and will be subject to the reporting requirements set out in Rules 14A.45 and 14A.46 and the annual review requirements of Rules 14A.37 and 14A.38, and approval from the independent Shareholders (being Shareholders other than Weichai Factory and Tan Xuguang (who is the general manager of Weichai Factory, being the controller of Chongqing Weichai), who will abstain from voting at the EGM in relation to the resolution to be proposed in respect of this New Cap, and no other Shareholders will be required to abstain from voting in relation thereto at the EGM) at the EGM will be required. Furthermore, since these Continuing Connected Transactions are Non-exempt Continuing Connected Transactions and are subject to independent Shareholders' approval as aforesaid, the relevant Supplemental Agreement (which will extend the term of this processing services agreement to 31 December, 2006) is conditional upon the said resolution being passed at the EGM. All the other terms of the original processing services agreement remain unchanged.

III. *Ongoing connected transactions between the Company and the China Heavy Duty Truck Group*

Agreement:	1.	Two framework agreements both dated 21 October, 2003
	2.	Two Supplemental Agreements both dated 15 September, 2004
Parties:	1.	The Company
	2.	中國重型汽車集團濟南卡車有限公司 (China Heavy Duty Truck Group Jinan Truck Company Limited)

Expiry date: 31 December, 2006 (under the Supplemental Agreements)

Other terms and details:

The China Heavy Duty Truck Group (excluding the Weichai Factory group of companies) is engaged in the businesses of, inter alia, manufacture and sale of coaches and heavy-duty vehicles and vehicle parts, certain of which require the diesel engines and certain finished diesel engine parts manufactured by the Company. CHDTGL is a PRC state-owned enterprise.

At the same time, the Company also purchased certain finished and semi-finished diesel engine parts manufactured by the China Heavy Duty Truck Group for the manufacture of the Company's the diesel engines.

Such transactions will be conducted on the basis of market prices and the Company has entered into the framework agreements with the relevant associate of CHDTGL in this regard.

The Company believes that due to the growing demand for heavy-duty vehicles in the PRC, the China Heavy Duty Truck Group has increased its purchase order for the Company's WD615 Engines, and in turn the Company will also need to increase its purchase of finished and semi-finished diesel engine parts from the China Heavy Duty Truck Group as a result of the increase in demand for WD615 Engines. As such, the Company estimates that the total consideration payable by the China Heavy Duty Truck Group to the Company for the Company's WD615 Engines for the three years ending

31 December, 2006 will not exceed RMB1,800 million, RMB2,600 million and RMB4,100 million, respectively; and the total consideration payable by the Company to the China Heavy Duty Truck Group for finished and semi-finished diesel engine parts for the three years ending 31 December, 2006 will not exceed RMB70 million, RMB110 million and RMB165 million, respectively, and such amounts have accordingly been set as the proposed New Caps for these Continuing Connected Transactions.

The table below summarises the Existing Caps and New Caps for the Continuing Connected Transactions set out in this sub-section for the three years ending 31 December, 2006.

	2004	2005	2006
	RMB' million	RMB' million	RMB' million
<i>Sales of diesel engines</i>			
Existing Cap	1,029	1,465	—
New Cap	1,800	2,600	4,100
<i>Purchases of diesel engine parts</i>			
Existing Cap	37	45	—
New Cap	70	110	165

The above proposed New Caps have been prepared by the Company primarily based on (i) the estimate prepared by the China Heavy Duty Truck Group (which is contained in the Supplemental Agreement) as to number of diesel engines required by it (representing an approximately 51% growth rate), the Company's estimate of the number of units of the diesel engines to be sold by the Company to the China Heavy Duty Truck Group, of the demand for the Company's Engines generally, of the diesel engine parts to be purchased by the Company, and of the average unit selling prices of those diesel engines and diesel engine parts; and (ii) the assumption that the amount of the diesel engine parts to be purchased by the Company is a function of its production volume of diesel engines and represented an approximately 54% growth rate.

The significant growth of the proposed New Caps is mainly attributable to (i) the growing demand for heavy-duty vehicles in the PRC, which in turn has led to an increase in the demand for the China Heavy Duty Truck Group's products, (ii) the estimated increase in demand for WD615 Engines by the China Heavy Duty Truck Group as mentioned above, and (iii) the Company's estimated increase in production volume of its WD615 Engines to not exceeding 130,000, 200,000 and 300,000 units of Engines for the three financial years ending 31 December, 2006.

Since the New Cap in respect of the purchase of diesel engine parts by the Company from the China Heavy Duty Truck Group for the year ending 31 December, 2004 does not exceed the 2.5% Threshold, this Continuing Connected Transaction constitutes Exempt Continuing Connected Transactions of the Company under Chapter 14A of the Listing Rules and will be subject to the reporting requirements set out in Rules 14A.45 and 14A.46 and the annual review requirements of Rules 14A.37 and 14A.38.

Furthermore, since this Continuing Connected Transaction (under the New Cap for the year ending 31 December 2004) is Exempt Continuing Connected Transactions and is not subject to independent Shareholders' approval, the relevant Supplemental Agreement is unconditional in this respect.

Since the New Caps (other than the New Cap in respect of the purchase of diesel engine parts by the Company from the China Heavy Duty Truck Group for the year ending 31 December, 2004 as referred to above) exceed the 2.5% Threshold, these Continuing Connected Transactions for the three years ending 31 December, 2006 constitute Non-exempt Continuing Connected Transactions of the Company under Chapter 14A of the Listing Rules and will be subject to the reporting requirements set out in Rules 14A.45 and 14A.46 and the annual review requirements of Rules 14A.37 and 14A.38, and approval from the independent Shareholders (being Shareholders other than Weichai Factory and Tan Xuguang (who is the general manager of Weichai Factory), who will abstain from voting at the EGM in relation to the resolution to be proposed in respect of these New Caps, and no other Shareholders will be required to abstain from voting in relation thereto at the EGM) at the EGM will be required. Furthermore, since these Continuing Connected Transactions are Non-exempt Continuing Connected Transactions and are subject to independent Shareholders' approval as aforesaid, the relevant Supplemental Agreements (which will extend the term of this framework agreement to 31 December, 2006 and, with respect to the supply of diesel engines by the Company, will revise the estimated demand for the Company's products for the two years ending 31 December, 2005 as well as containing an estimate for the year ending 31 December, 2006) is conditional upon the said resolution being passed at the EGM. All the other terms of the original framework agreements remain unchanged.

IV. Ongoing connected transactions between the Company and Weichai Gas

Agreement: 1. Framework agreement dated 21 October, 2003
2. Supplemental Agreement dated 15 September, 2004

Parties: 1. The Company
2. Weichai Gas

Expiry date: 31 December, 2006 (under the Supplemental Agreement)

Other terms and details:

Weichai Gas is engaged in the business of, inter alia, manufacture and sale of gas-propelled internal combustion engines and parts, certain of which incorporate the entire WD615 Engines, with modifications, into them. Such transactions will be conducted on the basis of market prices and the Company has entered into a framework agreement with Weichai Gas in this regard.

(Note: Weichai Gas is owned as to 50% by Weichai Factory and as to 50% by Peterson (CNG) Equipment Limited, which is indirectly owned as to 50% by Yeung Sai Hong, a non-executive Director, and as to 50% by Yeung Sai Hong's brother-in-law. Peterson is a Promoter and is directly and indirectly wholly owned by Yeung Sai Hong. Accordingly, Weichai Gas is a connected person of the Company.)

Due to the growing demand for coaches in the PRC, Weichai Gas has increased its purchase order for WD615 Engines from the Company. As such, the Company estimates that the total purchase consideration payable by Weichai Gas to the Company for the three years ending 31 December, 2006 will not exceed RMB30 million, RMB70 million and RMB140 million, respectively, and such amounts have accordingly been set as the revised New Caps for these Continuing Connected Transactions. Such transactions will be conducted on the basis of market prices and the Company has entered into a framework agreement with Weichai Gas in this regard. The Company is a leading manufacturer of the diesel engines in the PRC with 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) of approximately 75% and 73%, respectively. This evidences the quality and competitiveness of the Company's Engines generally, and therefore the Company believes that Weichai Gas will continue to purchase the Company's Engines for the manufacture of its products.

The table below summarises the Existing Caps and New Caps for the Continuing Connected Transactions set out in this sub-section for the three years ending 31 December, 2006.

	2004	2005	2006
	RMB' million	RMB' million	RMB' million
Existing Cap	6	10	—
New Cap	30	70	140

The above revised New Caps have been prepared by the Company primarily based on the estimate prepared by Weichai Gas (which is contained in the Supplemental Agreement) as to number of diesel engines required by it and the Company's estimate of the average unit prices of such diesel engines. The significant growth of the proposed New Caps is mainly attributable to the estimated increase in demand for WD615 Engines by Weichai Gas for 2004, and an increase of approximately 130% and 100% for 2005 and 2006, respectively.

Since the New Caps for the two years ending 31 December, 2005 do not exceed the 2.5% Threshold, these Continuing Connected Transactions constitute Exempt Continuing Connected Transactions of the Company under Chapter 14A of the Listing Rules and will be subject to the reporting requirements set out in Rules 14A.45 and 14A.46 and the annual review requirements of Rules 14A.37 and 14A.38.

Furthermore, since these Continuing Connected Transactions (under the New Caps for the two years ending 31 December, 2005) are Exempt Continuing Connected Transactions and are not subject to independent Shareholders' approval, the relevant Supplemental Agreement is unconditional in this respect.

Since the New Cap for the year ending 31 December, 2006 exceeds the 2.5% Threshold, these Continuing Connected Transactions for the year ending 31 December, 2006 constitute Non-exempt Continuing Connected Transactions of the Company under Chapter 14A of the Listing Rules and will be subject to the reporting requirements set out in Rules 14A.45 and 14A.46 and the annual review requirements of Rules 14A.37 and 14A.38, and approval from the independent Shareholders (being Shareholders other than Weichai Factory, Tan Xuguang (who is the general manager of Weichai Factory) and Peterson (see note in this paragraph below for details), who will abstain from voting at the EGM in relation to the resolution to be proposed in respect of this New Cap, and no other Shareholders will be required to abstain from voting in relation thereto at the EGM) at the EGM will be required. Furthermore, since these Continuing Connected Transactions (under the New Cap for the year ending 31 December, 2006) are Non-exempt Continuing Connected Transactions and are subject to independent Shareholders' approval as aforesaid, the provision of the relevant Supplemental Agreement relating to this New Cap is conditional upon the said resolution being passed at the EGM. The relevant Supplemental Agreement will revise the estimated demand for the Company's products for the two years ending 31 December, 2005 as well as containing an estimate for the year ending 31 December, 2006. All the other terms of the original framework agreement remain unchanged.

V. Ongoing connected transactions between the Company and Guangxi Liugong Machinery

Agreement: 1. Framework agreement dated 21 October, 2003
2. Supplemental Agreement dated 15 September, 2004

Parties: 1. The Company
2. Guangxi Liugong Machinery

Expiry date: 31 December, 2006 (under the Supplemental Agreement)

Other terms and details:

Guangxi Liugong Machinery is engaged in the manufacture and repair of construction machines, which require the WD615 Engines and parts manufactured by the Company. Such transactions will be conducted on the basis of market prices and the Company has entered into a framework agreement with Guangxi Liugong Machinery in this regard.

(Note: Guangxi Liugong Machinery is owned as to 63% by Guangxi Liugong, which is a Promoter, and, accordingly, Guangxi Liugong Machinery is an associate of Guangxi Liugong and, hence, a connected person of the Company.)

Due to the growing demand for construction machines in the PRC, Guangxi Liugong Machinery has increased its purchase order for WD615 Engines from the Company. On this basis, the Company estimates that the total consideration payable to the Company by Guangxi Liugong Machinery for such sales for the three years ending 31 December, 2006 will be approximately RMB400 million, RMB600 million and RMB710 million, respectively, and such amounts have accordingly been set as the proposed New Caps for these Continuing Connected Transactions.

The table below summarises the Existing Caps and New Caps for the Continuing Connected Transactions set out in this sub-section for the three years ending 31 December, 2006.

	2004	2005	2006
	RMB' million	RMB' million	RMB' million
Existing Cap	259	287	—
New Cap	400	600	710

The above revised New Caps have been prepared by the Company primarily based on the estimate prepared by Guangxi Liugong Machinery (which is contained in the Supplemental Agreement) as to number of diesel engines required by it from the Company and of the average unit prices of such diesel engines. The significant growth of the proposed New Caps is mainly attributable to the estimated increase in demand for WD615 Engines by Guangxi Liugong Machinery for 2004, and an approximately 50% and 20% increase for 2005 and 2006, respectively. The Company is a leading manufacturer of the diesel engines in the PRC with 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) of approximately 75% and 73%, respectively. This evidences the quality and competitiveness of the Company's Engines generally, and therefore the Company believes that Guangxi Liugong Machinery will continue to purchase the Company's Engines for the manufacture of its products.

Since the New Caps exceed the 2.5% Threshold, these Continuing Connected Transactions for the three years ending 31 December, 2006 constitute Non-exempt Continuing Connected Transactions of the Company under Chapter 14A of the Listing Rules and will be subject to the reporting requirements set out in Rules 14A.45 and 14A.46 and the annual review requirements of Rules 14A.37 and 14A.38, and approval from the independent Shareholders (being Shareholders other than Guangxi Liugong, who will abstain from voting at the EGM in relation to the resolution to be proposed in respect of these New Caps, and no other Shareholders will be required to abstain from

voting in relation thereto at the EGM) at the EGM will be required. Furthermore, since these Continuing Connected Transactions are Non-exempt Continuing Connected Transactions and are subject to independent Shareholders' approval as aforesaid, the relevant Supplemental Agreement (which will extend the term of this framework agreement to 31 December, 2006 and will revise the estimated demand for the Company's products for the two years ending 31 December, 2005 as well as containing an estimate for the year ending 31 December, 2006) is conditional upon the said resolution being passed at the EGM. All the other terms of the original framework agreement remain unchanged.

VI. Ongoing connected transactions between the Company and Fujian Longgong

Agreement:	1. Framework agreement dated 21 October, 2003
	2. Supplemental Agreement dated 15 September, 2004
Parties:	1. The Company
	2. Fujian Longgong
Expiry date:	31 December, 2006 (under the Supplemental Agreement)

Other terms and details:

Fujian Longgong is engaged in the manufacture and sale of, among others, wheel-loaders, certain of which require the diesel engines and parts manufactured by the Company. Such transactions will be conducted on the basis of market prices and the Company has entered into a framework agreement with Fujian Longgong in this regard.

Due to the growing demand for wheel-loaders in the PRC, Fujian Longgong has increased its purchase order for WD615 Engines from the Company. On this basis, the Company estimates that the total purchase consideration payable to the Company by Fujian Longgong for each of the three years ending 31 December, 2006 will be approximately RMB105 million, RMB155 million and RMB185 million, respectively, and such amounts have accordingly been set as the proposed New Caps for these Continuing Connected Transactions.

The table below summarises the Existing Caps and New Caps for the Continuing Connected Transactions set out in this sub-section for the three years ending 31 December, 2006.

	2004 RMB' million	2005 RMB' million	2006 RMB' million
Existing Cap	76	76	—
New Cap	105	155	185

The above revised New Caps have been prepared by the Company primarily based on the estimate prepared by Fujian Longgong (which is contained in the Supplemental Agreement) as to number of diesel engines required by it for 2004, and an approximately 50% and 20% increase for 2005 and 2006, respectively (which, the Company believes, represents Fujian Longgong's anticipation of the growing demand for wheel-loaders in the PRC, and hence the increase in sales of Fujian Longgong's products and its demand for the Company's WD615 Engines), and the Company's estimate of the average unit prices of such diesel engines. The Company is a leading manufacturer of the diesel engines in the PRC with 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) of approximately 75% and 73%, respectively. This evidences the quality and competitiveness of the Company's Engines generally, and therefore the Company believes that Fujian Longgong will continue to purchase the Company's Engines for the manufacture of its products.

Since the New Caps exceed the 2.5% Threshold, these Continuing Connected Transactions for the three years ending 31 December, 2006 constitute Non-exempt Continuing Connected Transactions of the Company under Chapter 14A of the Listing Rules and will be subject to the reporting requirements set out in Rules 14A.45 and 14A.46 and the annual review requirements of Rules 14A.37 and 14A.38, and approval from the independent Shareholders (being Shareholders other than Fujian Longgong, who will abstain from voting at the EGM in relation to the resolution to be proposed in respect of these New Caps, and no other Shareholders will be required to abstain from voting in relation thereto at the EGM) at the EGM will be required. Furthermore, since these Continuing Connected Transactions are Non-exempt Continuing Connected Transactions and are subject to independent Shareholders' approval as aforesaid, the relevant Supplemental Agreement (which will extend the term of this framework agreement to 31 December, 2006 and will revise the estimated demand for the Company's products for the two years ending 31 December, 2005 as well as containing an estimate for the year ending 31 December, 2006) is conditional upon the said resolution being passed at the EGM. All the other terms of the original framework agreement remain unchanged.

VII. Ongoing connected transactions between the Company and Shanghai Longgong

Agreement:	1. Framework agreement dated 21 October, 2003
	2. Supplemental Agreement dated 15 September, 2004
Parties:	1. The Company
	2. Shanghai Longgong
Expiry date:	31 December, 2006 (under the Supplemental Agreement)

Other terms and details:

Shanghai Longgong is engaged in the manufacture and sale of, among others, construction machines, certain of which require the diesel engines and parts manufactured by the Company. Such transactions will be conducted on the basis of market prices and the Company has entered into a framework agreement with Shanghai Longgong in this regard.

(Note: Shanghai Longgong is owned as to 39.49% by Li San Yim, a non-executive Director, and as to 60.51% by Ni Yinying, Li San Yim's wife. Li San Yim and Ni Yinying are also interested in 69.16% and 30.84% respectively of the registered capital of Fujian Longgong, being one of the Promoters. Thus Shanghai Longgong is an associate of Li San Yim and, hence, a connected person of the Company.)

Due to the growing demand for construction machines in the PRC, Shanghai Longgong has increased its purchase order for WD615 Engines from the Company. On this basis, the Company estimates that the total purchase consideration payable to the Company by Shanghai Longgong for each of the three years ending 31 December, 2006 will be approximately RMB315 million, RMB470 million and RMB555 million, respectively, and such amounts have accordingly been set as the proposed New Caps for these Continuing Connected Transactions.

The table below summarises the Existing Caps and New Caps for the Continuing Connected Transactions set out in this sub-section for the three years ending 31 December, 2006.

	2004 RMB' million	2005 RMB' million	2006 RMB' million
Existing Cap	198	199	—
New Cap	315	470	555

The above proposed New Caps have been prepared by the Company primarily based on the estimate prepared by Shanghai Longgong (which is contained in the Supplemental Agreement) as to number of diesel engines required by it for 2004, and an approximately 50% and 20% increase for 2005 and 2006, respectively, and the Company's estimate of the average unit prices of those diesel engines. The Company is a leading manufacturer of the diesel engines in the PRC with 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) of approximately 75% and 73%, respectively. This evidences the quality and competitiveness of the Company's Engines generally, and therefore the Company believes that Shanghai Longgong will continue to purchase the Company's Engines for the manufacture of its products.

Since the New Caps exceed the 2.5% Threshold, these Continuing Connected Transactions for the three years ending 31 December, 2006 constitute Non-exempt Continuing Connected Transactions of the Company under Chapter 14A of the Listing Rules and will be subject to the reporting requirements set out in Rules 14A.45 and 14A.46 and the annual review requirements of Rules 14A.37 and 14A.38, and approval from the independent Shareholders (being Shareholders other than Fujian Longgong, who will abstain from voting at the EGM in relation to the resolution to be proposed in respect of these New Caps, and no other Shareholders will be required to abstain from voting in relation thereto at the EGM) at the EGM will be required. Furthermore, since these Continuing Connected Transactions are Non-exempt Continuing Connected Transactions and are subject to independent Shareholders' approval as aforesaid, the relevant Supplemental Agreement (which will extend the term of this framework agreement to 31 December, 2006 and will revise the estimated demand for the Company's products for the two years ending 31 December, 2005 as well as containing an estimate for the year ending 31 December, 2006) is conditional upon the said resolution being passed at the EGM. All the other terms of the original framework agreement remain unchanged.

VIII. Ongoing connected transactions between the Company and Weichai Deutz

Agreement:	1. Master sales agreement dated 21 October, 2003
	2. Supplemental Agreement dated 15 September, 2004
Parties:	1. The Company
	2. Weichai Deutz
Expiry date:	31 December, 2006 (under the Supplemental Agreement)

Other terms and details:

Weichai Deutz is engaged in, inter alia, the manufacture and sale of 226B series of diesel engines and parts, certain of which require semi-finished diesel engine parts provided by the Company.

(Note: Weichai Deutz is owned as to 50% by Weichai Factory (a Promoter) and, accordingly, Weichai Deutz is an associate of Weichai Factory and, hence, a connected person of the Company. The other 50% interest in Weichai Deutz is held by Deutz AG, which is an internationally renowned manufacturer of diesel and gas engines. Deutz AG is independent of and is not connected with any Director or substantial shareholder of the Company or an associate of any of them.)

Pursuant to the master sales agreement, Weichai Deutz has agreed that for a period of three years with effect as from 1 July, 2003, with respect to any purchases of semi-finished diesel engine parts from the Company for its 226B series of diesel engines, such purchases will be made at a consideration based on the costs incurred by the Company in relation to the provision of the semi-finished diesel engine parts plus a service charge not exceeding 20% of such costs, but will not be less than the relevant market prices, if any (provided it is permitted by the relevant laws and regulations in the PRC to do so).

It is expected that the total purchase consideration payable by Weichai Deutz to the Company for the two years ending 31 December, 2005 will not exceed the Existing Caps, and that the amount payable for the year ending 31 December, 2006 will not exceed the Existing Cap for the year ending 31 December, 2006, and such amount is set as the New Cap for the year ending 31 December, 2006.

The table below summarises the Existing Caps and New Cap for the Continuing Connected Transactions set out in this sub-section for the three years ending 31 December, 2006.

	2004 RMB' million	2005 RMB' million	2006 RMB' million
Existing Cap	24	55	—
New Cap	n/a	n/a	55

The above New Cap has been prepared by the Company primarily based on its estimate of the production volume of Weichai Deutz's 226B series diesel engines, of the increase in demand for 226B series diesel engine part by Weichai Deutz, which in turn was based on the production volume estimated by Weichai Deutz, and of the average unit prices of those semi-finished diesel engine parts to be charged by the Company.

E. LISTING RULES REQUIREMENTS

The Company is principally engaged in the manufacture and sale of WD615 Engines and WD618 Engines. The Company believes that the above Continuing Connected Transactions are fair and reasonable as far as the shareholders of the Company are concerned. With respect to the Exempt Continuing Connected Transactions, the independent non-executive Directors are of the view that, since such transactions will be entered into on normal commercial terms and in the ordinary and usual course of business of the Company, they are fair and reasonable in so far as the Company as a whole is concerned.

The Existing Caps, for so long as they have not been superseded by any New Caps, remain valid and the Company will comply with the conditions stated in the Prospectus in relation thereto.

Since certain of the New Caps (in respect of any one or more of the three years ending 31 December, 2006) referred to in the above section exceed the 2.5% Threshold, the Continuing Connected Transactions concerning such New Caps constitute Non-exempt Continuing Connected Transactions of the Company under Chapter 14A of the Listing Rules and will

be subject to the prior approval of the independent Shareholders (as mentioned above) at the EGM to be convened in relation to the resolution to be proposed in respect of each such New Cap, and the reporting requirements set out in Rules 14A.45 and 14A.46 for disclosure of details in the Company's annual reports and accounts, as well as annual review by the independent non-executive Directors under Rule 14A.37 and by the Company's auditors under Rule 14A.38.

If any of the Continuing Connected Transactions Agreements (as amended by their related Supplemental Agreements) concerning the Non-exempt Continuing Connected Transactions is renewed or if there is a material change to the terms of any of them, or if any of the New Caps for such Non-exempt Continuing Connected Transactions is exceeded, the Company must comply with Rules 14A.35(3) and (4).

F. PROPOSED APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTOR

In order to comply with the requirement of Rule 3.10(1) that each listed issuer must have at least three independent non-executive directors, the Board proposes to appoint Mr. Fang Zhong Chang (房忠昌) as independent non-executive Director. Further details of Mr. Fang's experience will be included in the circular to be dispatched to the Shareholders in relation to the EGM and contained in the EGM results announcement of the Company.

G. EGM

An Independent Board Committee comprising the independent non-executive Directors has been appointed to consider the respective New Caps in relation to the Non-exempt Continuing Connected Transactions. The Independent Financial Adviser has been appointed to advise the Independent Board Committee on the fairness and reasonableness of the said New Caps in relation to the Non-exempt Continuing Connected Transactions. A circular containing, among others, (i) details of the Non-exempt Continuing Connected Transactions and the related New Caps, (ii) a letter from the Independent Board Committee, (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee, and (iv) a notice convening the EGM to approve the appointment of Mr. Fang Zhong Chang (房忠昌) as independent non-executive Director and the said New Caps in relation to the Non-exempt Continuing Connected Transactions on the bases as set out above, will be sent to the Shareholders as soon as practicable.

H. DEFINED TERMS USED IN THIS ANNOUNCEMENT

"2.5% Threshold"	the percentage ratios referred to in Rule 14A.34(1) and Rule 14A.34 (2) or, where applicable, if the relevant New Cap is equal to or more than 2.5% but less than 25% of any of such percentage ratios, HK\$10,000,000
"Board"	the board of Directors
"Buildings and Equipment"	as defined in the section headed "D. Continuing Connected Transactions — 3. Lease of Buildings and Equipment by Weichai Factory to the Company" in this announcement
"CHDTGL"	中國重型汽車集團有限公司 (China Heavy Duty Truck Group Co. Ltd.), a State-owned enterprise. Since Weichai Factory is a substantial shareholder and promoter of the Company (and is accordingly a connected person of the Company) and CHDTGL is the holding company of Weichai Factory, CHDTGL is also a connected person of the Company
"China Heavy Duty Truck Group"	CHDTGL and its subsidiaries. The China Heavy Duty Truck Group (other than the Weichai Factory group of companies and 杭州汽車發動機廠 (Hangzhou Motor Engine Factory)) are engaged in, inter alia, the manufacture of coaches, heavy-duty vehicles and vehicle parts
"Chongchai Production Line"	the Company's production line located at its premises in Chongqing for the manufacture of WD615 Engines
"Chongqing Branch"	the Company's facility (being its branch office) in Chongqing, the PRC
"Chongqing Weichai"	重慶濰柴發動機廠 (Chongqing Weichai Diesel Engine Works), a legal person established in the PRC and wholly-owned by Weichai Factory, and since Weichai Factory is a substantial shareholder of the Company, Chongqing Weichai is a connected person of the Company. Chongqing Weichai is engaged in a similar business as Weichai Factory.
"Company"	濰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
"Continuing Connected Transaction(s)"	the continuing connected transactions listed in the section headed "Summary" in this announcement, and the details of which have been fully disclosed in the Prospectus
"Continuing Connected Transactions Agreements"	the agreements relating to the Continuing Connected Transactions entered into between the Company and the relevant counterparties, further details of which are set out in this announcement and in the section headed "Business — Connected transactions" in the Prospectus
"Director(s)"	director(s) of the Company, including independent non-executive director(s)
"EGM"	the extraordinary general meeting to be convened by the Company for the purpose of approving the New Caps and the appointment of Mr. Fang Zhong Chang (房忠昌) as independent non-executive Director
"Engine(s)"	WD615 Engine(s) and/or WD618 Engine(s), as the context may require
"Exempt Continuing Connected Transactions"	being those Continuing Connected Transactions the proposed New Caps for which do not exceed the 2.5% Threshold, and, accordingly, are only subject to the reporting requirements set out in Rules 14A.45 and 14A.46 and the annual review requirements of Rules 14A.37 and 14A.38
"Existing Cap(s)"	as defined in the section headed "A. Background to Continuing Connected Transaction" in this announcement
"Fujian Longgong"	福建龍岩工程機械(集團)有限公司 (Fujian Longyan Construction Machinery (Group) Company Limited), a company incorporated in the PRC and a Promoter (and accordingly it is a connected person of the Company) and in which capital Li San Yim (a non-executive Director) and Ni Yinying (who is Li San Yim's wife) are interested. Fujian Longgong is engaged in the manufacture and sale of, inter alia, wheel-loaders
"Guangxi Liugong"	廣西柳工集團有限公司 (Guangxi Liugong Group Company Limited), a company established in the PRC, and a Promoter. Guangxi Liugong is a State-owned enterprise

"Guangxi Liugong Machinery"

"Independent Board Committee"

"Independent Financial Adviser"

"Listing Rules" or "Rule(s)"

"New Cap(s)"

"Non-exempt Continuing Connected Transactions"

"percentage ratio(s)"

"Peterson"

"PRC" or "China"

"profits ratio"

"Promoter(s)"

"Prospectus"

"Shanghai Longgong"

"Share(s)"

"Shareholders"

"Stock Exchange"

"Supplemental Agreement"

"Weichai Deutz"

"Weichai Factory"

"Weichai Gas"

"Weichai Production Line"

"WD615" or "WD615 Engine(s)"

"WD618" or "WD618 Engine(s)"

Hong Kong 15 September, 2004

廣西柳工機械股份有限公司 (Guangxi Liugong Machinery Co., Ltd.), a company established in the PRC. Guangxi Liugong Machinery is engaged in the manufacture and repair of construction machines

a committee of the Board comprising Zhang Xiao Yu and Koo Fook Sun, Louis, being the independent non-executive Directors

AMS Corporate Finance Limited, a corporation deemed licensed under transitional arrangement to carry on type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and being the independent financial adviser appointed by the Company to advise the Independent Board Committee in respect of the Non-exempt Continuing Connected Transactions

the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

as defined in the section headed "B. New Caps" in this announcement

being those Continuing Connected Transactions the proposed New Caps for which exceed the 2.5% Threshold, and, accordingly, they will be subject to the reporting requirements set out in Rules 14A.45 and 14A.46 and the annual review requirements of Rules 14A.37 and 14A.38 and approval from the relevant independent Shareholders at the EGM will be required

shall have the meaning set out in Rule 14.04

Peterson Holdings Company Limited (培新控股有限公司), a company incorporated in Hong Kong and a Promoter

the People's Republic of China, which, for the purpose of this announcement, unless otherwise specified, excludes the Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC and Taiwan

shall have the meaning set out in Rule 14.07

Weichai Factory, Peterson, 濰坊市投資公司 (Weifang Investment Company), Fujian Longgong, 深圳市創新投資集團有限公司 (Shenzhen Chuangxin Investment Group Company Limited), IVM Technical Consultants Wien Gesellschaft m.b.H., 山東省企業托管經營股份有限公司 (Shandong Enterprise Trust Operation Company Limited), Guangxi Liugong and 24 natural persons whose names are set out in the Prospectus

the prospectus issued by the Company and dated 26 February, 2004

上海龍工機械有限公司 (Shanghai Longgong Machinery Company Limited), a company established in the PRC. Shanghai Longgong is engaged in the manufacture and sale of, inter alia, construction machines

shares of the Company

holder(s) of Share(s)

The Stock Exchange of Hong Kong Limited

each of the supplemental agreements as referred to in this announcement and entered into between the Company and each of the counterparties to the respective Continuing Connected Transactions Agreements (certain of which are conditional on the relevant independent Shareholders approving the relevant New Caps at the EGM)

濰坊濰柴道依茨柴油機有限公司 (Weifang Weichai Deutz Diesel Engine Co., Ltd.), a company established in the PRC. Weichai Deutz is engaged in the manufacture and sale of 226B series diesel engines, but they are not high-speed heavy-duty diesel engines, and they cannot be used in heavy-duty vehicles with a load capacity of 15 tonnes (or above) or heavy-duty construction machines, which are the key markets for the Company's WD615 and WD618 Engines

濰坊柴油機廠 (Weifang Diesel Engine Works), a legal person established in the PRC, and a Promoter. Weichai Factory is wholly owned by CHDTGL. Weichai Factory is engaged in the manufacture and sale of 6160A series, 170Z series and R and 95 series diesel engines, but none of them are high-speed heavy-duty diesel engines, and they cannot be used in heavy-duty vehicles with a load capacity of 15 tonnes (or above) or heavy-duty construction machines, which are the key markets for the Company's WD615 and WD618 Engines. Weichai Factory is a substantial shareholder and promoter of the Company and is accordingly a connected person of the Company

濰坊濰柴培新氣體發動機有限責任公司 (Weifang Weichai Peterson Gas Diesel Engines Company Limited), a company established in the PRC. Weichai Gas is engaged in the business of, inter alia, the manufacture and sale of gas-propelled internal combustion engines and parts

the Company's production line located at its premises in Weifang, Shandong Province for the manufacture of WD615 and WD618 Engines

the water-cooled, linear, 6-cylinder, turbo-charging, direct-injection high-speed diesel engine(s) with a displacement of 9.726 litres, manufactured by the Company

a new series of diesel engines developed based on the WD615 series with a displacement of 11.596 litres, manufactured by the Company

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

As at the date of this announcement, the Board comprises the following executive Directors: Mr. Tan Xuguang, Mr. Xu Xinyu, Mr. Sun Shaojun and Mr. Zhang Quan; the following non-executive Directors: Ms. Zhang Fusheng, Mr. Chen Xue Jian, Mr. Tong Jingen, Mr. Yeung Sai Hong, Mr. Li San Yim, Mr. Yao Yu and Mr. Julius G. Kiss; and the following independent non-executive Directors: Mr. Zhang Xiaoyu and Mr. Koo Fook Sun, Louis.