



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)

Announcement
pursuant to Rule 13.09 of the Listing Rules

This announcement is made by the Company pursuant to Rule 13.09 of the Listing Rules.

The Board announces that on 23 December 2006, the Company entered into an agreement (the “**Agreement**”) entitled 《中國重型汽車集團有限公司與濰坊柴油機廠產權分離涉及濰柴動力股份有限公司相關事宜善後協議書》 (Settlement agreement concerning Weichai Power Co., Ltd. due to the segregation of ownership between China National Heavy Duty Truck Group Co. Ltd. and Weifang Diesel Engine Works) with CHDTGL. In accordance with the Agreement, CHDTGL is required to refund the RMB80,000,000 deposit paid by the Company pursuant to the Hangqi Acquisition Agreement dated 27 September 2004 for the acquisition of Hangqi and an amount of RMB13,540,200 as compensation for CHDTGL’s failure to complete the Hangqi Acquisition Agreement; and CHDTGL is also required to pay RMB120,648,854.05, being the trade receivables due from the CHDTGL Group to the Company for the diesel engines and parts sold by the Company to the CHDTGL Group, which had accrued and remained unpaid since before 31 December 2005. The aforesaid amounts total RMB214,189,054.05. As at the date of this announcement, the Company has received RMB195,674,692.06, representing approximately 91.36% of the total amount due as aforesaid.

This announcement is made by Weichai Power Co., Ltd. (the “**Company**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited.

As stated in the prospectus of the Company dated 26 February 2004, 中國重型汽車集團有限公司 (China National Heavy Duty Truck Group Co. Ltd.) (“**CHDTGL**”) has given a non-competition undertaking (the “**Non-competition Undertaking**”) and a first right of refusal to acquire 杭州汽車發動機廠 (Hangzhou Motor Engine Factory) (“**Hangqi**”) to the Company.

In view of the abovementioned Non-competition Undertaking from CHDTGL, the Company entered into the framework agreement (the “**Hangqi Acquisition Agreement**”) with CHDTGL on 27 September 2004 to acquire Hangqi (the “**Hangqi Acquisition**”). Under the Hangqi Acquisition Agreement, CHDTGL permitted the Company to conduct due diligence in relation to Hangqi, and granted an exclusive and irrevocable right to the Company to acquire Hangqi. The Company has completed its due diligence on Hangqi. As disclosed in the Company’s announcement dated 18 January 2006, the Company had issued a number of formal requests to CHDTGL to urge it to implement the Hangqi Acquisition Agreement, but the Company did not receive any positive response from CHDTGL.

Reference is also made to the announcement of the Company dated 22 March 2006, in which it was announced that 山東省國有資產監督管理委員會 (State-owned Assets Supervision and Administration Commission of Shandong Province) (“**Shandong SASAC**”) issued a document stating that in support of the reorganisation of CHDTGL for its “red-chip” listing (用紅籌股上市), and for the purpose of resolving the issue concerning the competition between CHDTGL and 濰坊柴油機廠 (Weifang Diesel Engine Works) (“**Weichai Factory**”) in the heavy-duty trucks business and the manufacture of diesel engines for heavy-duty trucks, the segregation of ownership between CHDTGL and Weichai Factory was approved.

On 29 June 2006, the transfer of the ownership of Weichai Factory by CHDTGL pursuant to the above-mentioned document was completed. On 12 July 2006, the Company had completed the submission and filing procedure in relation to the change of its ultimate single largest shareholder from CHDTGL to Shandong SASAC. After the completion of the abovementioned change of ownership, CHDTGL has ceased to be the ultimate single largest shareholder (through Weichai Factory) of the Company. Accordingly, the Non-competition Undertaking ceased to restrict CHDTGL and its business activities as from 29 June 2006.

The board of directors of the Company (such board shall be referred to as the “**Board**”, and such directors shall be referred to as the “**Directors**”) announces that, after repeated demands made by the Company to CHDTGL for the payment of trade receivables (which had been overdue for more than one year) due from the CHDTGL group of companies (the “**CHDTGL Group**”) to the Company for the diesel engines and parts sold by the Company to them and to urge CHDTGL to implement the Hangqi Acquisition Agreement and/or refund the RMB 80,000,000 deposit paid by the Company as well as compensation, on 23 December 2006, the Company entered into an agreement (the “**Agreement**”) entitled 《中國重型汽車集團有限公司與濰坊柴油機廠產權分離涉及濰柴動力股份有限公司相關事宜善後協議書》 (Settlement agreement concerning Weichai Power Co., Ltd. due to the segregation of ownership between CHDTGL and Weifang Diesel Engine Works) with CHDTGL, and agreement was only reached in respect of the Hangqi Acquisition and the settlement of trade receivables. The Agreement only provides that:

- (a) the agreement concerning the Hangqi Acquisition and all the supply agreements between the Company and CHDTGL and their respective affiliates have been terminated;
- (b) CHDTGL is required to refund the RMB80,000,000 deposit paid by the Company pursuant to the Hangqi Acquisition Agreement dated 27 September 2004 for the acquisition of Hangqi and an amount of RMB13,540,200 as compensation for CHDTGL’s failure to complete the Hangqi Acquisition Agreement; and CHDTGL is also required to pay RMB120,648,854.05, being the trade receivables due from the CHDTGL Group to the Company for the diesel engines and parts sold by the Company to the CHDTGL Group, which had accrued and remained unpaid since before 31 December 2005; and
- (c) only after the completion of all the matters in paragraphs (a) and (b) above, the rights and obligations of the Company and CHDTGL arising from the Hangqi Acquisition Agreement shall terminate.

Save for in relation to the Hangqi Acquisition, the supply agreements and trade receivables as mentioned above, the Company states that the Company and/or its subsidiaries and/or the Directors have not reached any agreement with CHDTGL and/or its subsidiaries and/or the directors of CHDTGL with regard to any matter, nor have they given any other confirmation or waived any right. In the case of discrepancy, all the agreements between the Company and CHDTGL with regard to the above matters as set out in this announcement shall prevail.

As at the date of this announcement, the Company has only received RMB195,674,692.06, representing approximately 91.36% of the total amount due as aforesaid. If the Company shall receive the outstanding unpaid balance of RMB18,514,361.99 from CHDTGL, a further announcement will be made.

Hong Kong, 22 January 2007

By order of the Board
Tan Xuguang
Chairman and CEO

As at the date of this announcement, the executive Directors of the Company are Mr. Tan Xuguang, Mr. Xu Xinyu, Mr. Sun Shaojun and Mr. Zhang Quan; the non-executive Directors of the Company are Mr. Yeung Sai Hong, Mr. Yao Yu, Mr. Li San Yim, Mr. Liu Huisheng, Ms. Zhang Fusheng, Mr. Julius G. Kiss 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.

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