



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)

**VERY SUBSTANTIAL ACQUISITION INVOLVING
A MERGER BY ABSORPTION OF TAGC
AND
CONTINUING CONNECTED TRANSACTIONS
A SHARE ISSUE
PROFIT FORECAST
AND
OTHER FINANCIAL INFORMATION**

SUMMARY

The Board is pleased to announce that following the Weichai Power EGMs and the TAGC EGMs, at which, inter alia, the Merger Proposal was approved, the Company has submitted an application to the CSRC for the A Share Issue pursuant to the Merger Proposal and the application version of the A Share Prospectus (which was submitted to the CSRC) has been posted on the website of the CSRC: www.csrc.gov.cn on 23 March 2007.

The Board also announces the HKFRS Profit Forecast and the PRC GAAP Financials as set out in this announcement.

This announcement is issued pursuant to the Rule 13.09(1) of the Listing Rules.

Reference is made to the circular of the Company dated 12 November 2006 (the “**Circular**”) in respect of the very substantial acquisition involving a merger by absorption of TAGC and continuing connected transactions. Unless the context requires otherwise, the terms and expressions defined in the Circular shall have the same meanings when used herein.

I. A SHARE ISSUE

The Board is pleased to announce that following the Weichai Power EGMs and the TAGC EGMs, at which, inter alia, the Merger Proposal was approved, the Company has submitted an application to the CSRC for the A Share Issue pursuant to the Merger Proposal and the application version of the A Share Prospectus (which was submitted to the CSRC) has been posted on the website of the CSRC: www.csrc.gov.cn on 23 March 2007.

A summary of the A Share Issue is set out below:

Type of securities:	Ordinary shares denominated in RMB (A shares)
Number of shares to be issued:	190,653,552 shares
Nominal value:	RMB1.00 per share
Issue price:	RMB20.47 per share (based on the Exchange Ratio of one Weichai A Share to 3.53 TAGC Shares, the price of which was fixed at RMB5.80 per share for the purpose of the Merger)
Stock exchange for the proposed listing of shares:	Shenzhen Stock Exchange
Total number of shares in issue after the A Share Issue:	520,653,522 ordinary shares of RMB1.00 each, comprising 126,500,000 H Shares and 394,153,522 Weichai A Shares
Target of issue:	The shareholders of TAGC (other than InvestCo) pursuant to the Merger
Proceeds:	The Weichai A Shares will be issued as the consideration under the Merger and no fund-raising is involved

For details of the abovementioned application version of the A Share Prospectus, please refer to the website of the CSRC: www.csrc.gov.cn.

II. PROFIT FORECAST

For the purpose of the A Share Issue and pursuant to the applicable laws and regulations in the PRC and the request of the CSRC, the Company will include a profit forecast of the Enlarged Group for the year ending 31 December 2007 in the A Share Prospectus (the “**PRC GAAP Profit Forecast**”), which forecast was prepared in accordance with the PRC GAAP and united all the interests of the TAGC Group and the Weichai Power Group for the year ending 31 December 2007 irrespective of the date of completion of the Merger and the acquisition of approximately 71.88% of the assets and liabilities of TAGC by the Company (the “**Acquisition**”). The Board considers that it would have been more meaningful to the Shareholders in Hong Kong if the PRC GAAP Profit Forecast had been prepared on the assumption that the Merger and the Acquisition would be completed on 1 April 2007 and adjusted based on HKFRS and the Company’s existing accounting policy.

Accordingly, the Company has separately prepared a forecast of the net profit of the Enlarged Group attributable to the Shareholders for the year ending 31 December 2007 (the “**HKFRS Profit Forecast**”), which was prepared on the assumption that the Merger and the Acquisition would be completed on 1 April 2007, i.e. the Company owns approximately 28.12% of the interest in TAGC from 1 January to 31 March 2007 and 100% of all the assets and liabilities of TAGC from 1 April 2007 to 31 December 2007, and in accordance with the applicable principles of HKFRS.

The Directors believe that the net profit of the Enlarged Group attributable to the Shareholders for the year ending 31 December 2007 on the assumption that the Merger and the Acquisition would be completed on 1 April 2007 is unlikely to be less than RMB924.4 million. The HKFRS Profit Forecast has been prepared in compliance with Rule 14.62 of the Listing Rules. The Directors are not currently aware of any

extraordinary items which have arisen or are likely to arise in respect of the year ending 31 December 2007. The HKFRS Profit Forecast has been prepared on a basis consistent in all material respects with the accounting policies currently adopted by the Company and on the following principal assumptions:

- (a) there will be no material changes in existing government policies or political, legal (including changes in legislations, regulations or rules), regulatory, fiscal, economic, market conditions, or the macro-economy measures in the PRC or any of the countries in which the Enlarged Group carry on business;
- (b) there will be no material changes in the bases or rates of taxation or duties in the PRC or any of the territories in which the Enlarged Group operates;
- (c) there will be no material changes in inflation, interest rates or foreign exchange rates from those currently prevailing; and
- (d) the operations and business of the Enlarged Group will not be severely interrupted by any force majeure events or unforeseeable factors or any unforeseeable reasons that are beyond the control of the Enlarged Group, including but not limited to, the occurrences of natural disasters or catastrophes, epidemics or serious accidents.

While presented the numerical specificity, the Shareholders should note that because of the extended length of the forecast period, the HKFRS Profit Forecast only represents the Directors' best estimate of the projected financial results of the Enlarged Group for the year ending 31 December 2007. In addition, the Company has not assumed statutory control of TAGC or its assets and liabilities, and therefore the HKFRS Profit Forecast is inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the anticipation or control of the Company and upon assumptions with respect to future business decisions which are subject to change. Accordingly, there can be no assurance that the HKFRS Profit Forecast will be realised. The prospective financial information presented may vary from actual results, and these variations may be material.

The Shareholders and investors, and potential investors, of the Company's Shares are cautioned to exercise due care and not to place substantial reliance on the PRC GAAP Profit Forecast and the HKFRS Profit Forecast, when making any decision in relation to any investment in or disposal of any of the Company's Shares (or any interest therein).

III. OTHER FINANCIAL INFORMATION

For the purpose of the A Share Issue and pursuant to the applicable laws and regulations in the PRC and the request of the CSRC, the Company will also include certain financial information of each of the Weichai Power Group, the TAGC Group and the Enlarged Group for the nine months ended 30 September 2006 and the three months ended 31 December 2006 in the A Share Prospectus (the "**PRC GAAP Financials**"). The PRC GAAP Financials were prepared in accordance with the PRC GAAP **and on the principal assumption that the Merger and the Acquisition were completed on 1 January 2006. The Shareholders and investors, and potential investors, of the Company's Shares should note that the Merger and the Acquisition were not and could not have been completed on 1 January 2006, and they still have not been completed as at the date of this announcement, and therefore the aforesaid principal assumption cannot and could not have been materialised.**

A summary of the PRC GAAP Financials is set out below:

	Jan 1, 2006 to Sep 30, 2006 (audited)			Oct 1, 2006 to Dec 31, 2006 (unaudited)			12 months ended Dec 31, 2006 (unaudited)		
	The Weichai Power Group	TAGC Group	The Enlarged Group	The Weichai Power Group	TAGC Group	The Enlarged Group	The Weichai Power Group	TAGC Group	The Enlarged Group
('000 RMB)									
Turnover	4,834,526	8,166,095	11,901,321	1,848,374	3,055,427	4,568,822	6,682,899	11,221,523	16,470,143
Gross Profit	1,338,327	1,440,955	2,768,302	547,268	601,841	1,112,916	1,885,595	2,042,797	3,881,218
Profit before Tax	553,322	518,334	1,065,574	307,209	231,039	485,427	860,530	749,372	1,551,001
Profit attributable to equity holders of the Company or TAGC (as the case may be)	443,091	184,897	621,906	218,961	74,946	241,088	662,052	259,843	862,993

IV. DEFINED TERMS USED IN THIS ANNOUNCEMENT

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

“A Share Issue”	the proposed issue of the Weichai A Shares to be listed on the Shenzhen Stock Exchange after the completion of the Merger
“A Share Prospectus”	means the prospectus for the A Share Issue
“HKFRS Profit Forecast”	has the meaning ascribed to it in the section headed “II. Profit forecast” in this announcement
“PRC GAAP”	the generally accepted accounting principles in the PRC
“PRC GAAP Financials”	has the meaning ascribed to it in the section headed “III. Other financial information”
“PRC GAAP Profit Forecast”	has the meaning ascribed to it in the section headed “II. Profit forecast” in this announcement

By order of the Board
Tan Xuguang
Chairman and CEO

Hong Kong, 23 March 2007

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