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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred all** your overseas listed foreign shares (“**H Shares**”) in Weichai Power Co., Ltd., you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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**WEICHAI**

**濰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)**

**DISCLOSEABLE TRANSACTION  
ACQUISITION OF 28.12% EQUITY INTERESTS IN  
湘火炬汽車集團股份有限公司  
(TORCH AUTOMOBILE GROUP CO., LTD)  
THROUGH A JOINT VENTURE**

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## DEFINITIONS

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*In this circular, unless the context requires otherwise, the following expressions have the following meanings:*

“Articles”	the articles of association of JV Co
“Board”	the board of Directors
“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
“Conditions of Sale”	the conditions for the sale by the State Asset ManagementCo in connection with its offer for sale by way of competitive offer process of the Offer Assets (being part of the Offer Rules)
“Consideration”	the amount of RMB1,023,380,000 (approximately HK\$981,942,046) for the acquisition of the Offer Assets pursuant to the Offer
“CSRC”	中國證券監督管理委員會 (China Securities Regulatory Commission)
“D’Long Group”	as defined in the paragraph headed “The Offer and the acquisition of the Offer Assets” of the section headed “Letter from the Board” of this circular
“D’Long Group Asset Management Agreement”	as defined in the paragraph headed “The Offer and the acquisition of the Offer Assets” of the section headed “Letter from the Board” of this circular
“Director(s)”	director(s) of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$” or “HK Dollar”	Hong Kong dollar, the lawful currency of Hong Kong
“JV Capital Contribution Agreement”	the capital contribution agreement entered into between the Company and the Other Shareholders in relation to, <i>inter alia</i> , the contribution of the equity capital of JV Co
“JV Co”	濰柴動力(濰坊)投資有限公司 (Weichai Power (Weifang) Investment Co., Ltd.) a limited liability company established in the PRC on 2nd August, 2005
“Latest Practicable Date”	24th August, 2005, being the latest practicable date for the purpose of ascertaining certain information contained in this circular before its despatch
“Listing Rules” or “Rule(s)”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Loan Transfer Agreement”	the loan transfer agreement entered into on 11th August, 2005 pursuant to the Conditions of Sale in connection with purchase of the Offer Loans in the event that the Offer is accepted

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## DEFINITIONS

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“Offer”	the offer dated 8th August, 2005 submitted by JV Co to purchase the Offer Assets, which were then being offered for sale by way of a competitive offering process (報價會) by State Asset ManagementCo
“Offer Assets”	the Offer Shares representing 28.12% of the issued share capital of TAGC and the Offer Loans in the aggregate amount of approximately RMB401,092,000 (approximately HK\$384,851,276) due and owing from members of the D’Long Group to TAGC
“Offer Loans”	loans in the aggregate amount of approximately RMB401,092,000 (approximately HK\$384,851,276) due and owing from members of the D’Long Group to TAGC
“Offer Rules”	the offer rules issued by the State Asset ManagementCo in connection with its offer for sale by way of competitive offering process of the Offer Assets
“Offer Shares”	263,279,520 TAGC Shares, of which 205,200,000 TAGC Shares are held by Vendor A, 36,000,000 TAGC Shares are held by Vendor B and 22,079,520 TAGC Shares are held by Vendor C. These shares are unlisted legal person shares
“Other Shareholders”	all of the holders (other than the Company) of equity in JV Co
“PRC” or “China”	the People’s Republic of China, which, for the purpose of this circular, unless otherwise specified, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“SFGC”	陝西法士特齒輪有限責任公司 (Shaanxi Fast Gear Co., Ltd.), a company established in the PRC and is a 51% subsidiary of TAGC
“Shaanxi Zhongqi”	陝西重型汽車有限公司 (Shaanxi Heavy Duty Motor Company Limited), a company established in the PRC and is a 51% subsidiary of TAGC
“Share Purchase Agreement”	the share purchase agreement entered into on 11th August, 2005 pursuant to the Conditions of Sale in connection with purchase of the Offer Shares in the event that the Offer is accepted
“State Asset ManagementCo”	中國華融資產管理公司 (China Huarong Asset Management Corporation), an asset management company authorized by the PRC state council. It is a wholly state-owned financial institution with its primary function being to, amongst other things, acquire and manage non-performing loans from banks and other financial institutions, debt collection and asset leasing, transfer and restructuring
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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## DEFINITIONS

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“TAGC”	湘火炬汽車集團股份有限公司 (Torch Automobile Group Co., Ltd), a company established in the PRC and the shares of which are listed on the Shenzhen Stock Exchange
“TAGC Group”	TAGC and its subsidiaries
“TAGC Shares”	shares in the capital of TAGC, part of which are listed on the Shenzhen Stock Exchange
“Transaction”	as defined in the paragraph headed “Introduction” of the section headed “Letter from the Board” of this circular
“TSPC”	株洲湘火炬火花塞有限責任公司 (Torch Spark Plug Co., Ltd.), a company established in the PRC and is a 97.5% subsidiary of TAGC
“Vendor A”	新疆德隆(集團)有限責任公司 (Xinjiang D’LONG (Group) Co., Ltd.), a limited liability company established in the PRC
“Vendor B”	廣州創寶投資有限公司 (Guangzhou Chuangbao Investment Co. Ltd.), a limited liability company established in the PRC
“Vendor C”	陝西眾科源新科技發展有限公司 (Shaanxi Zhong Ke Yuan New Technology Development Co. Ltd.), a limited liability company established in the PRC

*This circular contains translations of RMB into HK Dollar at the rate of HK\$1.00 to RMB1.0422 solely for reference. No representation or assurance is made or given that the RMB amounts set out in this circular have been, could have been, could be, may be or will be converted into HK\$ as such rate or any other rates.*

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## LETTER FROM THE BOARD

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**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)**

***Executive Directors:***

Tan Xuguang (*Chairman*)  
Xu Xinyu  
Sun Shaojun  
Zhang Quan

***Non-executive Directors:***

Yeung Sai Hong  
Chen Xuejian  
Yao Yu  
Li San Yim  
Tong Jingen  
Zhang Fusheng  
Julius G. Kiss  
Feng Gang

***Independent Non-executive Directors:***

Zhang Xiaoyu  
Koo Fook Sun, Louis  
Fang Zhong Chang

***Supervisors:***

Sun Chengping  
Wang Yong  
Jiang Jianfang

***Registered office:***

197, Section A  
Fu Shou East Street  
High Technology Industrial Development Zone  
Weifang City  
Shandong Province  
The People's Republic of China

***Principal place of business in Hong Kong:***

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

29th August, 2005

*To: Holders of overseas listed foreign shares ("H Shares")  
in the capital of Weichai Power Co., Ltd.*

Dear Sir or Madam,

**DISCLOSEABLE TRANSACTION  
ACQUISITION OF 28.12% EQUITY INTERESTS IN  
湘火炬汽車集團股份有限公司  
(TORCH AUTOMOBILE GROUP CO., LTD)  
THROUGH A JOINT VENTURE**

**A. INTRODUCTION**

We refer to the announcement of the Company dated 11th August, 2005 in respect of the acceptance by the State Asset Management Co on 8th August, 2005 of the Offer submitted by the JV Co for the acquisition of the Offer Assets for an aggregate consideration of RMB1,023,380,000

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## LETTER FROM THE BOARD

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(approximately HK\$981,942,046) and the signing of the Share Purchase Agreement and the Loan Transfer Agreement on 11th August, 2005. The investment by the Company in JV Co (“Transaction”) constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. This circular gives you further information in relation to such matters.

### B. THE OFFER AND THE ACQUISITION OF THE OFFER ASSETS

State Asset ManagementCo is one of the four largest asset management companies authorized by the PRC state council. It is a wholly state-owned financial institution with its function being primarily to, amongst other things, acquire and manage non-performing loans from banks and other financial institutions, debt collection and asset leasing, transfer and restructuring. To the best of knowledge of the Directors, pursuant to an asset management agreement dated 26th August, 2004 (“D’Long Group Asset Management Agreement”) between State Asset ManagementCo and Vendor A (being a member of a group of entities in the PRC commonly referred to as 德隆系集團 (“D’Long Group”)), State Asset ManagementCo became the manager of the Offer Shares. Under the said asset management agreement, State Asset ManagementCo has the right to manage and dispose of the Offer Shares. In addition, pursuant to a debt management agreement dated 23rd May, 2005 between State Asset ManagementCo and TAGC, State Asset ManagementCo also became the manager of the Offer Loans.

On 8th August, 2005, State Asset ManagementCo held a competitive offering meeting (報價會) for the Offer Assets, and at such meeting, JV Co submitted the Offer to State Asset ManagementCo for the purchase the Offer Assets for a consideration of RMB1,023,380,000 (approximately HK\$981,942,046), and, after the competitive offering process, State Asset ManagementCo announced that the Offer was successful and had been accepted as the winning offer. Pursuant to the Conditions of Sale, JV Co paid by cash the entire amount of the said consideration to State Asset ManagementCo on 11th August, 2005. Pursuant to the Conditions of Sale and the Offer Rules, the formal Share Purchase Agreement and the Loan Transfer Agreement for the acquisition of the Offer Assets were also entered into on 11th August, 2005. Details of the Offer and the acquisition of the Offer Assets are as follows:

**Effective date:** The acceptance date of the Offer was 8th August, 2005

**Vendor:** 1. *With respect to the Offer Shares*

Vendor A, Vendor B and Vendor C acting in accordance with the direction of State Asset ManagementCo.

2. *With respect to the Offer Loans*

TAGC acting in accordance with the direction of State Asset ManagementCo.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, each of Vendor A, Vendor B and Vendor C (being the holders of the Offer Shares), TAGC (being the holder of the Offer Loans), and their respective ultimate beneficial owners are third parties independent of, and are not connected persons of, the Company as at the Latest Practicable Date.

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## LETTER FROM THE BOARD

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**Purchaser:** JV Co

**Subject Matter:** 1. *The Offer Shares*

263,279,520 TAGC Shares, of which 205,200,000 TAGC Shares are held by Vendor A, 36,000,000 TAGC Shares are held by Vendor B and 22,079,520 TAGC Shares are held by Vendor C. The Offer Shares are unlisted legal person shares and they amount to approximately 28.12% of the total issued shares of TAGC.

2. *The Offer Loans*

Loans aggregating RMB401,092,000 (approximately HK\$384,851,276) due and owing from members of the D'Long Group to TAGC.

**Consideration:** RMB1,023,380,000 (approximately HK\$981,942,046) for the Offer Assets.

According to the Offer Rules, the portion of the Consideration in respect of the Offer Loans (being the amount of RMB401,090,000 (approximately HK\$384,849,357)) will be applied by State Asset ManagementCo as follows:

- (i) as to approximately RMB20,054,500 (approximately HK\$19,242,468) will be paid to State Asset ManagementCo as management fee;
- (ii) as to approximately RMB112,800,000 (approximately HK\$108,232,585) will be paid to State Asset ManagementCo in satisfaction of the principal and interest in relation to the bridging loan advanced by State Asset ManagementCo to TAGC; and
- (iii) as to approximately RMB268,235,500 (approximately HK\$257,374,304) will be paid to TAGC as working capital for TAGC.

**Payment:** The entire amount of the Consideration was paid by cash on 11th August, 2005.



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## LETTER FROM THE BOARD

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**Other terms:** Upon acceptance of the Offer, JV Co was required to enter, and has entered, into (i) the Share Purchase Agreement on 11th August, 2005 with Vendor A, Vendor B, Vendor C and State Asset ManagementCo, and (ii) the Loan Transfer Agreement on 11th August, 2005 with TAGC and State Asset ManagementCo.

*1. Share Purchase Agreement*

The Share Purchase Agreement was entered into on 11th August, 2005 between State Asset ManagementCo, Vendor A, Vendor B, Vendor C, and JV Co, pursuant to which Vendor A, Vendor B and Vendor C have agreed to sell their respective Offer Shares to JV Co for an aggregate consideration of RMB622,290,000 (approximately HK\$597,092,689). Completion of the sale and purchase of the Offer Shares is subject to the approval of the CSRC, which the Directors do not foresee any difficulty in obtaining. The Consideration has been paid into a separate and designated account of State Asset ManagementCo pending the aforesaid approval from CSRC, which Consideration is refundable to JV Co in the event that such approval cannot be obtained.

*2. Loan Transfer Agreement*

The Loan Transfer Agreement was entered into on 11th August, 2005 between State Asset ManagementCo, TAGC and JV Co, pursuant to which TAGC has agreed to sell the Offer Loans to JV Co for an aggregate consideration of RMB401,090,000 (approximately HK\$384,849,357).

### **C. JV CO AND SUMMARY OF THE PRINCIPAL TERMS OF THE JV CAPITAL CONTRIBUTION AGREEMENT**

JV Co is an equity joint venture established in the PRC on 2nd August, 2005 for the sole purpose of submitting the Offer and acquiring the Offer Assets. The Consideration payable by JV Co under the Offer is funded by JV Co. The registered capital of JV Co is RMB1,638,000,000 (approximately HK\$1,571,675,302), of which 45%, 30%, 18% and 7% are held by the Company and each of the three Other Shareholders, respectively.

The principal terms of the JV Capital Contribution Agreement and the Articles are as follows:

**Parties:** (i) The Company, being the holder of RMB737,100,000 (approximately HK\$707,253,886) of the equity of JV Co, representing 45% of JV Co's total registered capital

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## LETTER FROM THE BOARD

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- (ii) The three Other Shareholders respectively holds RMB491,400,000 (approximately HK\$471,502,591) of the equity of JV Co (representing 30% of JV Co's total registered capital), RMB294,840,000 (approximately HK\$282,901,554) of the equity of JV Co (representing 18% of JV Co's total registered capital), and RMB114,660,000 (approximately HK\$110,017,271) of the equity of JV Co (representing 7% of JV Co's total registered capital)

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, each of the Other Shareholders and their respective ultimate beneficial owners are third parties independent of, and are not connected persons of, the Company as at the Latest Practicable Date.

**Registered capital:**

RMB1,638,000,000 (approximately HK\$1,571,675,302)

The registered capital of JV Co of RMB1,638,000,000 (approximately HK\$1,571,675,302) has been fully paid up in cash by the Company and the Other Shareholders, respectively.

Save for the capital contribution to the registered capital of JV Co in the sum of RMB1,638,000,000 (approximately HK\$1,571,675,302), which has already been fully paid in cash by the Company (as to RMB737,100,000 (approximately HK\$707,253,886)), the three Other Shareholders (respectively as to RMB491,400,000 (approximately HK\$471,502,591), RMB294,840,000 (approximately HK\$282,901,554) and RMB114,660,000 (approximately HK\$110,017,271)), none of the Company and the Other Shareholders is obliged to provide any further capital, or has any capital commitment, to JV Co, whether pursuant to the JV Capital Contribution Agreement or the Articles or otherwise.

**Profit sharing:**

Any profit or loss of JV Co shall be shared and borne by the Company and the Other Shareholders in proportion to their respective equity interests in JV Co.

**Board composition:**

The board of directors of JV Co shall consist of three directors, and the Company is entitled to nominate one director where the Other Shareholders are entitled to nominate two directors. The Company's equity contribution of RMB737,100,000 (approximately HK\$707,253,886) was funded from the internal resources of the Company.

### D. INFORMATION ON TAGC

TAGC, a company established under PRC law, has a listing on the Shenzhen Stock Exchange. The TAGC Group is one of China's leading automobile groups and is principally engaged in the manufacture and sale of heavy duty trucks and vehicle parts. TAGC ranked 18th amongst the top 500 machinery enterprises in China (中國機械工業500強) and 170th amongst the 500 largest enterprises in China (中國企業500強) in 2004. Amongst TAGC's subsidiaries are Shaanxi Zhongqi (a 51% subsidiary of TAGC), TSPC (a 97.5% subsidiary of TAGC) and SFGC (a 51% subsidiary of TAGC).

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## LETTER FROM THE BOARD

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Shaanxi Zhongqi is one of the five largest heavy duty truck manufacturers in the PRC. TSPC is the largest spark plug manufacturer in the PRC, and sells its products both domestically and to more than 20 countries and regions overseas. SFGC is the largest manufacturer of gearboxes for heavy duty trucks in the PRC. (The aforesaid information concerning the TAGC Group was extracted from published records of TAGC.)

The net book value of the total assets of JV Co equals to the amount of its registered capital, being RMB1,638,000,000 (approximately HK\$1,571,675,302). As JV Co is a newly established company for the purpose of making the Offer, it does not have any audited accounts and has not recorded any profits.

The book value of the total assets of TAGC attributable to the Offer Shares as at 31st December, 2004 was approximately RMB2,523,379,724 (approximately HK\$2,421,204,878). The latest audited consolidated net asset value of TAGC attributable to the Offer Shares as at 31st December, 2004 was approximately RMB421,754,522 (approximately HK\$404,677,146).

The audited consolidated turnover and net profit (before and after taxation) of the TAGC Group (prepared in accordance with PRC accounting principles (“PRC GAAP”)) for the year ended 31st December, 2003 were approximately RMB10,313,987,005 (approximately HK\$9,896,360,588), approximately RMB733,239,403 (approximately HK\$703,549,609) and approximately RMB222,733,168 (approximately HK\$213,714,419), respectively. The audited turnover and net profit (before and after taxation) of the TAGC Group (prepared in accordance with PRC GAAP) for the year ended 31st December, 2004 were approximately RMB11,540,417,162 (approximately HK\$11,073,131,032), approximately RMB812,346,683 (approximately HK\$779,453,735) and approximately RMB181,685,747 (approximately HK\$174,329,061), respectively. The net profit (before and after taxation) for the years ended 31st December, 2003 and 31st December, 2004 attributable to the Offer Shares are respectively approximately RMB206,186,920 (approximately HK\$197,838,150) and approximately RMB62,632,567 (approximately HK\$60,096,495) for 2003, and approximately RMB228,431,887 (approximately HK\$219,182,390) and approximately RMB51,090,032 (approximately HK\$49,021,332) for 2004.

The net profit (after deducting all charges except for taxation and excluding extraordinary items) attributable to the Offer Shares being acquired and to the Company’s 45% interest in JV Co is RMB124.95 million. Such figure is arrived at based on 45% ((being the Company’s equity interest in the JV Co) multiplied by 28.12% (being the indirect shareholding interest in TAGC as represented by the Offer Shares) multiplied by the consolidated net profit (after deducting all charges except for taxation and excluding extraordinary items) of TAGC for the financial year ended 31st December, 2004.

### E. INFORMATION ON THE COMPANY

The principal activity of the Company is the research and development, manufacturing and sale of high speed heavy duty diesel engines. The products of the Company are widely applicable to different markets, including heavy-duty vehicles, coaches, construction machines, vessels and power generators. The Company’s diesel engines had an approximately 78% share of the PRC heavy duty vehicles (with a load capacity of 15 tonnes (and above)) market and an approximately 75% share of the PRC wheel-loaders (with a load capacity of 5 tonnes (and above)) market in 2004.

### **F. INFORMATION ON STATE ASSET MANAGEMENTCO AND THE D'LONG GROUP**

State Asset ManagementCo is one of the four largest asset management companies authorized by the PRC state council. It is a wholly state-owned financial institution with its function being primarily to, amongst other things, acquire and manage non-performing loans from banks and other financial institutions, debt collection and asset leasing, transfer and restructuring. To the best of knowledge of the Directors, pursuant to the D'Long Group Asset Management Agreement, State Asset ManagementCo became the manager of the Offer Shares. Under the said asset management agreement, State Asset ManagementCo has the right to manage and dispose of the Offer Shares. In addition, pursuant to a debt management agreement dated 23rd May, 2005 between State Asset ManagementCo and TAGC, State Asset ManagementCo also became the manager of the Offer Loans.

### **G. REASONS FOR AND BENEFITS OF THE TRANSACTION**

Given the complementary nature of the business of the Company and those of the TAGC Group and the profitability of the TAGC Group as stated above, the Directors are of the view that the Company's investment (through JV Co) in a strategic stake in TAGC will allow the Company to exploit potential business opportunities and synergies with the TAGC Group in the near future. As such, it is expected that such investment in the TAGC Group will contribute positively to the future development of the Company. Accordingly, the Directors are of the view that the terms of the Transaction are fair and reasonable and are in the interest of the Company and its shareholders as a whole.

The average per share closing price of TAGC Shares on the Shenzhen Stock Exchange for the period from 8th July, 2005 to 8th August, 2005 was RMB3.27 per TAGC Share with the highest and lowest per share market price during such period being RMB3.8 per TAGC Share and RMB2.95 per TAGC Share respectively. The per share closing price for the Offer Shares as at 5th August, 2005 (being the last full trading of TAGC Shares on the Shenzhen Stock Exchange before the announcement of the result of competitive offering process) was RMB3.53 (approximately HK\$3.39) ("Last Trading Price"). The Offer Assets were offered by way of competitive offer which would be sold to the offeror with the highest price. The Consideration attributable to the Offer Shares (on a per share basis) is RMB3.89 (approximately HK\$3.73), representing a premium of approximately 10.2% to the Last Trading Price, which was considered by the Directors to be reasonable given the fact that the Offer Assets were offered for sale by State Asset ManagementCo, through the competitive offering process, only to the offeror with the highest price presented at the offer awards meeting on 8th August, 2005.

The acquisition of the Offer Assets by JV Co was funded by the capital contributions by the JV Co in cash.

### **H. LISTING RULES IMPLICATIONS**

Since the percentage ratios for each of the assets, revenue, profits, consideration and equity capital tests under Rule 14.07 of the Listing Rules is more than 5% but less than 25%, the Transaction constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements set out in that chapter applicable to discloseable transactions.

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## LETTER FROM THE BOARD

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To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, each of Vendor A, Vendor B and Vendor C (being the holders of the Offer Shares), TAGC (being the holder of the Offer Loans), and each of the Other Shareholders and their respective ultimate beneficial owners are third parties independent of, and are not connected persons of, the Company as at the Latest Practicable Date.

As the Transaction is funded by internal resources, there is no significant effect of the Transaction on assets and liabilities of the Company. Since the Company only holds approximately 12.654% effective interest in TAGC, the Directors consider that the Transaction has no significant effect on the earnings of the Company.

### I. OTHER INFORMATION

The Company also wishes to inform its shareholders that, to the best of the knowledge, information and belief of the Directors, prior to the entering into of the D'Long Group Asset Management Agreement between State Asset ManagementCo and Vendor A (as referred to in the paragraph headed "The Offer and the acquisition of the Offer Assets" of this section), Vendor A, Vendor B and Vendor C had entered into entered into agreements ("Other Agreements") with another third party ("Third Party") relating to the purchase by such Third Party of the Offer Shares. To the best of their knowledge, information and belief, the Directors understand as follows:

1. under PRC law, the proposed transfer of TAGC shares under the Other Agreements is subject to the prior approval of the CSRC;
2. the CSRC has not approved the proposed transfer of the TAGC shares under the Other Agreements; and
3. it is a term of the Other Agreements that such agreements would only become effective after having obtained CSRC's approval.

Accordingly, having obtained appropriate PRC legal advice, the Directors are of the view that the Agreements have not become effective.

The Directors are further of the view that since State Asset ManagementCo has already entered into the D'Long Group Asset Management Agreement, JV Co's acquisition of the Offer Shares is pursuant to the offering process managed and regulated by State Asset ManagementCo and JV Co's offer has been announced by State Asset ManagementCo to be successful, the Directors are confident that JV Co will be able to secure the relevant CSRC approval in relation to its acquisition of the Offer Shares. As at the Latest Practicable Date, JV Co has not received the said CSRC approval. The Company will keep its shareholders informed of any material development in JV Co's application to the CSRC for the CSRC's approval for the transfer of the Offer Shares to JV Co. In the event that the CSRC's approval cannot be obtained, the Consideration will be fully refunded to JV Co with interest calculated with reference to the interest rate of short-term loan quoted by the People's Bank of China from time to time.

Your attention is also drawn to the general information set out in the appendix to this circular.

Yours faithfully,  
For and on behalf of the Board of Directors  
**Tan Xuguang**  
*Chairman*

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the interests and short positions of the directors and supervisors of the Company in the shares, underlying shares and debentures of the Company notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (as if it were applicable also to the supervisors of the Company) were as follows:

Name of Director	Personal interest	Corporate interest	Total	Capacity	Type of interest
Tan Xuguang	4,300,000 (Note 1)	Nil	4,300,000	Beneficial owner	Long
Xu Xinyu	1,000,000 (Note 1)	Nil	1,000,000	Beneficial owner	Long
Sun Shaojun	1,000,000 (Note 1)	Nil	1,000,000	Beneficial owner	Long
Zhang Quan	1,000,000 (Note 1)	Nil	1,000,000	Beneficial owner	Long
Yeung Sai Hong (Note 3)	Nil	23,500,000 (Note 2)	23,500,000	Interest of corporation controlled by this person	Long
Li San Yim (Note 4)	Nil	21,500,000 (Note 1)	21,500,000	Interest of corporation controlled by this person	Long
Julius G. Kiss (Note 5)	Nil	10,750,000 (Note 2)	10,750,000	Interest of corporation controlled by this person	Long
Name of supervisor					
Wang Yong	350,000 (Note 1)	Nil	350,000	Beneficial owner	Long

- Notes:
1.

These are Domestic Shares of the Company. Domestic Shares are ordinary shares issued by the Company, with a Renminbi-denominated par value of RMB1.00 each, which are subscribed for and paid up in Renminbi or credited as fully paid up.
2.

These are Foreign Shares of the Company. Foreign Shares are ordinary shares issued by the Company, with a Renminbi-denominated par value of RMB1.00 each, which are subscribed for and paid up in a currency other than Renminbi.
3.

Yeung Sai Hong, a Director, was directly and indirectly interested in the entire issued share capital of Peterson Holdings Company Limited (培新控股有限公司), which in turn held 23,500,000 Domestic Shares.
4.

Li San Yim, a Director, and his wife, Ni Yinying, were interested in 69.16% and 30.84%, respectively in the capital of 福建龍岩工程機械(集團)有限公司 (Fujian Longyan Construction Machinery (Group) Company Limited) (“Fujian Longgong”), which in turn held 21,500,000 Domestic Shares, and therefore Li San Yim was deemed to be interested in Ni Yinying’s entire interest in Fujian Longgong.
5.

Julius G. Kiss, a Director, was indirectly interested in the entire capital of IVM Technical Consultants Wien Gesellschaft m.b.H., which in turn held 10,750,000 Foreign Shares of the Company.

3. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, insofar as the Directors were aware, the interests and short positions of any person (other than a Director or supervisor) in the shares and underlying shares of the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under section 336 of the SFO were as follows:

Name	Number of Domestic Shares (Note 7) and/or Foreign Shares (Note 8) (being shares of the same class)		Percentage of share capital comprising only Domestic Shares and Foreign Shares (being shares of the same class)		Number of H Shares (Note 9)	Percentage of share capital comprising only H Shares		Capacity	Type of interest held
濰坊柴油機廠 (Weifang Diesel Engine Works)	77,647,900	38.16%	Nil	—	Beneficial owner	Long			
中國重型汽車集團有限公司 (China Heavy Duty Truck Group Co. Ltd.) (Note 1)	77,647,900	38.16%	Nil	—	Interest of corporation controlled by this entity	Long			
Peterson Holdings Company Limited (Note 2)	23,500,000	11.55%	Nil	—	Beneficial owner	Long			
Advantage Investment Corporation Limited (Note 2)	23,500,000	11.55%	Nil	—	Interest of corporation controlled by this entity	Long			

Name	Number of Domestic Shares (Note 7) and/or Foreign Shares (Note 8) (being shares of the same class)	Percentage of share capital comprising only Domestic Shares and Foreign Shares (being shares of the same class)	Number of H Shares (Note 9)	Percentage of share capital comprising only H Shares	Capacity	Type of interest held
福建龍岩工程機械(集團)有限公司 (Fujian Longyan Construction Machinery (Group) Company Limited)	21,500,000	10.57%	Nil	—	Beneficial owner	Long
倪銀英 (Ni Yinying) (Note 3)	21,500,000	10.57%	Nil	—	Spouse	Long
濰坊市投資公司 (Weifang Investment Company) (Note 4)	19,311,550	9.49%	Nil	—	Beneficial owner	Long
深圳市創新投資集團有限公司 (Shenzhen Chuangxin Investment Group Company Limited)	21,500,000	10.57%	Nil	—	Beneficial owner	Long
深圳市投資管理公司 (Shenzhen Investment Management Company) (Note 5)	21,500,000	10.57%	Nil	—	Interest of corporation controlled by this entity	Long
IVM Technical Consultants Wien Gesellschaft m.b.H.	10,750,000	5.28%	Nil	—	Beneficial owner	Long
ADTECH Advanced Technologies AG (Note 6)	10,750,000	5.28%	Nil	—	Interest of corporation controlled by this entity	Long
J.P. Morgan Chase & Co	Nil	—	17,574,000	13.89%	Investment Manager	Long
FMR Corp	Nil	—	13,242,000	10.47%	Investment Manager	Long
Baring Asset Management	Nil	—	8,715,000	6.89%	Investment Manager	Long

Notes:

- 1.中國重型汽車集團有限公司 (China Heavy Duty Truck Group Co. Ltd.), a State-owned enterprise, was the holding company of 濰坊柴油機廠 (Weifang Diesel Engine Works) (“Weichai Factory”) and held the entire capital of Weichai Factory. Mr. Tan Xuguang (a Director) was also the general manager of Weichai Factory.
2. Yeung Sai Hong, a non-executive Director, was beneficially interested in the entire issued share capital of Tingho Nominees Limited, which in turn owned 100% of Advantage Investment Corporation Limited, which was interested in 90% of the entire issued share capital of Peterson Holdings Company Limited.



3. The capital of 福建龍岩工程機械(集團)有限公司 (Fujian Longyan Construction Machinery (Group) Company Limited) (“Fujian Longgong”) was held as to approximately 69.16% by Li San Yim (a non-executive Director) and as to approximately 30.84% by 倪銀英 (Ni Yinying). Ni Yinying was Li San Yim’s wife, and therefore she was deemed to be interested in Li San Yim’s entire interest in Fujian Longgong.
4. 濰坊市投資公司 (Weifang Investment Company) was a State-owned enterprise.
5. 深圳市投資管理公司 (Shenzhen Investment Management Company) was interested in approximately 33.73% of the capital of 深圳市創新投資集團有限公司 (Shenzhen Chuangxin Investment Group Company Limited).
6. ADTECH Advanced Technologies AG was wholly owned by Julius G. Kiss, a non-executive Director, and it was interested in the entire capital of IVM Technical Consultants Wien Gesellschaft m.b.H.
7. Domestic Shares are ordinary shares issued by the Company, with a Renminbi-denominated par value of RMB1.00 each, which are subscribed for and paid up in Renminbi or credited as fully paid up.
8. Foreign Shares are ordinary shares issued by the Company, with a Renminbi-denominated par value of RMB1.00 each, which are subscribed for and paid up in a currency other than Renminbi.
9. H Shares are overseas listed Foreign Shares in the share capital of the Company, with a Renminbi-denominated par value of RMB1.00 each and are subscribed for and traded in Hong Kong dollars, and they are currently listed on the Main Board of the Stock Exchange.
10. The English translations of the Chinese names in the above table and notes were prepared by the Company for information purpose only and should not be relied upon.

#### 4. ARRANGEMENTS AND MATTERS CONCERNING DIRECTORS

- (a) As at the Latest Practicable Date, none of the Directors or their respective associates had any interest in a business which competes or may compete with the business of the Group.
- (b) Each of the executive Directors has entered into a service contract with the Company for a term commencing on 24th November, 2003 and ending on 17th December, 2005. Terms of the service contracts of such executive Directors are in all material respects the same. The term of appointment of each of the non-executive Directors and supervisors is from 18th December, 2002 to 17th December, 2005, save and except that the term of appointment of Chen Xue Jian (a non-executive Director) is from 29th June, 2004 to 17th December, 2005. Each of the independent non-executive Directors has a fixed term of appointment commencing the date of his appointment by the shareholders of the Company and ending (i) on the next annual general meeting of the Company (“Next AGM”); or (ii) the conclusion of the extraordinary general meeting (if any) of the Company convened prior to the Next AGM at which he is re-appointed as independent non-executive Director for a term beyond the conclusion of the Next AGM (whichever is the earlier). None of the non-executive Directors or the independent non-executive Directors has entered into any service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than the payment of statutory compensation).

#### 5. LITIGATION

The Company is not engaged in any litigation or arbitration or claims of material importance and, so far as the Directors are aware, no litigation or arbitration or claims of material importance is pending or threatened against the Company.

**6. MATERIAL ADVERSE CHANGE**

The Directors are not aware of any material adverse change in the financial or trading position of the Company since 31st December, 2004, the date to which the latest audited financial statements of the Company were made up.

**7. GENERAL**

- (a) The secretary and qualified accountant of the Company is Mr. Zhang Yuanfu. Mr. Zhang is an associate member of the Hong Kong Institute of Certified Public Accountants.
- (b) The registered office of the Company is at 197, Section A, Fu Shou East Street, High Technology Industrial Development Zone, Weifang City, Shandong Province, The People's Republic of China.
- (c) The principal place of business of the Company in Hong Kong is at Suite 2501–2, 25th Floor, One International Finance Centre, 1 Harbour View Street Central, Hong Kong.
- (d) The H share registrar and transfer office of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (e) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.