



**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**

**SUMMARY**

The Board is pleased to announce that on 25 April 2007, the Company has received the Shenzhen Stock Exchange's approval dated 24 April 2007 for the listing of the Weichai A Shares on the Shenzhen Stock Exchange commencing 30 April 2007, and, accordingly, all the conditions precedent to the Merger have been satisfied.

The Board also announces that the Listing Announcement Report of the Company will be published on the website designated by the CSRC ([www.cninfo.com.cn](http://www.cninfo.com.cn)) not later than 26 April 2007. The Listing Announcement Report will contain, inter alia, certain financial information as extracted and/or derived from the 2006 PRC GAAP Financial Statements and the 2007 First Quarter Financial Statements. A reconciliation of the GAAP Differences in respect of the 2006 PRC GAAP Financial Statements and the 2006 HKFRS Financial Statements and a summary of certain information extracted from the Listing Announcement Report are set out in this announcement below.

**I. SATISFACTION OF CONDITIONS PRECEDENT OF THE MERGER AND THE LISTING OF WEICHAI A SHARES**

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

Reference is also made to the conditions precedent set out in the section headed “I. The Merger Proposal — 3. The Merger Agreement” in the “Letter from the Board” in the Circular.

The Board is pleased to announce that on 25 April 2007, the Company has received the Shenzhen Stock Exchange's approval dated 24 April 2007 for the listing of the Weichai A Shares on the Shenzhen Stock Exchange. Accordingly, all the conditions precedent to the Merger have been satisfied, 190,653,552 new Weichai A Shares were issued pursuant to the Merger on 23 April 2007 (as disclosed in the announcement of the Company dated 23 April 2007) and the listing of the Weichai A Shares on the Shenzhen Stock Exchange will commence on 30 April 2007.

## II. GAAP DIFFERENCES IN RESPECT OF THE 2006 PRC GAAP FINANCIAL STATEMENTS AND THE 2006 HKFRS FINANCIAL STATEMENTS

The Board also announces that the 上市公告書 (Listing Announcement Report) of the Company (the “**Listing Announcement Report**”) will be published on the website designated by the CSRC (www.cninfo.com.cn) not later than 26 April 2007.

Pursuant to the regulations of the CSRC and the Shenzhen Stock Exchange, the Company will include certain financial information extracted from the audited consolidated financial statements of the Group for the year ended 31 December 2006 (the “**2006 PRC GAAP Financial Statements**”), which were prepared in accordance with the generally accepted accounting principles of the PRC (the “**PRC GAAP**”), in the Listing Announcement Report.

The audited consolidated financial statements of the Group for the year ended 31 December 2006 prepared in accordance with the applicable principles of the HKFRS (the “**2006 HKFRS Financial Statements**”) have already been published by the Company on 17 April 2007 in its preliminary announcement of results for the year ended 31 December 2006 and will be included in the Company’s annual report for the year ended 31 December 2006. The 2006 PRC GAAP Financial Statements and the 2006 HKFRS Financial Statements contain certain differences which are due to the differences between the PRC GAAP and the HKFRS (the “**GAAP Differences**”). A reconciliation of such GAAP Differences is set out below.

### Reconciliation of net profit and net asset value (“NAV”) (attributable to equity holders of parent company) of the Company

	<i>Note</i>	<b>Net profit</b> <i>RMB’000</i>	<b>NAV</b> <i>RMB’000</i>
<b>As per the financial statements prepared under PRC GAAP</b>		684,370	2,929,718
<b>GAAP Differences</b>			
Deferred tax effect	a	(12,116)	(10,269)
Reversal of intangibles amortization	b	15,556	31,112
Deemed interest expenses	c	(9,320)	9,152
Interests in associates	d	22,628	24,849
Others		<u>1,577</u>	<u>—</u>
<b>As per financial statements prepared under HKFRS which belongs to shareholders of the Company</b>		702,695	2,984,562
<b>Minority interests</b>		<u>5,315</u>	<u>67,695</u>
<b>As per financial statements prepared under HKFRS</b>		<u><b>708,010</b></u>	<u><b>3,052,257</b></u>

### Summary of differences between HKFRS and PRC GAAP

- (a) Recognition of deferred tax asset/liability under HKFRS for the tax consequence of temporary differences by applying enacted statutory tax rates applicable to future years to differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities, is not recognized under PRC GAAP.
- (b) This represents a reversal of amortisation of trademarks under PRC GAAP, which is not amortized but instead tested for impairment at least annually under HKFRS from 1 January 2005 onwards.

- (c) The installments payable to Weichai Factory for the acquisition of intangibles have been stated at present value discounted using market rates under HKFRS, while under PRC GAAP, the installments payable are stated at gross amount. Accordingly, deemed interest expense arises on the installments payable to Weichai Factory under HKFRS is not recognised under PRC GAAP.
- (d) Under HKFRS: (i) the acquisition of Weichai Power (Weifang) Investment Co., Ltd. has been accounted for using the purchase method which accounts for the assets, liabilities and contingent liabilities at their fair value at the date of acquisition; (ii) any excess of the purchase consideration over the fair value of the net assets acquired is capitalised as goodwill, and (iii) the goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investments. Under the PRC GAAP, the assets and liabilities are accounted for at historical costs and goodwill is amortised on a straight line basis over its economic useful lives.

*Note:* There are also differences in other items in the consolidated financial statements due to differences in classification between HKFRS and PRC GAAP, which do not have any impact to the consolidated net profit for the year or the consolidated NAV at 31 December 2006.

### III. 2007 FIRST QUARTER FINANCIAL INFORMATION

The Listing Announcement Report will also contain certain financial data and indicators as extracted and/or derived from the unaudited consolidated financial statements of the Group for the three months ended 31 March 2007 (the “**2007 First Quarter Financial Statements**”) with a comparison against those based on the audited consolidated balance sheet as at 31 December 2006 and the unaudited consolidated income statement for the three months ended 31 March 2006 (as the case may be), in each case, prepared in accordance with the then prevailing PRC GAAP. For details of the 2007 First Quarter Financial Statements, please refer to the Listing Announcement Report to be published on the website designated by the CSRC ([www.cninfo.com.cn](http://www.cninfo.com.cn)) not later than 26 April 2007. Set out below is a summary of certain financial information as extracted from the Listing Announcement Report.

	<b>As at 31 March 2007 (RMB'000)</b>	<b>As at 31 December 2006 (RMB'000)</b>
Current assets	5,442,947.9	3,515,176.0
Current liabilities	5,283,986.7	3,472,224.8
Total assets	9,108,111.0	7,054,882.0
Total shareholders' equity	3,283,569.1	3,042,102.1
Total equity attributable to equity holders of parent company	3,221,044.5	2,974,365.0
	<b>1 January to 31 March 2007 (RMB'000)</b>	<b>1 January to 31 March 2006 (RMB'000)</b>
Turnover	2,803,552.9	1,858,569.6
Total profit	285,231.8	134,231.0
Net profit	246,962.4	111,069.7
Net profit attributable to equity holders of parent company	246,673.0	107,948.4
Net profit less extraordinary profit and loss attributable to equity holders of parent company	246,898.4	107,746.1

Commencing 1 January 2007, the Company has adopted the new PRC accounting standards (namely, 企業會計準則 2006 (Enterprise Accounting Standards 2006)) for the preparation of its accounts, and all items in the Company's financial statements are prepared in accordance with such new accounting standards.

In the first quarter of 2007, the Company's unaudited net profit attributable to the equity holders of parent company was approximately RMB246,673,000, representing an increase of approximately 128.5% from approximately RMB107,948,400 for the corresponding period last year, which is mainly due to (i) the larger operating scale of the Company's principal business and a substantial increase in the profit from the principal operating activities as compared with the corresponding period in 2006; (ii) the shareholding percentage of the subsidiary company, Weichai Power (Weifang) Investment Co., Ltd., has increased from 45% to 100%, and (iii) since the abovementioned new accounting standards have been adopted in 2007, the Company has recognized the amortised value of the difference of the long term equity investment as costs of investment and no longer amortises them from 1 January 2007.

#### **IV. EFFECTIVE DATE OF THE APPOINTMENT OF NEW DIRECTORS**

Reference is also made to the section headed "I. Weichai Power Shareholders' EGM" in the announcement of the Company dated 29 December 2006 in respect of the results of the Weichai Power EGMs and the TAGC EGMs, in which the Board announced, inter alia, that the appointments of Mr. Gu Linsheng (顧林生先生), Mr. Li Shihao (李世豪先生) and Mr. Liu Zheng (劉征先生) as Directors of the Company for a term as from the date of completion of the Merger Proposal until 17 December 2008 (both dates inclusive) were duly passed by the Weichai Power Shareholders' EGM.

The Board is pleased to announce that as the Merger is completed, the appointment of Mr. Gu Linsheng (顧林生先生), Mr. Li Shihao (李世豪先生) and Mr. Liu Zheng (劉征先生) as Directors of the Company has taken effect as from 24 April 2007.

The biographies of Mr. Gu, Mr. Li and Mr. Liu have been set out in the announcement of the Company dated 14 December 2006 and are repeated as follows:

##### **Mr. Gu Linsheng**

Mr. Gu Linsheng (顧林生先生), aged 66, is a university graduate. Mr. Gu has held the positions of assistant to factory manager, deputy factory manager, executive deputy factory manager, deputy general manager, executive deputy general manager and a member of the standing committee to the party committee of 東風汽車公司 (Dongfeng Motor Corporation), vice chairman and director of 東風汽車股份有限公司 (Dongfeng Automobile Co., Ltd.), director of 東風汽車工業投資公司 (Dongfeng Automotive Industry Investment Co., Ltd.) and independent director of TAGC.

Mr. Gu has not held any directorship in other listed companies in the past three years before the date of his appointment. The appointment of Mr. Gu is by way of an appointment letter and he has not entered into any service contract with the Company. His appointment is for a term as from 24 April 2007 until 17 December 2008 (both dates inclusive). In view of the non-executive nature of his appointment, Mr. Gu is only entitled to an annual fixed fee of RMB100,000.

##### **Mr. Li Shihao**

Mr. Li Shihao (李世豪先生), aged 66, is a senior engineer. Mr. Li has held the positions of head of 城鄉建設部材料設備局 (Materials and Equipment Bureau under the Ministry of Urban and Rural Development), general manager of 中國城市車輛總公司 (China Urban Automotive General Corporation), chairman of 中國城市車輛有限公司 (Zhongjian Urban Automobile Co., Ltd.) and independent director of TAGC. Mr. Li is currently the director of 建設部科學技術委員會城市車輛專家委員會 (Urban Automobile Expert Committee of Science and Technology Committee of Ministry of Construction), director of 中國汽車工程學會 (China Vehicles Engineering Association), deputy director of 全國客車標準化委員會 (National Passenger Vehicle Standardisation Committee) and vice chairman of 中國公路學會客車學會 (Passenger Vehicle Society of China Highway and Transportation Society).

Mr. Li has not held any directorship in other listed companies in the past three years before the date of his appointment. The appointment of Mr. Li is by way of an appointment letter and he has not entered into any service contract with the Company. His appointment is for a term as from 24 April 2007 until 17 December 2008 (both dates inclusive). In view of the non-executive nature of his appointment, Mr. Li is only entitled to an annual fixed fee of RMB100,000.

#### **Mr. Liu Zheng**

Mr. Liu Zheng (劉征先生), aged 58, is a senior economist and chartered accountant. Mr. Liu has held the positions of section head and deputy director of 濰坊市審計局 (Audit Bureau of Weifang Municipality), director of 濰坊市電力建設辦公室 (Power Infrastructure Office of Weifang Municipality), general manager of 濰坊市投資公司 (Weifang Investment Company), non-executive director of the Company and independent director of TAGC.

Mr. Liu has not held any directorship in other listed companies in the past three years before the date of his appointment. The appointment of Mr. Liu is by way of an appointment letter and he has not entered into any service contract with the Company. His appointment is for a term as from 24 April 2007 until 17 December 2008 (both dates inclusive). In view of the non-executive nature of his appointment, Mr. Liu is only entitled to an annual fixed fee of RMB100,000.

Each of Mr. Gu, Mr. Li and Mr. Liu does not have any relationship with any other Directors, senior management or substantial or controlling shareholder of the Company. As at the date of this announcement, none of Mr. Gu, Mr. Li and Mr. Liu has any interest in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The Board confirms that, save as disclosed above, there are no other matters which need to be brought to the attention of the shareholders of the Company regarding the appointment of Mr. Gu, Mr. Li and Mr. Liu nor is there any other information that needs to be disclosed pursuant to any of the requirements of Rule 13.51(2)(h) to (v) of the Listing Rules.

The Board would like to express its warm welcome to Mr. Gu, Mr. Li and Mr. Liu to the Board.

Hong Kong, 25 April 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, Mr. Fang Zhong Chang, Mr. Gu Linsheng, Mr. Li Shihao and Mr. Liu Zheng.*

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