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WEICHAI

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

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

(Stock Code: 2338)

**MAJOR TRANSACTION INVOLVING THE ACQUISITIONS OF
FURTHER EQUITY INTERESTS IN WEICHAI POWER (WEIFANG)
INVESTMENT CO., LTD.**

The Board is pleased to announce that the Company entered into the Agreements with the Other Shareholders on 12th May, 2006 to acquire further equity interests in JV Co such that, subject to the satisfaction of the relevant conditions precedent and Completion, the Company's equity interest in JV Co will be increased from 45% to 100%. The sole business and asset of JV Co is its holding of an approximately 28.12% interest in TAGC, a company listed on the Shenzhen Stock Exchange.

Following Completion, JV Co will become a wholly-owned subsidiary of the Company. Based on the percentage ratio calculations under the Listing Rules, the Acquisitions constitute a major transaction of the Company and are therefore subject to the approval of the Shareholders.

A circular containing further details of the Agreements will be despatched to the Shareholders as soon as possible and in compliance with the Listing Rules. No Shareholder is required to abstain from voting at the AGM

AGREEMENTS

Date:

12th May, 2006

Parties:

- (a) the Company as the purchaser, the principal business of which is the research and development, manufacturing and sale of high speed heavy duty diesel engines; and
- (b) the Other Shareholders as the vendors, the principal business of each of them is investment holding. 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 date of this announcement.

Transaction:

The Company has agreed to purchase and each of the Other Shareholders has agreed to sell their respective equity interests in JV Co as follows:

Name of vendor	Percentage of equity interest in JV Co to be sold	Consideration payable by the Company (RMB)
山東海化集團有限公司 (Shandong Haihua Group Ltd.)	30%	373,500,000
濰坊亞星集團有限公司 (Weifang Yaxing Group Ltd.)	18%	224,100,000
龍口市金龍電器有限公司 (Longkou Golden Electrics Co. Ltd.)	7%	87,150,000

Based on the above figures, the aggregate consideration amounts to RMB684,750,000.

The consideration payable by the Company to each Other Shareholder represents the cost of investment of such Other Shareholder. The costs of investment of the Company in the original 45% equity interests in JV Co is RMB560,250,000.

No deposit is payable by the Company to the Other Shareholders and the consideration shall be payable by the Company in cash on the date of Completion. The consideration will be financed by the Company's internal resources.

The equity interests to be acquired by the Company represent 55% (in aggregate) of the registered capital of JV Co. Following Completion, JV Co will become a 100% wholly-owned subsidiary of the Company.

Conditions precedent:

Completion shall be conditional upon obtaining the approval of the Shareholders as required under the Listing Rules and completion of the relevant PRC procedures, if required, on or before 31st August, 2006 (or such later date as may be agreed between the Company and the Other Shareholders). Such relevant PRC procedures include the filing of the change in the shareholding of JV Co with the Administration of Industry and Commerce and notification to the China Securities and Regulatory Commission.

JV CO

The sole business and asset of JV Co is its holding of an approximately 28.12% interest in TAGC, a company listed on the Shenzhen Stock Exchange. For the remaining approximately 71.88% interest in TAGC, approximately 7.95% is held by 株洲國有資產經營管理有限公司 (Zhuzhou State-owned Assets Administration Management Company Limited) and approximately 63.93% is held by other public shareholders.

Based on its latest audited accounts of 2005, JV Co reported a profit before and after taxation of approximately RMB2,091,000 for the period from 2nd August, 2005 (being the date of establishment) to 31st December, 2005, and had a net asset value of approximately RMB1,247,091,000 as at 31st December, 2005.

TAGC, a company established under PRC law, is listed on the Shenzhen Stock Exchange. The TAGC Group is one of PRC's leading vehicles and components manufacturing 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 PRC (中國機械工業500強) and 170th amongst the 500 largest enterprises in PRC (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).

REASONS FOR AND BENEFITS OF THE TRANSACTION

Given the complementary nature of the business of the Company and those of the TAGC Group, the Directors are of the view that the Acquisitions will allow the Company to enhance its position as the single largest shareholder of the TAGC Group and exploit further potential business opportunities and synergies with the TAGC Group in the near future. As such, it is expected that the Acquisitions will contribute positively to the future development of the Company. Accordingly, the Board (including the independent non-executive Directors) considers that the terms of the Agreements are fair and reasonable and in the interests of the Shareholders as a whole.

MAJOR TRANSACTION

Following Completion, JV Co will become a wholly-owned subsidiary of the Company. Based on the percentage ratio calculations under the Listing Rules, the Acquisitions constitute a major transaction of the Company and are therefore subject to the approval of the Shareholders.

Details of the Agreements will be included in a circular to be despatched to the Shareholders as soon as possible and in compliance with the Listing Rules.

No Shareholder is required to abstain from voting in respect of the resolution for approval of the Agreements by way of poll at the AGM.

DEFINITION

In this announcement, the following expressions shall have the meanings set out below unless the context requires otherwise.

“Acquisitions”	the acquisitions of the 55% equity interests (in aggregate) by the Company under the Agreements
“AGM”	the annual general meeting of the Company to be held on 30th June, 2006 to consider, among other things, the Agreements
“Agreements”	the sale and purchase agreements all dated 12th May, 2006 entered into between the Company and the Other Shareholders, respectively, in relation to the transfer of the equity interests in JV Co from the Other Shareholders to the Company
“Board”	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
“Completion”	completion of the transfer of the equity interests in JV Co from the Other Shareholders to the Company pursuant to the terms and conditions of the Agreements
“connected person”	has the meaning ascribed to it under the Listing Rules
“Directors”	directors of the Company
“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
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Other Shareholders”	all of the holders (other than the Company) of equity in JV Co

“PRC”	the People’s Republic of China, which, for the purpose of this announcement, unless otherwise specified, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“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
“Shareholders”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“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 and associated companies
“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

As at the date of this announcement, the executive directors of the Company are Mr. Tan Xuguang, Mr. Xu Xinyu, Mr. Sun Shaojun and Mr. Zhang Quan; the non-executive directors of the Company are Mr. Yeung Sai Hong, Mr. Yao Yu, Mr. Li San Yim, Mr. Tong Jingen, Ms. Zhang Fusheng, Mr. Julius G. Kiss and Ms. Han Xiaoqun and Mr. Chen Xue Jian; and the independent non-executive directors of the Company are Mr. Zhang Xiaoyu, Mr. Koo Fook Sun, Louis and Mr. Fang Zhong Chang.

By order of the Board
Tan Xuguang
Chairman and CEO

Hong Kong, 12th May, 2006

*Please also refer to the published version of this announcement in **South China Morning Post**.*