THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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.

This circular is for information purposes only and does not constitute an invitation of offer to acquire, purchase or subscribe for the securities of the Company.

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)

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Independent financial adviser to the independent board committee and the independent shareholders of Weichai Power Co., Ltd. on the Non-exempt Continuing Connected Transactions

昱豐融資有限公司
CERES CAPITAL LIMITED
CERES

A letter from the Board is set out on pages 8 to 79 of this circular.

A letter from the independent financial adviser to the independent board committee and the independent shareholders of the Weichai Power Co., Ltd. (as defined in this circular) on the Non-exempt Continuing Connected Transactions (as defined in this circular) is set out on pages 81 to 157 of this circular.

A notice of the EGM (as defined in this circular) of Weichai Power Co., Ltd. (the "Company"), at which the resolutions for approving, inter alia, the Continuing Connected Transactions Agreements (as defined in this circular) in respect of the Non-exempt Continuing Connected Transactions (as defined in this circular) and the relevant New Caps (as defined in this circular) will be considered are set out in this circular.

Please refer to the EGM Notice (as defined in this circular) for details in respect of the other resolutions to be considered at the EGM, eligibility of attendance, registration procedure, proxy and other relevant matters.

18 December 2008

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

"0.1% Threshold"	the thresholds referred to in Rule 14A.33(3) of the Listing Rules
"2006 Announcement"	the announcement of the Company dated 12 November 2006 in relation to, *inter alia*, the Merger and certain Weichai Continuing Connected Transactions
"2006 Circular"	the circular of the Company dated 12 November 2006 in relation to, *inter alia*, the Merger and certain Weichai Continuing Connected Transactions
"2006 EGM"	the extraordinary general meeting of the Shareholders held on 29 December 2006
"2007 Announcement"	the announcement of the Company dated 2 August 2007 in relation to certain TAGC Continuing Connected Transactions
"2007 Circular"	the circular of the Company dated 8 August 2007 in relation to certain TAGC Continuing Connected Transactions
"2007 EGM"	the extraordinary general meeting of the Shareholders held on 22 August 2007
"2.5% Threshold"	the thresholds referred to in Rule 14A.34 of the Listing Rules
"A Share(s)"	the A Share(s), being ordinary share(s) issued and/or to be issued as part of the New Shares (as the context may require), in the capital of the Company with a RMB denominated par value of RMB1.00 each and are listed or proposed to be listed (as the case may be) on The Shenzhen Stock Exchange
"Beijing Shaanqi Sale Centre"	北京陝重汽汽車銷售中心 (Beijing Shaanzhongqi Vehicle Sale Centre), a company established in the PRC and a connected person of the Company
"Board"	the board of Directors
"Chongqing Branch"	the Company's facility (being its branch office) in Chongqing Municipality, the PRC
"Chongqing Casting"	重慶市江津區重濰鑄造有限公司 (Chongqing City Jiangjin District Chongwei Casting Co. Ltd.), a company established in the PRC and a wholly-owned by Weichai Holdings
"Chongqing Properties"	land and building situated thereon at the Company's premises in Chongqing Municipality, the PRC for the manufacture of WD615 Engines

"Chongqing Weichai"	重慶濰柴發動機廠 (Chongqing Weichai Diesel Engine Works), a legal person established in the PRC and wholly-owned by Weichai Holdings
"Company"	濰柴動力股份有限公司 (Weichai Power Co., Ltd.), a company established in the PRC with limited liability
"Continuing Connected Transactions"	the transactions described in the announcement of the Company dated 27 November 2008
"Continuing Connected Transactions Agreements"	the agreements relating to the Non-exempt Continuing Connected Transactions entered into between the Group and the relevant counterparts, further details of which are set out in the section headed "II. Continuing Connected Transactions" in this circular
"DFOVCL"	東風越野車有限公司 (Dong Feng Off-road Vehicle Co. Ltd.), a company established in the PRC and a 60% subsidiary of the Company
"Director(s)"	the director(s) of the Company
"Dong Feng Automotive"	東風汽車集團股份有限公司 (Dong Feng Automotive Group Co. Ltd.), a company established in the PRC and a connected person of the Company
"Dong Feng Casting"	東風精密鑄造有限公司 (Dong Feng Close Casting Co. Ltd.), a company established in the PRC, a 50% subsidiary of the Dong Feng Automotive, and a connected person of the Company
"Dong Feng Cummings"	東風康明斯發動機有限公司 (Dongfeng Cummins Engine Co., Ltd.), a company established in the PRC, a 50% subsidiary of the Dong Feng Automotive, and a connected person of the Company
"Dong Feng Equipment"	東風汽車有限公司設備製造廠 (Dong Feng Automotive Co. Ltd. Equipment Manufacturing Factory), a company established in the PRC, a 50% subsidiary of the Dong Feng Automotive, and a connected person of the Company
"Dong Feng Fastener"	東風汽車緊固件有限公司 (Dong Feng Fastener Co. Ltd.), a company established in the PRC, a 50% subsidiary of the Dong Feng Automotive, and a connected person of the Company
"Dong Feng Import and Export"	中國東風汽車進出口有限公司 (China Dong Feng Automotive Import and Export Co. Ltd.), a company established in the PRC

"Dong Feng Measuring"	東風汽車有限公司刃量具廠 (Dong Feng Automotive Co. Ltd. Measuring Equipment Factory), a company established in the PRC, a 50% subsidiary of the Dong Feng Automotive, and a connected person of the Company
"Dong Feng Moulding"	東風汽車模具有限公司 (Dong Feng Moulding Equipment Co. Ltd.), a company established in the PRC, a 50% subsidiary of the Dong Feng Automotive, and a connected person of the Company
"Dong Feng Wheel"	東風汽車有限公司車輪廠 (Dong Feng Automotive Co. Ltd. Wheel Factory), a company established in the PRC, a 50% subsidiary of the Dong Feng Automotive and a connected person of the Company
"EGM"	the extraordinary general meeting of the Company to be held on 11 February 2009 to consider and, if thought fit, approve, inter alia, the New Caps and the Continuing Connected Transactions Agreements
"Exempt Continuing Connected Transactions"	being those Continuing Connected Transactions the proposed New Caps for which do not exceed the 2.5% Threshold and, accordingly, not subject to the approval by the Independent Shareholders and, where such New Caps exceed the 0.1% Threshold, are only subject to the reporting requirements set out in Rules 14A.45 and 14A.46, the announcement requirement in Rule 14A.47 and the annual review requirements in Rules 14A.37 and 14A.38 of the Listing Rules
"Existing Caps"	the existing caps for the Continuing Connected Transactions (as applicable)
"Fast Transmission"	陝西法士特汽車傳動集團有限公司 (Shaanxi Fast Gear Automotive Transmission Co. Ltd.), a company established in the PRC and a connected person of the Company
"Fujian Longgong"	福建龍岩工程機械(集團)有限公司 (Fujian Longyan Construction Machinery (Group) Company Limited), a company incorporated in the PRC, a Promoter and a connected person of the Company
"Group"	the Company and its subsidiaries
"Guangxi Liugong"	廣西柳工集團有限公司 (Guangxi Liugong Group Company Limited), a company established in the PRC, a Promoter and a State-owned enterprise and a connected person of the Company
"Guangxi Liugong Machinery"	廣西柳工機械股份有限公司 (Guangxi Liugong Machinery Co., Ltd.), a company established in the PRC and a 63% subsidiary of Guangxi

"H Share(s)"	the H Share(s), being the overseas listed foreign share(s) issued and/or to be issued as part of the New Shares (as the context may require), in the capital of the Company with a RMB denominated par value of RMB1.00 each and are listed or proposed to be listed (as the case may be) on the main board of the Hong Kong Stock Exchange
"Hande Axle"	陝西漢德車橋有限公司 (Shaanxi Hande Axle Co., Ltd.), a company established in the PRC and is held as to 3.06% by the Company and as to 94% by Shaanxi Zhongqi
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	a committee of the Board comprising Mr. Zhang Xiao Yu, Mr. Koo Fook Sun, Louis and Mr. Fang Zhong Chang, being the independent non-executive Directors
"Independent Financial Adviser"	Ceres Capital Limited, the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Non-Exempt Continuing Connected Transactions
"Independent Shareholders"	shareholders who are not required to abstain from voting at the EGM in relation to the resolutions for approving the Non-exempt Continuing Connected Transactions and the respective New Caps
"IVM"	IVM Technical Consultants Wien Gesellschaft m.b.H., a company established in Austria and a Promoter
"Jinding"	陝西金鼎鑄造有限公司 (Shaanxi Jinding Foundry Co., Ltd.), a company established in the PRC and is held as to 87.05% by Shaanxi Zhongqi and as to 4.24% by Hande Axle
"Latest Practicable Date"	16 December 2008, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
"Merger"	the Merger on 24 April 2007 (as announced in the announcement of the Company dated 25 April 2007), as of result of which the original subsidiaries of TAGC, together with other the assets and liabilities of TAGC, were absorbed by the Company
"New Caps"	as defined in the section headed "II. Continuing Connected Transactions" in this circular

"Non-exempt Continuing Connected Transactions"	being those Continuing Connected Transactions the proposed New Caps for which exceed the 2.5% Threshold, and, accordingly, they will be subject to the reporting requirements set out in Rules 14A.45 and 14A.46 of the Listing Rules, the announcement requirement in Rule 14A.47 of the Listing Rules and the annual review requirements in Rules 14A.37 and 14A.38 of the Listing Rules and approval from the Independent Shareholders at the EGM will be required
"Peterson (CNG)"	Peterson (CNG) Equipment Limited, a company owned as to 50% by Yeung Sai Hong, a non-executive Director
"PRC"	the People's Republic of China which, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
"Promoter(s)"	Weichai Holdings, Peterson, Weifang Investment, Fujian Longgong, Shenzhen Investment, IVM, Shandong Trust, Guangxi Liugong and 24 natural persons whose names are set out in the prospectus of the Company dated 26 February 2004
"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 a 51% subsidiary of the Company
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
"Shaanxi Automotive"	陝西汽車集團有限責任公司 (Shaanxi Automobile Group Co. Ltd.), a company established in the PRC and a connected person of the Company
"Shaanxi Heavy-duty Coach"	陝西重型客車工業聯營公司 (Shaanxi Heavy-duty Coach Industry Joint Venture Company), a company established in the PRC and a connected person of the Company
"Shaanxi Huazhen"	陝西華臻三產工貿有限責任公司 (Shaanxi Huazhen Sancan Industry and Trading Co. Ltd.), a company established in the PRC and a connected person of the Company
"Shaanxi Import"	陝西重型汽車進出口有限公司 (Shaanxi Heavy-duty Vehicle Import and Export Company Limited), a company established in the PRC and a 82% subsidiary of Shaanxi Zhongqi

"Shaanxi Lantong"	陝西藍通傳動軸有限公司 (Shaanxi Lantong Transmission Axle Co. Ltd.), a company established in the PRC and a connected person of the Company
"Shaanxi Tongchuang"	陝西同創華亨汽車散熱有限責任公司 (Shaanxi Tongchuang Huaheng Vehicle Radiator Co. Ltd.), a company established in the PRC and a connected person of the Company
"Shaanxi Tongli"	陝西通力專用汽車有限責任公司 (Shaanxi Tongli Special-purpose Vehicle Co. Ltd.), a company established in the PRC and a connected person of the Company
"Shaanxi Wanfang"	陝西萬方汽車零部件有限公司 (Shaanxi Wanfang Vehicle Parts and Components Co. Ltd.), a company established in the PRC and a connected person of the Company
"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 a 51% subsidiary of the Company
"Shandong Juli"	山東巨力股份有限公司 (Shandong Juli Company Limited), a company established in the PRC and a connected person of the Company
"Shandong Trust"	山東省企業託管經營股份有限公司 (Shandong Enterprise Trust Operation Company Limited), a company established in the PRC and a Promoter
"Shanghai Longgong"	龍工(上海)機械有限公司 (Shanghai Longgong Machinery Company Limited), a limited liability company established in the PRC and a connected person of the Company
"Shareholder(s)"	shareholder(s) of the Company
"Shenzhen Investment"	深圳市創新投資集團有限公司 (Shenzhen Chuangxin Investment Group Company Limited), a company incorporated in the PRC and a Promoter
"Stock Exchange" and "Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"TAGC"	湘火炬汽車集團股份有限公司 (Torch Automotive Group Co., Ltd.), a company established in the PRC and has ceased to exist
"TAGC Continuing Connected Transactions"	the Continuing Connected Transactions under section II.B. of this circular

"Tiangua"	天津市天掛車輛有限公司 (Tianjin City Tiangua Vehicles Company Limited), a company established in the PRC and a 51% subsidiary of Shaanxi Zhongqi
"TMD"	TMD Friction Europe GmbH, a company incorporated in Germany, a substantial shareholder of MAST, and a connected person of the Company
"Weichai Continuing Connected Transactions"	the Continuing Connected Transactions under section II.A. of this circular
"Weichai Holdings"	濰柴控股集團有限公司 (Weichai Group Holdings Limited) (formerly known as 濰坊柴油機廠 (Weifang Diesel Engine Works)), a legal person established in the PRC. It is a substantial shareholder of the Company, and a Promoter, and hence it is a connected person of the Company
"Weichai Holdings Juli Restructuring"	the restructuring of the assets of Weichai Holding and the group of entities concerning Shandong Juli as more particularly set out in the announcement of Shandong Juli on The Shenzhen Stock Exchange dated 8 September 2006
"Weichai Import and Export"	山東濰柴進出口有限公司 (Shandong Weichai Import and Export Co., Ltd.), a company established in the PRC wholly-owned by Weichai Holdings and a connected person of the Company
"Weifang Investment"	濰坊市投資公司 (Weifang Investment Company), a legal person established in the PRC, a State-owned enterprise
"Weichai Resources"	濰柴動力備品資源公司 (Weichai Power Reserves and Resources Company), a company established in the PRC and a wholly-owned subsidiary of the Company

If there is any inconsistency between the Chinese name of the entities mentioned in this circular and their English translation, the Chinese version shall prevail.

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)

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

Non-executive Directors:
Yeung Sai Hong
Chen Xuejian
Yao Yu
Li San Yim
Liu Huisheng
Zhang Fusheng
Julius G. Kiss
Han Xiaoqun
Gu Linsheng
Li Shihao
Liu Zheng

Independent Non-executive Directors:
Zhang Xiaoyu
Koo Fook Sun, Louis
Fang Zhongchang

Supervisors:
Sun Chengping
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:
Room 1909, 19th Floor
Gloucester Tower
15 Queen's Road Central
Hong Kong

18 December 2008

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

Dear Sir or Madam,

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

I. INTRODUCTION

We refer to the announcement of The Company dated 27 November 2008 which announces that on 27 November 2008, the Company has entered into the Continuing Connected Transactions Agreements. This circular gives you further information in relation to the Non-exempt Continuing Connected Transactions and contains the advice of the Independent Financial Adviser to the Independent Board

Committee and the Independent Shareholders in relation to the Non-exempt Continuing Connected Transactions. For any inconsistency between the Announcement and this circular, the information contained herein shall prevail.

II. CONTINUING CONNECTED TRANSACTIONS

The Non-exempt Continuing Connected Transactions include the following Weichai Continuing Connected Transactions and TAGC Continuing Connected Transactions.

A. Weichai Continuing Connected Transactions:

	Name of connected person	Name of Group Company	Connected person's relationship with the Group	Nature of the connected transaction with the Group
1.	Weichai Holdings (and its associates) *(note 1)* (as the case may be)	The Company and Weichai Resources *(note 2)* (as the case may be)	Holder of 14.91% of the equity of the Company and a Promoter	(a) Provision of general services and labour services by Weichai Holdings (and its associates) (as the case may be) to the Company
				(b) Supply and/or connection of utilities by Weichai Holdings (and its associates) (as the case may be) to the Company
				(c) Purchase of diesel engine parts and components, gas and scrap metals, etc., materials and related products and processing services by the Company from Weichai Holdings (and its associates) (as the case may be)
				(d) Sale of diesel engines, diesel engine parts and components, materials and related products and provision of processing services by the Company and Weichai Resources (as the case may be) to Weichai Holdings (and its associates) (as the case may be)

	Name of connected person	Name of Group Company	Connected person's relationship with the Group	Nature of the connected transaction with the Group
2.	Fujian Longgong and Shanghai Longgong (and their respective associates)	The Company	Fujian Longgong — a Promoter Shanghai Longgong — an associate of Li San Yim (a non-executive Director) Both Fujian Longgong and Shanghai Longgong are indirectly owned by Li San Yim	Sale of diesel engines and diesel engine parts by the Company to Fujian Longgong and Shanghai Longgong (as the case may be)
3.	Guangxi Liugong Machinery	The Company	Held as to 63% by Guangxi Liugong (a Promoter)	Sale of diesel engines and diesel engine parts by the Company to Guangxi Liugong Machinery
4.	Weichai Deutz	The Company and Weichai Resources *(note 2)* (as the case may be)	Held as to 50% by Weichai Holdings (a Promoter)	(a) Sale of semi-finished diesel engine parts and related products by the Company to Weichai Deutz (b) Purchase of diesel engine parts and components and related products by Weichai Resources from Weichai Deutz (c) Purchase of diesel engines and related products by the Company from Weichai Deutz
5.	Shandong Juli	The Company and Weichai Resources *(note 2)* (as the case may be)	Held as to 30.59% by Weichai Holdings	(a) Sale of diesel engines and related products by the Company to Shandong Juli (b) Purchase of diesel engine parts and components, materials, steel and scrap metal, etc. and related products and processing services by the Company and Weichai Resources (as the case may be) from Shandong Juli

B. TAGC Continuing Connected Transactions

	Name of connected person	Name of Group Company	Connected person's relationship with the Group	Nature of the connected transaction with the Group
1.	Fast Transmission	SFGC *(note 3)*	Holder of 49% of the equity of SFGC	(a) Sale of parts and components of transmissions and related products by SFGC to Fast Transmission (b) Purchase of parts and components of transmissions and related products by SFGC from Fast Transmission
2.	Shaanxi Automotive (and its associates) *(note 8)* (as the case may be)	Shaanxi Zhongqi *(note 4)*, Hande Axle *(note 5)*, Jinding *(note 6)*, Shaanxi Import *(note 10)* and Tiangua *(note 11)* (as the case may be)	Holder of 49% of the equity of Shaanxi Zhongqi	(a) Sale of vehicles, parts and components of vehicles and related products and provision of heat processing services by Shaanxi Zhongqi (and its subsidiaries) to Shaanxi Automotive and its associates (as the case may be) (b) Purchase of parts and components of vehicles by Shaanxi Zhongqi (and its subsidiaries) from Shaanxi Automotive's associates (as the case may be)
3.	Dong Feng Automotive (and its associates) *(note 9)* (as the case may be)	DFOVCL *(note 7)*	Holder of 40% of the equity of DFOVCL	(a) Sale of off-road vehicles by DFOVCL to Dong Feng Automotive (b) Purchase of parts and components of off-road vehicles and related products and technical support services by DFOVCL from Dong Feng Automotive (and its associates) (as the case may be)

Notes:

1. The associates of Weichai Holdings are Chongqing Weichai, Chongqing Casting and Weichai Import and Export.

2. Weichai Resources is a wholly-owned subsidiary of the Company.

3. SFGC is a 51% subsidiary of the Company.

4. Shaanxi Zhongqi is a 51% subsidiary of the Company.

5. Hande Axle is held as to 3.06% by the Company and as to 94% by Shaanxi Zhongqi.

6. Jinding is held as to 87.05% by Shaanxi Zhongqi and as to 4.24% by Hande Axle.

7. DFOVCL is a 60% subsidiary of the Company.

8. As more particularly described in the section headed "II.B.2. Continuing connected transactions between Shaanxi Zhongqi (and its subsidiaries) and Shaanxi Automotive (and its associates)" in this circular.

9. As more particularly described in the section headed "II.C.3. Continuing connected transactions between DFOVCL and Dong Feng Automotive (and its associates)" in this circular.

10. Shaanxi Import is held as to 82% by Shaanxi Zhongqi.

11. Tiangua is held as to 51% by Shaanxi Zhongqi.

A summary of the proposed New Caps for each of the Non-exempt Continuing Connected Transactions is set out below:

Connected person and details of relevant Continuing Connected Transactions	New Caps 2008 RMB	2009 RMB	2010 RMB
A. Weichai Continuing Connected Transactions			
1. *Weichai Holdings (and its associates)*			
(a) Provision of general services and labour services by Weichai Holdings (and its associates) (as the case may be) to the Company	29,500,000#	36,500,000#	47,500,000#
(b) Supply and/or connection of utilities by Weichai Holdings (and its associates) (as the case may be) to the Company	178,000,000#	223,000,000#	290,000,000#
(c) Purchase of diesel engine parts and components, gas and scrap metals, etc., raw materials and related products and processing services by the Company from Weichai Holdings (and its associates) (as the case may be)	86,500,000#	102,000,000#	112,500,000#
(d) Sale of diesel engines, diesel engine parts and components, materials and related products and provision of processing services by the Company and Weichai Resources (as the case may be) to Weichai Holdings (and its associates) (as the case may be)	200,000,000#	265,000,000#	315,000,000#
2. *Fujian Longgong and Shanghai Longgong*			
Sale of diesel engines and diesel engine parts by the Company to Fujian Longgong and Shanghai Longgong and their respective associates	1,000,000,000#	1,300,000,000#	1,500,000,000#

Connected person and details of relevant Continuing Connected Transactions	New Caps 2008 RMB	2009 RMB	2010 RMB
3. *Guangxi Liugong Machinery*			
Sale of diesel engines and diesel engine parts by the Company to Guangxi Liugong Machinery	1,080,000,000#	1,235,000,000#	1,350,000,000#
4. *Weichai Deutz*			
(a) Sale of semi-finished diesel engine parts and related products by the Company to Weichai Deutz	100,000,000#	130,000,000#	170,000,000#
(b) Purchase of diesel engine parts and components and related products by Weichai Resources from Weichai Deutz	15,000,000#	47,000,000#	60,000,000#
(c) Purchase of diesel engines and related products by the Company from Weichai Deutz	24,000,000#	28,000,000#	32,000,000#
5. *Shandong Juli*			
(a) Sale of diesel engines and related products by the Company to Shandong Juli	70,000,000#	91,000,000#	120,000,000#
(b) Purchase of diesel engine parts and components, materials, steel and scrap metal, etc. and related products and processing services by the Company and Weichai Resources (as the case may be) from Shandong Juli	315,000,000#	410,000,000#	525,000,000#

Connected person and details of relevant Continuing Connected Transactions	New Caps 2008 *RMB*	2009 *RMB*	2010 *RMB*
B. TAGC Continuing Connected Transactions			
1. *Fast Transmission*			
(a) Sale of parts and components of transmissions and related products by SFGC to Fast Transmission	650,000,000#	620,000,000#	690,000,000#
(b) Purchase of parts and components of transmissions by SFGC from Fast Transmission	850,000,000#	810,000,000#	910,000,000#
2. *Shaanxi Automotive (and its associates)*			
(a) Sale of vehicles and parts and components of vehicles and related products and provision of heat processing services by Shaanxi Zhongqi (and its subsidiaries) to Shaanxi Automotive (and its associates)	650,000,000#	850,000,000#	1,100,000,000#
(b) Purchase of parts and components of vehicles and related products by Shaanxi Zhongqi (and its subsidiaries) from Shaanxi Automotive's associates	1,500,000,000#	2,200,000,000#	2,700,000,000#
3. *Dong Feng Automotive (and its associates)*			
(a) Sale of off-road vehicles by DFOVCL to Dong Feng Automotive	350,000,000#	530,000,000#	630,000,000#
(b) Purchase of parts and components of off-road vehicles and related products and technical support services by DFOVCL from Dong Feng Automotive (and its associates) (as the case may be	165,000,000*	230,000,000#	270,000,000#

Notes:

1. Where a New Cap is marked "*", that means the proposed New Caps for the relevant Continuing Connected Transactions do not exceed the 2.5% Threshold and are exempt from the approval of the Independent Shareholders.

2. Where a New Cap is marked "#", that means the relevant Continuing Connected Transactions are Non-exempt Continuing Connected Transactions, because they either individually or when aggregated exceed the 2.5% Threshold and are subject to the approval of the Independent Shareholders.

3. For the purposes of ascertaining whether a Continuing Connected Transaction would exceed the 2.5 Threshold, the following transactions have been aggregated and they exceed the 2.5% Threshold and are subject to the approval of the Independent Shareholders:

   (i) transactions under paragraphs A.1.(a) and (b);

   (ii) transactions under paragraphs A.1.(c), A.4(b) and (c), and A.5.(b); and

   (iii) transactions under paragraphs A.1.(d), A.4.(a) and A.5.(a).

The Company confirms that the actual transaction amounts for the Weichai Continuing Connected Transactions and the TAGC Continuing Connected Transactions, based on the latest unaudited published accounts of the Group as at 30 June 2008 and subject to adjustments (if any) at the year end, did not exceed the relevant Existing Caps.

A. Weichai Continuing Connected Transactions

1. *Continuing connected transactions between Weichai Holdings (and its associates) and the Company (and its subsidiaries)*

Weichai Holdings and Chongqing Weichai are principally engaged in the management, investment and the provision of general services.

Chongqing Casting is principally engaged in the manufacture and sale of grey iron, ductile iron casting and stamping parts and the provision of the relevant processing services to the Group companies.

Weichai Import and Export is principally engaged in the import and export of certain products including diesel engine parts and components and the provision of the relevant service.

Weichai Holdings is a substantial shareholder of the Company and a Promoter, and is accordingly a connected person of the Company. Chongqing Weichai, Chongqing Casting and Weichai Import and Export are wholly-owned subsidiaries of Weichai Holdings and are, accordingly, associates of Weichai Holdings and connected persons of the Company.

(a) *Provision of general services and labour services by Weichai Holdings (and its associates) (as the case may be) to the Company*

Agreement:	Supplemental agreement to: (i) the general services agreement between the Company and Weichai Holdings dated 17 November 2003 ("Weichai Holdings General Services Agreement") (as amended and supplemented by the supplemental agreements dated 12 January 2004, 2 February 2004, 15 September 2004, 21 September 2005 and 12 November 2006); and (ii) the general services agreement between the Company and Chongqing Weichai dated 17 November 2003 ("Chongqing Weichai General Services Agreement") (as amended and supplemented by the supplemental agreements dated 15 September 2004, 21 September 2005 and 12 November 2006)
Date:	27 November 2008
Parties:	1. The Company 2. (a) Weichai Holdings (b) Chongqing Weichai
Term:	1 January 2008 to 31 December 2010

Other terms and details:

(i) Provision of general services by Weichai Holdings to the Company

Pursuant to the Weichai Holdings General Services Agreement (prior to the entering into of this latest supplemental agreement), Weichai Holdings has agreed to provide certain general services to the Company, namely, environmental protection, security, fire, repair, maintenance and other general services and the payment of certain town land use right tax in relation to the property occupied and/or used by the Company (and/or its staff, if applicable), for a term of three years with effect from 1 January 2003. The Weichai Holdings General Services Agreement (as supplemented but prior to the entering into of this latest supplemental agreement) is due to expire on 31 December 2009 and this latest supplemental agreement will extend the Weichai Holdings General services agreement for a term ending 31 December 2010, upon the expiry of which the Company shall have an option to renew the agreement for a term of three years. Save as aforesaid and the revisions of the Existing Caps below, all other terms of the Weichai Holdings General Services Agreement remain unchanged.

Under the Weichai Holdings General Services Agreement (as supplemented by this latest supplemental agreement), the fees payable by the Company to Weichai Holdings with respect to the provision of the said general services are determined based on the actual costs incurred by Weichai Holdings and apportioned on a pro-rata basis according to the area of the relevant property occupied and/or used by the Company plus a service charge representing not more than 5% of such costs and settled on a monthly basis.

The table below summaries the Existing Caps for the three years ending 31 December 2009 for the provision of general services by Weichai Holdings to the Company:

	2007	**2008**	**2009**
	RMB	*RMB*	*RMB*
Existing Cap	7,000,000	7,500,000	8,000,000

The table below summarises the actual transaction amounts involved for the two years ended 31 December 2007 (audited) and the five months ended 31 May 2008 (unaudited) for the provision of general services by Weichai Holdings to the Company:

	Year ended 31 December		**Five Months ended 31 May**
	2006	**2007**	**2008**
	RMB	*RMB*	*RMB*
	(audited)	*(audited)*	*(unaudited)*
Actual transaction amount	8,131,000	7,000,000	6,600,553

Since 1 January 2006, Weichai Holdings charged the Company a service charge of 5% of the actual costs incurred by it for the provision of the above general services and the Company expects that the same rate will be charged by Weichai Holdings for the three years ending 31 December 2010.

(ii) Provision of labour services by Weichai Holdings to the Company

Since 2007, certain employees of Weichai Holdings have provided services in the respect of utilities to the Company. Accordingly, the Company has paid certain fees to Weichai Holdings which were determined on the basis of the remunerations and expenses in respect of such employment on a monthly basis. Pursuant to this supplemental agreement, Weichai Holdings has agreed to provide labour services on the same terms to the Company for a term ending 31 December 2010, upon the expiry of which the Company shall have an option to renew the agreement for a term of three years.

The actual transaction amounts involved for the year ended 31 December 2007 (audited) and the five months ended 31 May 2008 (unaudited) for the provision of labour services by Weichai Holdings to the Company were RMB4,178,000 and RMB1,621,853, respectively.

(iii) Provision of general services by Chongqing Weichai to the Company

Pursuant to the Chongqing Weichai General Services Agreement (as supplemented but prior to the entering into of this latest supplemental agreement), Chongqing Weichai has agreed to provide certain general services to Chongqing Branch, namely, environmental protection, security, fire and other general services and the payment of certain town land use right tax in relation to the property used by Chongqing Branch for a term of three years with effect from 1 July 2003. The term of the Chongqing Weichai General Services Agreement (as supplemented but prior to the entering into of this latest supplemental agreement) is due to expire on 31 December 2009 and this latest supplemental agreement will extend the Chongqing Weichai General Services Agreement for a term ending 31 December 2010, upon the expiry of which the Company shall have an option to renew the agreement for a term of three years. Save as aforesaid, all other terms of the Chongqing Weichai General Services Agreement remain unchanged.

Under the Chongqing Weichai General Services Agreement (as supplemented), the fees payable by the Company to Chongqing Weichai are determined based on the actual costs incurred by it and apportioned on a pro-rata basis according to the area of the relevant property occupied and/or used by Chongqing Branch (and/or its staff, if applicable) plus a service charge not exceeding 20% of such costs (save that the town land use right tax paid by Chongqing Weichai on behalf of Chongqing Branch and its staff, if applicable, will not be subject to the said 20% service charge) and are settled by the parties on a monthly basis. With respect to certain public utilities provided by Chongqing Weichai to certain common areas used by both Chongqing Weichai and Chongqing Branch, the costs with respect to such public utilities incurred by Chongqing Weichai would be shared between Chongqing Weichai and Chongqing Branch pro-rated according to their respective annual sales.

In addition, Chongqing Weichai has agreed that the charges for the general services referred to above will not be higher than the fees payable to it by any independent third parties. If the Company is able to secure the provision of any services similar to those referred to above by itself or from a third party on terms more favourable than those set out in the general services agreement, then the Company is entitled to terminate the relevant services by giving not less than 30 days' prior notice to Chongqing Weichai.

The table below summarises the Existing Caps for the three years ending 31 December 2009 for the provision of general services by Chongqing Weichai to the Company:

	2007	**2008**	**2009**
	RMB	*RMB*	*RMB*
Existing Cap	8,500,000	9,500,000	10,500,000

The table below summarises the actual transaction amounts involved for the two years ended 31 December 2007 (audited) and the five months ended 31 May 2008 (unaudited) for provision of general services by Chongqing Weichai to the Company:

	Year ended 31 December		**Five Months ended 31 May**
	2006	**2007**	**2008**
	RMB	*RMB*	*RMB*
	(audited)	*(audited)*	*(unaudited)*
Actual transaction amount	7,172,000	8,452,000	3,166,034

Chongqing Weichai has been charging the Company a service charge of 20% of the actual costs incurred by it for the provision of the above general services and the Company expects that the same rate will be charged by Chongqing Weichai for the three years ending 31 December 2010.

The table below summarises the aggregate actual transaction amounts involved for the two years ended 31 December 2007 (audited) and the five months ended 31 May 2008 (unaudited) for the Weichai Continuing Connected Transactions set out in paragraphs (i) to (iii) above in this sub-section:

	Year ended 31 December		**Five Months ended 31 May**
	2006	**2007**	**2008**
	RMB	*RMB*	*RMB*
	(audited)	*(audited)*	*(unaudited)*
Actual transaction amount (aggregate)	15,303,000	19,630,000	11,388,440

The Company estimates that the total transaction amounts for the Weichai Continuing Connected Transactions set out in paragraphs (i) to (iii) above in this sub-section by Weichai Holdings and Chongqing Weichai (as the case may be) to the Company for the three years ending 31 December 2010 will not exceed RMB29,500,000, RMB36,500,000 and RMB47,500,000, respectively, and such amounts have accordingly been set as the proposed New Caps for these Weichai Continuing Connected Transactions. The New Caps have been estimated by the Company primarily based on the relevant historical costs plus a service charge by Weichai Holdings and Chongqing Weichai representing 5% and 20% of such costs, respectively. The estimate has taken into account an increase in the sales of the Group's products by approximately 30% per year. The New Caps have also taken into account the estimated salary growth rate of 10% due to the economic boom in Chongqing.

The table below summaries the proposed New Caps for the Weichai Continuing Connected Transactions set out in paragraphs (i) to (iii) above in this sub-section for the three years ending 31 December 2010:

	2008	**2009**	**2010**
	RMB	*RMB*	*RMB*
New Cap	29,500,000	36,500,000	47,500,000

As the New Caps for these Weichai Continuing Connected Transactions for the three years ending 31 December 2010 (when aggregated with those New Caps for the same period under sections A.I.1.(b) below) exceed the 2.5% Threshold, they constitute Non-exempt Continuing Connected Transactions of the Company under Chapter 14A of the Listing Rules and will be subject to the reporting requirements set out in Rules 14A.45 and 14A.46, and the annual review requirements of Rules 14A.37 and 14A.38, and the approval from the Independent Shareholders (being Shareholders other than Weichai Holdings and Tan Xuguang (who is the chairman and a director of Weichai Holdings) who will abstain from voting at the EGM in relations to the resolutions to be proposed in respect to these New Caps, and no other Shareholders will be required to abstain from voting in relation thereto at the EGM) at the EGM.

Since these Weichai Continuing Connected Transactions for the three years ending 31 December 2010 are Non-exempt Continuing Connected Transactions and the New Caps are subject to the approval of Independent Shareholders as aforesaid, this supplemental agreement is conditional upon the said resolution being passed at the EGM.

(b) *Supply and/or connection of utilities by Weichai Holdings (and its associates) (as the case may be) to the Company*

Agreement:	Supplemental agreement to: (i) the utility services agreement between the Company and Weichai Holdings dated 17 November 2003 ("Weichai Holdings Utilities Services Agreement") (as supplemented by the supplemental agreements dated 15 September 2004, 21 September 2005 and 12 November 2006); and (ii) the utility services agreement between the Company and Chongqing Weichai dated 17 November 2003 ("Chongqing Weichai Utilities Services Agreement") (as supplemented by the supplemental agreements dated 15 September 2004, 21 September 2005 and 12 November 2006)
Date:	27 November 2008
Parties:	1. The Company 2. (a) Weichai Holdings (b) Chongqing Weichai
Term:	1 January 2008 to 31 December 2010

Other terms and details:

(i) Supply and/or connection of utilities by Weichai Holdings to the Company

Pursuant to the Weichai Holdings Utility Services Agreement (as supplemented but prior to the entering into of this latest supplemental agreement), Weichai Holdings has agreed to provide or provide the connection of (as the case may be) certain utility and energy services to the Company, namely, water, electricity, gas, steam, oxygen, nitrogen, compressed air, waste water treatment and supply of treated waste water, etc., for a term of three years with effect from 1 January 2003. The original utility services agreement (as supplemented but prior to the entering into of this latest supplemental agreement) is due to expire on 31 December 2009 and this latest supplemental agreement will extend the utility services agreement for a term ending 31 December 2010, upon the expiry of which the Company shall have an option to renew the agreement for a term of three years. Save as aforesaid and the revisions of the Existing Caps below, all other terms of the Weichai Holdings Utility Services Agreement remain unchanged.

Under the Weichai Holdings Utility Services Agreement, the fees payable by the Company to Weichai Holdings with respect to the provision and/or connection of the said utility and energy services are determined based on the actual usage of the Company and by reference to the market prices of such utilities. If only government published rates are available with respect to certain utilities, the fees payable would be determined by reference to the government published rates plus the wastage, depreciation and repair expenses incurred by Weichai Holdings in relation thereto. If no market price or government published rates with respect to the above utility and energy services are available, the Company will pay the actual costs incurred by Weichai Holdings in relation to the provision of such utility and energy services plus a service charge representing not more than 20% of such costs. The fees are settled on a monthly basis.

The table below summarises the Existing Caps for the three years ending 31 December 2009 for the supply and/or connection of utilities by Weichai Holdings to the Company:

	2007	**2008**	**2009**
	RMB	*RMB*	*RMB*
Existing Cap	110,000,000	125,000,000	140,000,000

The table below summarises the actual transaction amounts involved for the two years ended 31 December 2007 (audited) and the five months ended 31 May 2008 (unaudited) for the supply and/or connection of utilities by Weichai Holdings to the Company:

	Year ended 31 December		**Five Months ended 31 May**
	2006	**2007**	**2008**
	RMB	*RMB*	*RMB*
	(audited)	*(audited)*	*(unaudited)*
Actual transaction amount	90,071,000	110,000,000	63,030,611

Since 1 January 2006, Weichai Holdings charged the Company a service charge of 5% of the actual costs incurred by it for the provision of the above utility and energy services and the Company expects that the same rate will be charged by Weichai Holdings for the three years ending 31 December 2010.

(ii) Supply and/or connection of utilities by Chongqing Weichai to the Company

Pursuant to the Chongqing Weichai Utility Services Agreement (as supplemented but prior to the entering into of this latest supplemental agreement), Chongqing Weichai has agreed to provide or provide the connection of (as the case may be) certain utility and energy services to the Chongqing Branch, namely, water, electricity, natural gas, steam, oxygen, nitrogen and compressed air, etc. for a term of three years with effect from 1 July 2003. The Chongqing Weichai Utility Services Agreement (as supplemented but prior to the entering into of this latest supplemental agreement) is due to expire on 31 December 2009 and this latest supplemental agreement will extend the Chongqing Weichai Utility Services Agreement for a term ending 31 December 2010, upon the expiry of which the Company shall have an option to renew the agreement for a term of three years. All other terms of the Chongqing Weichai Utility Services Agreement remain unchanged.

Under the Chongqing Weichai Utility Services Agreement (as supplemented), the fees payable by the Company to Chongqing Weichai in respect of the relevant utility and energy services are determined based on the usage thereof by the Chongqing Branch or, if it is not possible to measure such usage, pro-rated according to the respective sales of Chongqing Weichai and the Chongqing Branch and by reference to the market prices of such utilities. If only government published rates are available with respect to certain utilities, the fees payable will be determined by reference to the government published rates plus the wastage, depreciation and repair expenses incurred by Chongqing Weichai in relation to the provision of the relevant utilities. If no market prices or government published rates with respect to any of the above utilities are available, the Company will pay the costs incurred by Chongqing Weichai in relation to the provision of the above utility and energy services plus a service charge representing not more than 20% of such costs. The fees are settled on a monthly basis.

The table below summarises the Existing Caps for the three years ending 31 December 2009 for the supply and/or connection of utilities by Chongqing Weichai to the Company:

	2007	**2008**	**2009**
	RMB	*RMB*	*RMB*
Existing Cap	16,000,000	17,000,000	18,000,000

The table below summarises the actual transaction amounts involved for the two years ended 31 December 2007 (audited) and the five months ended 31 May 2008 (unaudited) for the supply and/or connection of utilities by Chongqing Weichai to the Company:

	Year ended 31 December		**Five Months ended 31 May**
	2006	**2007**	**2008**
	RMB	*RMB*	*RMB*
	(audited)	*(audited)*	*(unaudited)*
Actual transaction amount	14,012,000	15,740,000	8,826,735

Chongqing Weichai has been charging Weichai Power a service charge of 20% of the actual costs incurred by it for the provision of the above utility and energy services and Weichai Power expects that the same rate will be charged by Chongqing Weichai for the three years ending 31 December 2010.

The table below summarises the aggregate actual transaction amounts involved for the two years ended 31 December 2007 (audited) and the five months ended 31 May 2008 (unaudited) for the Weichai Continuing Connected Transactions between Weichai Holdings and Chongqing Weichai (as the case may be) and the Company set out in this sub-section:

	Year ended 31 December		**Five Months ended 31 May**
	2006	**2007**	**2008**
	RMB	*RMB*	*RMB*
	(audited)	*(audited)*	*(unaudited)*
Actual transaction amount (aggregate)	104,083,000	125,740,000	71,857,346

The Company estimates that the aggregate amount payable by the Company to Weichai Holdings (and its associates) for the utility and energy services set out in paragraphs (i) and (ii) above for the three years ending 31 December 2010 will not exceed RMB178 million, RMB223 million and RMB290 million, respectively, and such amounts have accordingly been set as the proposed New Caps for these Weichai Continuing Connected Transactions. The New Caps have been estimated by the Company by reference to the historical costs incurred plus a service charge by Weichai Holdings and Chongqing Weichai representing 5% and 20% of such costs, respectively. The estimate has taken into account an increase in the sales of the Group's products by approximately 30% per year. The New Caps have also taken into account the estimated salary growth rate of 10% due to the economic boom in Chongqing and that the increase of the costs for such utility and energy services at a rate of 5%.

The table below summarises the proposed New Caps for the Weichai Continuing Connected Transactions between Weichai Holdings and Chongqing Weichai (as the case may be) and the Company set out in paragraphs (i) and (ii) above in this sub-section for the three years ending 31 December 2010:

	2008	**2009**	**2010**
	RMB	*RMB*	*RMB*
New Cap	178,000,000	223,000,000	290,000,000

As the New Caps for these Weichai Continuing Connected Transactions for the three years ending 31 December 2010 (when aggregated with those New Caps for the same period under sections A.I.1.(a) above) exceed the 2.5% Threshold, they constitute Non-exempt Continuing Connected Transactions of the Company under Chapter 14A of the Listing Rules and will be subject to the reporting requirements set out in Rules 14A.45 and 14A.46, and the annual review requirements of Rules 14A.37 and 14A.38, and the approval from the Independent

Shareholders (being Shareholders other than Weichai Holdings and Tan Xuguang (who is the chairman and a director of Weichai Holdings) who will abstain from voting at the EGM in relations to the resolutions to be proposed in respect to these New Caps, and no other Shareholders will be required to abstain from voting in relation thereto at the EGM) at the EGM.

Since these Weichai Continuing Connected Transactions for the three years ending 31 December 2010 are Non-exempt Continuing Connected Transactions and the New Caps are subject to the approval of Independent Shareholders as aforesaid, this supplemental agreement is conditional upon the said resolution being passed at the EGM.

(c) *Purchase of diesel engine parts and components, gas and scrap metals, etc., materials and related products and processing services by the Company from Weichai Holdings (and its associates) (as the case may be)*

Agreement:	Diesel engine parts and components, gas, scrap metal, etc., materials and related products purchase and processing services agreement ("Weichai Purchase and Processing Services Agreement")
Date:	27 November 2008
Parties:	1. The Company 2. (a) Weichai Holdings (b) Chongqing Weichai
Term:	1 January 2008 to 31 December 2010

Other terms and details:

(i) Purchase of parts and components, gas and scrap metals, etc., materials and related products by the Company from Weichai Holdings

For the three years ended 31 December 2007, the Company has purchased certain parts and components, gas, scrap metal, etc. and materials for the manufacture of diesel engines from Weichai Holdings, at market prices and settled by the parties on a monthly basis. Pursuant to the Weichai Purchase and Processing Services Agreement, the Company has agreed to purchase the said parts and components, gas and scrap metals, etc., and related products from Weichai Holdings (and its associates) (as the case may be) on the same terms for a term ending 31 December 2010, upon the expiry of which the Company shall have an option to renew the agreement for a term of three years.

The table below summarises the actual transaction amounts involved for the two years ended 31 December 2007 (audited) and the five months ended 31 May 2008 (unaudited) for the said Weichai Continuing Connected Transactions between the Company and Weichai Holdings:

	Year ended 31 December		Five Months ended 31 May
	2006	**2007**	**2008**
	RMB	*RMB*	*RMB*
	(audited)	*(audited)*	*(unaudited)*
Actual transaction amount	540,000	853,000	507,430

(ii) Purchase of materials by Chongqing Branch from Chongqing Weichai

For the three years ended 31 December 2007, Chongqing Branch purchases certain materials from Chongqing Weichai for the manufacture of diesel engines at market prices and settled on a monthly basis. Pursuant to this Weichai Purchase and Processing Services Agreement, the Company has agreed to purchase and Chongqing Weichai has agreed to sell the said materials and related products on the same terms for a term ending 31 December 2010, upon the expiry of which the Company shall have an option to renew the agreement for a term of three years.

The table below summarises the actual transaction amounts involved for the two years ended 31 December 2007 (audited) and the five months ended 31 May 2008 (unaudited) for the said Weichai Continuing Connected Transactions between the Chongqing Branch and Chongqing Weichai:

	Year ended 31 December		Five Months ended 31 May
	2006	**2007**	**2008**
	RMB	*RMB*	*RMB*
	(audited)	*(audited)*	*(unaudited)*
Actual transaction amount	231,000	199,000	76,392

(iii) Provision of processing services by Chongqing Weichai to Chongqing Branch

Pursuant to a processing services agreement dated 17 November 2003 between Chongqing Weichai and the Company (as supplemented by the supplemental agreements dated 15 September 2004, 21 September 2005 and 12 November 2006, respectively, but prior to the entering into of the Weichai Purchase and Processing Services Agreement), Chongqing Weichai has agreed to provide processing services to the Company with respect to certain semi-finished diesel engine parts for a period of three years with effect from 1 July 2003, the term of which has been extended to 31 December 2009 by the supplemental agreements dated 15 September 2004, 21 September 2005 and 12 November 2006. Pursuant to the Weichai Purchase and Processing Services Agreement, Chongqing Weichai has agreed to provide the aforesaid processing services to Chongqing Branch for a term ending 31 December 2010, upon the expiry of which the Company shall have an option to renew the agreement for a term of three years.

Under the Weichai Purchase and Processing Services Agreement, the fees payable by the Company to Chongqing Weichai are determined based on the relevant market prices and are settled on a monthly basis.

The table below summarises the Existing Caps for the three years ending 31 December 2009 for the processing services:

	2007	**2008**	**2009**
	RMB	*RMB*	*RMB*
Existing Cap	70,000,000	80,000,000	90,000,000

The table below summarises the actual transaction amounts involved for the two years ended 31 December 2007 (audited) and the five months ended 31 May 2008 (unaudited) for the processing services:

	Year ended 31 December		**Five Months ended 31 May**
	2006	**2007**	**2008**
	RMB	*RMB*	*RMB*
	(audited)	*(audited)*	*(unaudited)*
Actual transaction amount	63,070,000	70,000,000	39,009,484

In line with the increase in the demand for the Company's diesel engines, the actual transaction amount of the said Weichai Continuing Connected Transaction recorded an increase of approximately 11% from 2006 to 2007.

The table below summarises the aggregate actual transaction amounts involved for purchases and processing services set out in paragraphs (i) to (iii) above for the two years ended 31 December 2007 (audited) and the five months ended 31 May 2008 (unaudited) for the Weichai Continuing Connected Transactions set out in this sub-section:

	Year ended 31 December		Five Months ended 31 May
	2006	**2007**	**2008**
	RMB	*RMB*	*RMB*
	(audited)	*(audited)*	*(unaudited)*
Actual transaction amount (aggregate)	63,840,000	71,051,000	39,593,306

The Company estimates that the aggregate transaction amounts in respect of the above purchases and processing services set out in paragraphs (i) to (iii) above for the three years ending 31 December 2010 will not exceed RMB86.5 million, RMB102 million and RMB112.5 million, respectively, and such amounts have accordingly been set as the proposed New Caps for these Weichai Continuing Connected Transactions.

The above New Caps were prepared by the Company primarily based on the historical costs and its estimate of the transaction volume of the said purchases and processing services, which in turn are based on the production volume, material cost, processing cost and the volume of STR diesel engines to be sold for the three years ending 31 December 2010. The Company estimates that the material and processing costs will increase steadily over the three years ending 31 December 2010, taking into account the estimated increase in salary at an annual rate of 10% in Chongqing Weichai.

The table below summarises the proposed New Caps for the Weichai Continuing Connected Transactions set out in paragraphs (i) to (iii) above in this sub-section for the three years ending 31 December 2010:

	2008	**2009**	**2010**
	RMB	*RMB*	*RMB*
New Cap	86,500,000	102,000,000	112,500,000

Since the New Caps when aggregated with those under sections A.4.(b) and (c), and A.5(b), exceed the 2.5% Threshold, these Weichai Continuing Connected Transactions constitute Non-exempt Continuing Connected Transactions of the Company under Chapter 14A of the Listing Rules and will be subject to the reporting requirements set out in Rules 14A.45 and 14A.46 and the annual review requirements of Rules 14A.37 and 14A.38, and the approval from the Independent Shareholders (being Shareholders other than Weichai Holdings and Tan Xuguang (who is the chairman and a director of Weichai Holdings) who will abstain from voting at the EGM in relations to the resolutions to be proposed in respect to these New Caps, and no other Shareholders will be required to abstain from voting in relation thereto at the EGM) at the EGM.

Since these Weichai Continuing Connected Transactions for the three years ending 31 December 2010 are Non-exempt Continuing Connected Transactions and the New Caps are subject to the approval of Independent Shareholders as aforesaid, the Weichai Purchase and Processing Services Agreement is conditional upon the said resolution being passed at the EGM.

(d) *Sale of diesel engines, diesel engine parts and components, materials and related products and provision of processing services by the Company (and its subsidiaries) to Weichai Holdings (and its associates) (as the case may be)*

Agreement:	Diesel engines, diesel engine parts and components, materials and related products sale and provision of processing services agreement ("Weichai Sale and Processing Services Agreement")
Date:	27 November 2008
Parties:	1. (a) The Company (b) Weichai Resources 2. (a) Weichai Holdings (b) Chongqing Casting (c) Weichai Import and Export (d) Chongqing Weichai
Term:	1 January 2008 to 31 December 2010

Other terms and details:

(i) Sale of diesel engine parts and components, materials and related products by the Company to Weichai Holdings

Since 2008, the Company has sold certain diesel engine parts and components and materials for the repair services of diesel engines to Weichai Holdings, at market prices and settled on a monthly basis. Pursuant to the Weichai Sale and Processing Services Agreement, the Company agreed to sell the said parts and components and materials and related products to Weichai Holdings (and its associates) (as the case may be) on the same terms for a term ending 31 December 2010, upon the expiry of which the Company shall have an option to renew the agreement for a term of three years.

For the five months ended 31 May 2008 (unaudited), the actual transaction amounts for the said Continuing Connected Transactions were RMB380,835.

(ii) Sale of materials and related products by Chongqing Branch to Chongqing Weichai

For the three years ended 31 December 2007, Chongqing Branch has sold certain materials for the manufacture of diesel engines to Chongqing Weichai, at market prices, to be settled on a monthly basis. Pursuant to the Weichai Sale and Processing Services Agreement, the Company has agreed to sell and Chongqing Weichai has agreed to purchase the said materials and related products on the same terms for a term ending 31 December 2010, upon the expiry of which the Company shall have an option to renew the agreement for a term of three years.

The table below summarises the actual transaction amounts involved for the two years ended 31 December 2007 (audited) and the five months ended 31 May 2008 (unaudited) for the said Weichai Continuing Connected Transactions between the Chongqing Branch and Chongqing Weichai:

	Year ended 31 December		**Five Months ended 31 May**
	2006	**2007**	**2008**
	RMB	*RMB*	*RMB*
	(audited)	*(audited)*	*(unaudited)*
Actual transaction amount	39,276,000	41,575,000	866,926

Since the injection of the business in relation to the manufacture and sale of medium-speed diesel engines as well as those diesel engines mainly used in agricultural (and related) machines (which are different from the Company's diesel engine products which were high speed heavy-duty diesel) by Weichai Holdings into Shandong Juli after the Juli Restructuring, the transaction amount for the said Weichai Continuing Connected Transaction has dropped significantly in 2008.

(iii) Sale of materials and related products by Chongqing Branch to Chongqing Casting

Since 2008, Chongqing Branch has sold certain materials to Chongqing Casting at market prices and settled on a monthly basis. Pursuant to the Weichai Sale and Processing Services Agreement, the Company has agreed to sell and Chongqing Casting has agreed to purchase the said materials and related products on the same terms for a term ending 31 December 2010, upon the expiry of which the Company shall have an option to renew the agreement for a term of three years.

For the five months ended 31 May 2008 (unaudited), the actual transaction amounts for the said Continuing Connected Transactions were RMB20,422,850.

(iv) Provision of processing services by Chongqing Branch to Chongqing Weichai

For the three ended 31 December 2007, Chongqing Branch has provided certain processing service in relation to the production of diesel engines to Chongqing Weichai, at market price and settled on a monthly basis. Pursuant to the Weichai Sale and Processing Services Agreement, Chongqing Branch has agreed to provide the said provide processing services to Chongqing Weichai on the same terms for a term ending 31 December 2010, upon the expiry of which the Company shall have an option to renew the agreement for a term of three years.

The table below summarises the actual transaction amounts involved for the two years ended 31 December 2007 (audited) and the five months ended 31 May 2008 (unaudited) for the said Weichai Continuing Connected Transactions between the Chongqing Branch and Chongqing Weichai:

	Year ended 31 December		**Five Months ended 31 May**
	2006	**2007**	**2008**
	RMB	*RMB*	*RMB*
	(audited)	*(audited)*	*(unaudited)*
Actual transaction amount	3,366,000	4,607,000	1,494,581

(v) Sale of diesel engines, diesel engine parts and components and related products by the Company to Weichai Import and Export

Since 2007, the Company has sold certain diesel engines to be used in ships and diesel engines parts and components to Weichai Import and Export at market prices and settled on a monthly basis. Pursuant to the Weichai Sale and Processing Services Agreement, the Company has agreed to sell and Weichai Import and Export has agreed to purchase the said diesel engines, diesel engine parts and components and related products on the same terms for a term ending 31 December 2010, upon the expiry of which the Company shall have an option to renew the agreement for a term of three years.

The table below summarises the actual transaction amounts involved for the two years ended 31 December 2007 (audited) and the five months ended 31 May 2008 (unaudited) for the sale of diesel engines and diesel engine parts and components by the Company to Weichai Import and Export:

	Year ended 31 December 2006 *RMB* *(audited)*	2007 *RMB* *(audited)*	Five Months ended 31 May 2008 *RMB* *(unaudited)*
Actual transaction amount	—	60,241,000	44,910,724

Since 2007, the Company has intensified its efforts in expanding the international market for the sale of its products. The Company estimates that the sale volume of diesel engines and diesel engine parts and components to Weichai Import and Export will continue to grow for the three years ending 31 December 2010.

(vi) Sale of diesel engine parts and components and related products by Weichai Resources to Weichai Import and Export

For the three years ended 31 December 2007, Weichai Resources has sold certain diesel engine parts to Weichai Import and Export, at market prices and settled on a monthly basis. Pursuant to the Weichai Sale and Processing Services Agreement, Weichai Resources has agreed to sell and Weichai Import and Export has agreed to purchase the said diesel engine parts and components and related products, for a term ending 31 December 2010, upon the expiry of which Weichai Resources shall have an option to renew the agreement for a term of three years.

The table below summarises the actual transaction amounts involved for the two years ended 31 December 2007 (audited) and the five months ended 31 May 2008 (unaudited) for the said Weichai Continuing Connected Transactions between the Weichai Resources and Weichai Import and Export:

	Year ended 31 December 2006 *RMB* *(audited)*	2007 *RMB* *(audited)*	Five Months ended 31 May 2008 *RMB* *(unaudited)*
Actual transaction amount	1,446,000	8,223,000	5,259,581

The table below summarises the aggregate actual transaction amounts involved for the two years ended 31 December 2007 (audited) and the five months ended 31 May 2008 (unaudited) for the said Weichai Continuing Connected Transactions set out in paragraphs (i) to (vi) above in this section:

	Year ended 31 December		**Five Months ended 31 May**
	2006	**2007**	**2008**
	RMB	*RMB*	*RMB*
	(audited)	*(audited)*	*(unaudited)*
Actual transaction amount (aggregate)	44,088,000	114,646,000	73,335,497

The Weichai Continuing Connected Transactions in this section, together with certain other transactions which were transferred to Shandong Juli pursuant to the Weichai Holdings Juli Restructuring, were traded under the Existing Caps under the transaction headed "I.5. Supply of semi-finished diesel engine parts by Weichai Power to Weichai Factory" as set out in the 2006 Circular.

The table below summarises the said Existing Caps for the three years ending 31 December 2009:

	2007	**2008**	**2009**
	RMB	*RMB*	*RMB*
Existing Caps	220,000,000	250,000,000	290,000,000

The Company estimates that the aggregate transaction amounts for the Weichai Continuing Connected Transactions set out in paragraphs (i) to (vi) above for the three years ending 31 December 2010 will not exceed RMB200 million, RMB265 million and RMB315 million, respectively, and such amounts have accordingly been set as the proposed New Caps for these Weichai Continuing Connected Transactions.

The table below summarises the proposed New Caps for the Weichai Continuing Connected Transactions set out in paragraphs (i) to (vi) above in this sub-section for the three years ending 31 December 2010:

	2008	**2009**	**2010**
	RMB	*RMB*	*RMB*
New Cap	200,000,000	265,000,000	315,000,000

The above proposed New Caps have been prepared by the Company primarily based on historical costs and the estimate of the number of diesel engines, diesel engine parts and components and materials required by Weichai Holdings, Chongqing Weichai and Weichai Import and Export (as the case may be), the average unit prices of the same, and the costs of the processing services to be provided, and on the assumption that the sales of the Company will grow by 30% each year for the three years ending 31 December 2010.

As the New Caps for these Weichai Continuing Connected Transactions for the three years ending 31 December 2010, when aggregated with those under sections A.4(a) and A.5(a), exceed the 2.5% Threshold, they constitute Non-exempt Continuing Connected Transactions of the Company under Chapter 14A of the Listing Rules and will be subject to the reporting requirements set out in Rules 14A.45 and 14A.46 and the annual review requirements of Rules 14A.37 and 14A.38, and the approval from the Independent Shareholders (being Shareholders other than Weichai Holdings and Tan Xuguang (who is the chairman and a director of Weichai Holdings) who will abstain from voting at the EGM in relations to the resolutions to be proposed in respect to these New Caps, and no other Shareholders will be required to abstain from voting in relation thereto at the EGM) at the EGM.

Since these Weichai Continuing Connected Transactions for the three years ending 31 December 2010 are Non-exempt Continuing Connected Transactions and the New Caps are subject to the approval of Independent Shareholders as aforesaid, this Weichai Sale Agreement is conditional upon the said resolution being passed at the EGM.

In addition to the above Weichai Continuing Connected Transactions, as announced in the 2006 Announcement, the following continuing connected transactions are still subsisting:

1. Lease of Buildings and Equipment (as defined in the 2006 Announcement) by Weichai Holdings to the Company; and

2. Lease of Chongqing Properties (as defined in the 2006 Announcement) by Chongqing Weichai to the Company.

Since the existing caps for the three years ending 31 December 2009 for the said continuing connected transactions have not been exceeded, they shall continue to apply.

2. *Continuing connected transactions between Fujian Longgong and Shanghai Longgong (and their respective associates) and the Company*

Fujian Longgong is engaged in the manufacture and sale of, *inter alia*, wheel-loaders, certain of which require the diesel engines and parts manufactured by the Company. Fujian Longgong is indirectly owned by Li San Yim, a non-executive Director, and Ngai Ngan Ying, Li San Yim's wife. Fujian Longgong is a Promoter and, hence, a connected person of the Company.

Shanghai Longgong is engaged in the manufacture and sale of, *inter alia*, construction machines, certain of which require the diesel engines and parts manufactured by the Company. Shanghai Longgong is indirectly owned by Li San Yim, a non-executive Director, and Ngai Ngan Ying, Li San Yim's wife. Li San Yim and Ngai Ngan Ying are also interested in Fujian Longgong, being a Promoter. Shanghai Longgong is thus an associate of Li San Yim and, hence, a connected person of the Company.

Further, the business of the manufacture and sale of, *inter alia*, wheel-loaders is also carried out by the associates (as defined in the Listing Rules) of Fujian Longgong and Shanghai Longgong, which are also indirectly majority owned by Li San Yim and Ngai Ngan Ying.

Sale of diesel engines and diesel engine parts by the Company to Fujian Longgong and Shanghai Longgong (and their respective associates)

Agreement:	Supplemental agreement to: (i) framework agreement dated 21 October 2003 between the Company and Fujian Longgong (as supplemented by the supplemental agreements dated 15 September 2004 and 12 November 2006, respectively); and (ii) framework agreement dated 21 October 2003 between the Company and Shanghai Longgong (as supplemented by the supplemental agreements dated 15 September 2004 and 12 November 2006, respectively)
Date:	27 November 2008
Parties:	1. The Company 2. (a) Fujian Longgong (b) Shanghai Longgong
Term:	1 January 2008 to 31 December 2010

Other terms and details:

(i) Supply of diesel engines and diesel engine parts by the Company to Fujian Longgong (and its associates)

Pursuant to the framework agreement dated 21 October 2003 between the Company and Fujian Longgong (as supplemented by the supplemental agreements dated 15 September 2004 and 12 November 2006, respectively, but prior to the entering into of this latest supplemental agreement), the Company has agreed to supply Fujian Longgong and its associates, at market prices and settled in the month following delivery, diesel engines and parts for each of the three years ending 31 December 2009. This supplemental agreement will extend the original framework agreement for a term ending 31 December 2010, upon the expiry of which the Company shall have the option to extend the term for another three years. Save as aforesaid and the revisions of the Existing Caps below, all other terms of the original framework agreement remain unchanged.

The table below summarises the Existing Caps for the three years ending 31 December 2009 for the Weichai Continuing Connected Transactions set out in this sub-section:

	2007	**2008**	**2009**
	RMB	*RMB*	*RMB*
Existing Cap	135,000,000	150,000,000	165,000,000

The table below summarises the actual transaction amounts involved for the two years ended 31 December 2007 (audited) and the five months ended 31 May 2008 (unaudited) for the supply of diesel engines and parts by the Company to Fujian Longgong (and its associates):

	Year ended 31 December		**Five Months ended 31 May**
	2006	**2007**	**2008**
	RMB	*RMB*	*RMB*
	(audited)	*(audited)*	*(unaudited)*
Actual transaction amount	97,355,000	135,000,000	252,158,974

Since 2006, the PRC has maintained a strong economic growth and the construction machinery market showed a very strong recovery following a depressed market in 2005. Fujian Longgong is a leading manufacturer in construction machinery in the PRC, and the demand for its wheel-loaders has increased as a result of the launching of a number of major infrastructure projects in the PRC. The actual transaction amount of the said Weichai Continuing Connected Transactions has increased by approximately 39% from 2006 to 2007. The Company anticipates that Fujian Longgong will increase its purchase for diesel engines and parts from the Company for the three years ending 31 December 2010.

(ii) Supply of diesel engines and diesel engine parts by the Company to Shanghai Longgong (and its associates)

Pursuant to the framework agreement dated 21 October 2003 between the Company and Shanghai Longgong (as supplemented by the two supplemental agreements dated 15 September 2004 and 12 November 2006, respectively, but prior to the entering into of this latest supplemental agreement), the Company has agreed to supply Shanghai Longgong and its associates, at market prices and settled in the month following delivery, diesel engines and parts for each of the three years ending 31 December 2009. This supplemental agreement will, *inter alia*, extend the original framework agreement for a term ending 31 December 2010, upon the expiry of which the Company shall have the option to extend the term for another three years. Save as aforesaid and the revisions of the Existing Caps below, all other terms of the original framework agreement remain unchanged.

The table below summarises the Existing Caps for the three years ending 31 December 2009 for the supply of diesel engines and parts by the Company to Shanghai Longgong (and its associates):

	2007	**2008**	**2009**
	RMB	*RMB*	*RMB*
Existing Cap	500,000,000	520,000,000	570,000,000

The table below summarises the actual transaction amounts involved for the two years ended 31 December 2007 (audited) and the five months ended 31 May 2008 (unaudited) for the supply of diesel engines and parts by the Company to Shanghai Longgong (and its associates):

	Year ended 31 December		**Five Months ended 31 May**
	2006	**2007**	**2008**
	RMB	*RMB*	*RMB*
	(audited)	*(audited)*	*(unaudited)*
Actual transaction amount	429,983,000	377,569,000	297,307,692

Since 2006, the PRC has maintained a strong economic growth and the construction machinery market showed a very strong recovery following a depressed market in 2005. However, the actual transaction amount has shown a decrease of 13% from 2006 to 2007, resulted from the re-allocation of the production activities between Fujian Longgong and Shanghai Longgong pursuant to the business development strategies of Fujian Longgong and Shanghai Longgong as a group.

Shanghai Longgong is a leading manufacturer in construction machinery in the PRC, the demand for its products has increased as a result of the launching of a number of major infrastructure projects in the PRC. The Company anticipates that Shanghai Longgong will increase its purchase for diesel engines and parts from the Company for the three years ending 31 December 2010.

The Existing Caps for the Weichai Continuing Connected Transactions set out in paragraphs (i) and (ii) above have been aggregated, as disclosed in the 2006 Circular and aggregated Existing Caps have been approved by the Independent Shareholders at the 2006 EGM.

The table below summarises the aggregate actual transaction amounts involved for the two years ended 31 December 2007 (audited) and the five months ended 31 May 2008 (unaudited) for the Weichai Continuing Connected Transactions set out in paragraphs (i) and (ii) above in this sub-section:

	Year ended 31 December		**Five Months ended 31 May**
	2006	**2007**	**2008**
	RMB	*RMB*	*RMB*
	(audited)	*(audited)*	*(unaudited)*
Actual transaction amount (aggregate)	527,338,000	512,569,000	549,466,666

The Company estimates that the aggregate transaction amounts in respect of the sales to Fujiang Longgong and Shanghai Longgong (and their respective associates) for the three years ending 31 December 2010 will not exceed RMB1 billion, RMB1.3 billion and RMB1.5 billion, respectively, and such amounts have accordingly been set as the proposed New Caps for these Weichai Continuing Connected Transactions.

The above proposed New Caps have been prepared by the Company primarily based on the historical costs and the estimate of the number of diesel engines required by Fujian Longgong and Shanghai Longgong and of the average unit prices of such diesel engines. The Company is a leading manufacturer of diesel engines in the PRC. This evidences the quality and competitiveness of the Company's diesel engines generally and, therefore, the Company believes that Fujian Longgong and Shanghai Longgong will continue to purchase the Company's diesel engines for the manufacture of their products.

The table below summarises the proposed New Caps for the Weichai Continuing Connected Transactions set out in paragraphs (i) and (ii) above in this sub-section for the three years ending 31 December 2010:

	2008	**2009**	**2010**
	RMB	*RMB*	*RMB*
New Cap	1,000,000,000	1,300,000,000	1,500,000,000

As the New Caps for these Weichai Continuing Connected Transactions for the three years ending 31 December 2010 exceed the 2.5% Threshold, they constitute Non-exempt Continuing Connected Transactions of the Company under Chapter 14A of the

Listing Rules and will be subject to the reporting requirements set out in Rules 14A.45 and 14A.46, the announcement requirement in Rule 14A.47 and the annual review requirements of Rules 14A.37 and 14A.38, and approval from the Independent Shareholders (being the Shareholders other than Fujian Longgong and Shanghai Longgong (and their respective associates), who will abstain from voting at the EGM in relation to the resolution to be proposed in respect of these New Caps, and no other Shareholders will be required to abstain from voting in relation thereto at the EGM) at the EGM will be required.

Since these Weichai Continuing Connected Transactions are Non-exempt Continuing Connected Transactions and the New Caps are subject to the Independent Shareholders' approval as aforesaid, this supplemental agreement (which will, *inter alia*, extend the term of the original framework agreements to 31 December 2010) is conditional upon the said resolution being passed at the EGM.

3. *Continuing connected transactions between Guangxi Liugong Machinery and the Company*

Guangxi Liugong Machinery is engaged in the manufacture and repair of construction machines, which require the WD615 Engines and parts manufactured by the Company.

Guangxi Liugong Machinery is owned as to approximately 63% by Guangxi Liugong, which is a Promoter, and, accordingly, Guangxi Liugong Machinery is an associate of Guangxi Liugong and, hence, a connected person of the Company.

Sale of diesel engines and diesel engine parts by the Company to Guangxi Liugong Machinery

Agreement:	Supplemental agreement to the framework agreement dated 21 October 2003 (as supplemented by the supplemental agreements dated 15 September 2004 and 12 November 2006, respectively)
Date:	27 November 2008
Parties:	1. The Company 2. Weichai Guangxi Liugong Machinery
Term:	1 January 2008 to 31 December 2010

Other terms and details:

Pursuant to the framework agreement dated 21 October 2003 (as supplemented by the supplemental agreements dated 15 September 2004 and 12 November 2006, respectively but prior to the entering into of this latest supplemental agreement), the Company has agreed to supply Guangxi Liugong Machinery, at market prices and settled in the month following delivery, WD615 Engines and parts for each of the three years ending 31 December 2009. This latest supplemental agreement will extend the original framework agreement for a term ending 31 December 2010, upon the expiry of which the Company shall have the option to extend the term for another three years. Save as aforesaid and the revisions of the Existing Caps below, all other terms of the original framework agreement (as supplemented but prior to the entering into of this latest supplemental agreement) remain unchanged.

The table below summarises the Existing Caps for the three years ending 31 December 2009 for the Weichai Continuing Connected Transactions set out in this sub-section:

	2007	**2008**	**2009**
	RMB	*RMB*	*RMB*
Existing Cap	500,000,000	520,000,000	610,000,000

The table below summarises the actual transaction amounts involved for the two years ended 31 December 2007 (audited) and the five months ended 31 May 2008 (unaudited) for the Weichai Continuing Connected Transactions set out in this sub-section:

	Year ended 31 December		**Five Months ended 31 May**
	2006	**2007**	**2008**
	RMB	*RMB*	*RMB*
	(audited)	*(audited)*	*(unaudited)*
Actual transaction amount	320,075,000	500,000,000	382,246,581

Since 2006, the PRC has experienced a strong economic growth and the construction machinery market showed a very strong recovery following a depressed market in 2005. Therefore, the actual transaction amount of the said Weichai Continuing Connected Transactions shows an increase of approximately 56% from 2006 to 2007.

Guangxi Liugong Machinery is a leading manufacturer in construction machinery in the PRC, and the demand for its products has increased as a result of the launching of a number of major infrastructure projects in the PRC. The Company anticipates that Guangxi Liugong Machinery will increase its purchase for WD615 Engines from the Company for the three years ending 31 December 2010. Due to the strategic alliance between the Company and Guangxi Liugong Machinery reached in August 2006, whereby the Company's engines will be incorporated in all of the products of Guangxi Liugong Machinery, the sales of WD615 Engines to Guangxi Liugong Machinery are also forecast to increase. The sales of WD615 Engines to Guangxi Liugong Machinery is estimated to increase significantly, reaching approximately 32,000 units in 2008.

The Company estimates that the total consideration payable to the Company by Guangxi Liugong Machinery for such sales for the three years ending 31 December 2010 will be approximately RMB1.08 billion, RMB1.235 billion and RMB1.35 billion, respectively and such amounts have accordingly been set as the proposed New Caps for these Weichai Continuing Connected Transactions.

The above proposed New Caps have been prepared by the Company primarily based on the historical costs and the estimate of the number of diesel engines required by Guangxi Liugong Machinery and of the average unit prices of such diesel engines. The Company is a leading manufacturer of diesel engines in the PRC. This evidences the quality and competitiveness of the Company's engines generally and, therefore, the Company believes that Guangxi Liugong Machinery will continue to purchase the Company's engines for the manufacture of its products.

The table below summarises the proposed New Caps for the Weichai Continuing Connected Transactions set out in this sub-section for the three years ending 31 December 2010:

	2008	**2009**	**2010**
	RMB	*RMB*	*RMB*
New Cap	1,080,000,000	1,235,000,000	1,350,000,000

As the New Caps for these Weichai Continuing Connected Transactions for the three years ending 31 December 2010 exceed the 2.5% Threshold, they constitute Non-exempt Continuing Connected Transactions of the Company under Chapter 14A of the Listing Rules and will be subject to the reporting requirements set out in Rules 14A.45 and 14A.46, the announcement requirement in Rule 14A.47 and the annual review requirements of Rules 14A.37 and 14A.38, and approval from the Independent Shareholders (being the Shareholders other than Guangxi Liugong (as its associates), who will abstain from voting at the EGM in relation to the resolution to be proposed in respect of these New Caps, and no other Shareholders will be required to abstain from voting in relation thereto at the EGM) at the EGM will be required.

Since these Weichai Continuing Connected Transactions are Non-exempt Continuing Connected Transactions and the New Caps are subject to the Independent Shareholders' approval as aforesaid, this latest supplemental agreement (which will, *inter alia*, extend the term of the original framework agreement to 31 December 2010) is conditional upon the said resolution being passed at the EGM.

4. ***Continuing connected transactions between Weichai Deutz and the Company***

Weichai Deutz is engaged in the manufacture and sale of, *inter alia*, 226B series of diesel engines and parts, certain of which require semi-finished diesel engine parts provided by the Company. Weichai Deutz is owned as to 50% by Weichai Holdings (a substantial shareholder of the Company and Promoter) and, accordingly, Weichai Deutz is an associate of Weichai Holdings and, hence, a connected person of the Company. The other 50% interest in Weichai Deutz is held by Deutz AG, which is an internationally renowned manufacturer of diesel and gas engines. Deutz AG is independent of and is not connected with any Director or substantial shareholder of the Company or an associate of any of them.

(a) *Sale of semi-finished diesel engine parts and related products by the Company to Weichai Deutz*

Agreement:	Supplemental agreement to the master sales agreement dated 21 October 2003 (as supplemented by the supplemental agreements dated 15 September 2004 and 12 November 2006, respectively)
Date:	27 November 2008
Parties:	1. The Company 2. Weichai Deutz
Term:	1 January 2008 to 31 December 2010

Other terms and details:

Pursuant to the master sales agreement dated 21 October 2003 (as supplemented by the supplemental agreements dated 15 September 2004 and 12 November 2006, respectively, but prior to the entering into of this latest supplemental agreement), the Company has agreed to supply semi-finished diesel engines parts to Weichai Deutz for its 226B series of diesel engines. Under this supplemented agreement, the Company has agreed to sell and Weichai Deutz has agreed to purchase the said semi-finished diesel engine parts and related products at market prices and settled on a monthly basis. This latest supplemental agreement will extend the original master sales agreement for a term ending 31 December 2010, upon the expiry of which the Company shall have the option to extend the term for another three years. Save as aforesaid and the revisions of the Existing Caps below, all other terms of the original master sales agreement remain unchanged.

The table below summarises the Existing Caps for the three years ending 31 December 2009 for the Weichai Continuing Connected Transactions set out in this sub-section:

	2007	**2008**	**2009**
	RMB	*RMB*	*RMB*
Existing Cap	48,000,000	58,000,000	69,000,000

The table below summarises the actual transaction amounts involved for the two years ended 31 December 2007 (audited) and the five months ended 31 May 2008 (unaudited) for the Weichai Continuing Connected Transactions set out in this sub-section:

	Year ended 31 December		Five Months ended 31 May
	2006	**2007**	**2008**
	RMB	*RMB*	*RMB*
	(audited)	*(audited)*	*(unaudited)*
Actual transaction amount	47,998,000	48,000,000	41,235,986

The Company estimates that the total consideration payable by Weichai Deutz to the Company for the purchase of semi-finished diesel parts for the three years ending 31 December 2010 will not exceed RMB100 million, RMB130 million and RMB170 million, respectively, and such amounts have accordingly been set as the proposed New Caps for these Weichai Continuing Connected Transactions.

The above proposed New Caps have been prepared by the Company primarily based on the estimate of the production volume of Weichai Deutz's 226B series diesel engines, which in turn is based on the estimate of the increase in demand for 226B series diesel engines estimated by Weichai Deutz, and of the average selling prices of those semi-finished diesel engine parts to be charged by the Company. The Company estimates that the sales of semi-finished diesel engine parts will increase at a steady rate of approximately 30% per annum for the three years ending 31 December 2010.

The table below summarises the proposed New Caps for the Weichai Continuing Connected Transactions set out in this sub-section for the three years ending 31 December 2010:

	2008	**2009**	**2010**
	RMB	*RMB*	*RMB*
New Cap	100,000,000	130,000,000	170,000,000

As the New Caps for these Weichai Continuing Connected Transactions for the three years ending 31 December 2010, when aggregated with those under sections A.1(d) and A.5(a), exceed the 2.5% Threshold, they constitute Non-exempt Continuing Connected Transactions of the Company under Chapter 14A of the Listing Rules and will be subject to the reporting requirements set out in Rules 14A.45 and 14A.46 and the annual review requirements of Rules 14A.37 and 14A.38, and the approval from the Independent Shareholders (being Shareholders other than Weichai Holdings and Tan Xuguang (who is the chairman and a director of Weichai Holdings) who will abstain from voting at the EGM in relations to the resolutions to be proposed in respect to these New Caps, and no other Shareholders will be required to abstain from voting in relation thereto at the EGM) at the EGM.

Since these Weichai Continuing Connected Transactions for the three years ending 31 December 2010 are Non-exempt Continuing Connected Transactions and the New Caps are subject to the approval of the Independent Shareholders as aforesaid, this supplemental agreement is conditional upon the said resolution being passed at the EGM.

(b) *Purchase of diesel engine parts and components and related products by Weichai Resources from Weichai Deutz*

Agreement:	Diesel engine parts and components and related products purchase agreement
Date:	27 November 2008
Parties:	1. Weichai Resources 2. Weichai Deutz
Term:	1 January 2008 to 31 December 2010

Other terms and details:

Since 2008, Weichai Resources has purchased certain parts and components for the manufacture of diesel engines from Weichai Deutz, at market prices and settled on a monthly basis. Pursuant to the parts and components purchase agreement between Weichai Resources and Weichai Deutz, Weichai Resources has agreed to purchase and Weichai Deutz has agreed to sell the said diesel engine parts and components and related products on the same terms, for a term ending 31 December 2010, upon the expiry of which Weichai Resources shall have an option to extend the term for another three years.

For the five months ended 31 May 2008 (unaudited), the actual transaction amount for the Weichai Continuing Connected Transactions under this section was RMB4,087,827.

The Company estimates that the transaction amounts under the parts and components agreement for the three years ending 31 December 2010 will not exceed RMB15 million, RMB47 million and RMB60 million, respectively, and such amounts have accordingly been set as the proposed New Caps for these Weichai Continuing Connected Transactions.

The above proposed New Caps have been prepared by the Company primarily based on (i) the expected production volume of diesel engines requiring the said parts and components from Weichai Deutz; (ii) the adoption of the enterprise, resources and planning system by Weichai Deutz in or about August 2008 resulting in the certain changes in the process of the relevant purchases, under which certain purchases previously made by the Company from third parties are transacted through Weichai Deutz (leading to the New Cap for 2008 being much higher than the actual transaction amount for the five months ended 31 May 2008 on an annualised basis); (iii) the estimated monthly purchases by Weichai Resources from Weichai Deutz in 2009 of approximately RMB3.9 million under the said enterprise, resources and planning system; and (iv) the assumption that the purchase of the said products will increase by approximately 30% per year in the three years ending 31 December 2010.

The table below summarises the proposed New Caps for the Weichai Continuing Connected Transactions set out in this sub-section for the three years ending 31 December 2010:

	2008	**2009**	**2010**
	RMB	*RMB*	*RMB*
New Cap	15,000,000	47,000,000	60,000,000

As the New Caps for these Weichai Continuing Connected Transactions for the three years ending 31 December 2010 when aggregated with those under sections A.1(c), A.4(c) and A.5(b), exceed the 2.5% Threshold, they constitute Non-exempt Continuing Connected Transactions of the Company under Chapter 14A of the Listing Rules and will be subject to the reporting requirements set out in Rules 14A.45 and 14A.46 and the annual review requirements of Rules 14A.37 and 14A.38, and the approval from the Independent Shareholders (being Shareholders other than Weichai Holdings and Tan Xuguang (who is the chairman and a director of Weichai Holdings) who will abstain from voting at the EGM in relations to the resolutions to be proposed in respect to these New Caps, and no other Shareholders will be required to abstain from voting in relation thereto at the EGM) at the EGM.

Since these Weichai Continuing Connected Transactions for the three years ending 31 December 2010 are Non-exempt Continuing Connected Transactions and the New Caps are subject to the approval of Independent Shareholders as aforesaid, the diesel engine parts and components purchase agreement is conditional upon the said resolution being passed at the EGM.

(c) *Purchase of diesel engines and related products by the Company from Weichai Duetz*

Agreement:	Diesel engines purchase agreement
Date:	27 November 2008
Parties:	1. The Company 2. Weichai Deutz
Term:	1 January 2008 to 31 December 2010

Since 2008, the Company has purchased certain diesel engines from Weichai Deutz for onward sales to customers, at market prices and settled on a quarterly basis. Pursuant to the diesel engines purchase agreement, the Company has agreed to purchase the said diesel engines and related products from Weichai Deutz on the same terms for a term ending 31 December 2010, upon the expiry of which the Company shall have an option to extend the term for another three years.

For the five months ended 31 May 2008 (unaudited), the actual transaction amount for the Weichai Continuing Connected Transactions under this section was RMB12,170,000.

The Company estimates that the transaction amounts involved in the Weichai Continuing Connected Transactions set out in this sub-section will not exceed RMB24,000,000, RMB28,000,000 and RMB32,000,000 respectively for each of the three years ending 31 December 2010 and such amounts have accordingly been set as the New Caps for these Weichai Continuing Connected Transactions.

The proposed New Caps have been prepared by the Company primarily based on the relevant historical costs and the assumption that the purchase of diesel engines and related products will reach approximately 1200 units in 2008 and will increase by approximately 17% and 15% for the years 2009 and 2010, respectively.

The table below summarises the proposed New Caps for the Weichai Continuing Connected Transactions set out in this sub-section for the three years ending 31 December 2010:

	2008	**2009**	**2010**
	RMB	*RMB*	*RMB*
New Cap	24,000,000	28,000,000	32,000,000

As the New Caps for these Weichai Continuing Connected Transactions for the three years ending 31 December 2010, when aggregated when those under sections A.1(c), A.4(b) and A.5(b) exceed the 2.5% Threshold, they constitute Non-exempt Continuing Connected Transactions of the Company under Chapter 14A of the Listing Rules and will be subject to the reporting requirements set out in Rules 14A.45 and 14A.46 and the annual review requirements of Rules 14A.37 and 14A.38, and the approval from the Independent Shareholders (being Shareholders other than Weichai Holdings and Tan Xuguang (who is the chairman and a director of Weichai Holdings) who will abstain from voting at the EGM in relations to the resolutions to be proposed in respect to these New Caps, and no other Shareholders will be required to abstain from voting in relation thereto at the EGM) at the EGM.

Since these Weichai Continuing Connected Transactions for the three years ending 31 December 2010 are Non-exempt Continuing Connected Transactions and the New Caps are subject to the approval of Independent Shareholders as aforesaid, this diesel engines purchase agreement is conditional upon the said resolution being passed at the EGM.

5. ***Continuing connected transactions between Shandong Juli and the Company***

Pursuant to the Weichai Holdings Juli Restructuring, Weichai Holdings injected its business in relation to the manufacture and sale of medium-speed diesel engines as well as those diesel engines mainly used in agricultural (and related) machines (which are different from the Company's diesel engine products which were high speed heavy-duty diesel) into Shandong Juli. Shandong Juli is currently engaged in the manufacture and sale of medium-speed diesel engines and diesel engine parts and components, power generators and related products, and construction machinery and the provision of repair processing services for machinery parts. Shandong Juli is a subsidiary of Weichai Holdings (a substantial shareholder of the Company and a Promoter under the PRC laws), and accordingly, it is an associate of Weichai Holdings and a connected person of the Company.

As a result of the Weichai Holdings Juli Restructuring, certain original Weichai Continuing Connected Transactions between Weichai Holdings (and its associates) and the Company (as the case may be) were transferred to Shandong Juli.

(a) *Sale of diesel engines and related products by the Company to Shandong Juli*

Agreement:	Supplemental agreement to the framework agreement dated 17 November 2003 (as supplemented by supplemented agreements dated 15 September 2004, 12 November 2006 and 9 June 2007, respectively) between the Company and Weichai Holdings
Date:	27 November 2008
Parties:	1. The Company 2. Shandong Juli
Term:	1 January 2008 to 31 December 2010

Pursuant to the original framework agreement dated 17 November 2003 between the Company and Weichai Holdings (as supplemented by supplemental agreements dated 15 September 2004, 12 November 2006 and 9 June 2007, respectively), the Company has agreed to sell to Weichai Holdings, at market prices and settled on a monthly basis, WD615 Engines for each of the three years ending 31 December 2009. The WD615 Engines are one of the components of the power generators manufactured by Weichai Holdings.

In connection with the Weichai Holdings Juli Restructuring, the Company, Weichai Holdings and Shandong Juli entered in the supplemental framework agreement on 9 June 2007, pursuant to which the rights and obligations of Weichai Holdings under the original framework agreement were assumed by Shandong Juli. Accordingly, the sale of diesel engines under the original framework agreement became Weichai Continuing Connected Transactions between the Company and Shandong Juli.

Pursuant to this latest supplemental agreement, the Company has agreed to sell and Shandong Juli has agreed to purchase the said diesel engines and related products at market prices and settled on a monthly basis. This latest supplemental agreement will extend the framework agreement for a term ending 31 December 2010, upon the expiry of which the parties may renew the term for another three years. Save as aforesaid and the revisions of the Existing Caps below, all other terms of the framework agreement remain unchanged.

The table below summarises the Existing Caps for the three years ending 31 December 2009 for the Weichai Continuing Connected Transactions set out in this sub-section:

	2007	**2008**	**2009**
	RMB	*RMB*	*RMB*
Existing Cap	26,000,000	29,000,000	34,000,000

The above Existing Caps for three years ended 31 December 2008 represents the Existing Caps for the said Weichai Continuing Connected Transactions between Weichai Holdings and the Company as set out in the 2006 Announcement.

The table below summarises the actual transaction amounts involved for the two years ended 31 December 2007 (audited) and the five months ended 31 May 2008 (unaudited) for the Weichai Continuing Connected Transactions set out in this sub-section:

	Year ended 31 December		**Five Months ended 31 May**
	2006	**2007**	**2008**
	RMB	*RMB*	*RMB*
	(audited)	*(audited)*	*(unaudited)*
Actual transaction amount	59,517,000 *(note 1)*	25,179,000 *(note 2)*	16,223,083

Notes:

1. This represents the actual transaction amounts between Weichai Holdings and the Company prior to the Weichai Holdings Juli Restructuring.

2. This represents the aggregate actual transaction amounts between Weichai Holdings and the Company (up to the completion of the Weichai Holdings Juli Restructuring) in the amount of approximately RMB7,799,000 and between Shandong Juli and the Company (since the completion of the Weichai Holdings Juli Restructuring) in the amount of approximately RMB17,380,000.

As WD615 Engines are one of the components of the power generators manufactured by Shandong Juli, any increase in demand for Shandong Juli's power generators will in turn drive the sales of WD615 Engines by the Company to Shandong Juli.

The PRC has maintained a strong economic growth in recent years and the Company estimates that the demand for power generators in the PRC will remain steady for the three years ending 31 December 2010. The Company anticipates that there will be significant growth in 2008 with an significant increase in the sale volume of WD615 Engines.

The Company is a leading manufacturer of diesel engines in the PRC and this evidences the quality and competitiveness of the Company's diesel engines generally. With the proximity between the Company's production facilities and those of Shandong Juli, and in view of the high quality and the competitiveness of the Company's Engines, the Company believes that Shandong Juli will continue to purchase the Company's diesel engines for the manufacture of power generators.

The Company estimates that the sale of its WD615 Engine to Shandong Juli for the three years ending 31 December 2010 will not exceed RMB70 million, RMB91 million and RMB120 million, respectively, and such amounts have accordingly been set as the proposed New Caps for these Weichai Continuing Connected Transactions. These estimates have also taken into account a stable increase in the average unit prices of WD615 Engines by reference to the estimated salary growth rate and an increase in the sales of the said diesel engines by the Company to Shandong Juli by 30% per year for the three years ending 31 December 2010.

The table below summarises the New Caps for the Weichai Continuing Connected Transactions set out in this sub-section for the three years ending 31 December 2010:

	2008	**2009**	**2010**
	RMB	*RMB*	*RMB*
New Cap	70,000,000	91,000,000	120,000,000

As the New Caps for these Weichai Continuing Connected Transactions for the three years ending 31 December 2010, when aggregated with those under sections A.1(d) and A.4(a), exceed the 2.5% Threshold, they constitute Non-exempt Continuing Connected Transactions of the Company under Chapter 14A of the Listing Rules and will be subject to the reporting requirements set out in Rules 14A.45 and 14A.46 and the annual review requirements of Rules 14A.37 and 14A.38, and the approval from the Independent Shareholders (being Shareholders other than Weichai Holdings and Tan Xuguang (who is the chairman and a director of Weichai Holdings) who will abstain from voting at the EGM in relations to the resolutions to be proposed in respect to these New Caps, and no other Shareholders will be required to abstain from voting in relation thereto at the EGM) at the EGM.

Since these Weichai Continuing Connected Transactions for the three years ending 31 December 2010 are Non-exempt Continuing Connected Transactions and the New Caps are subject to the approval of Independent Shareholders as aforesaid, this latest supplemental agreement is conditional upon the said resolution being passed at the EGM.

(b) *Purchase of diesel engine parts and components, materials, steel and scrap metal, etc. and related products and the processing services by the Company and Weichai Resources (as the case may be) from Shandong Juli*

Agreement:	Diesel engine parts and components, materials, steel and scrap metal, etc. and related products purchase and processing services agreement ("Juli Purchase and Processing Services Agreement")
Date:	27 November 2008
Parties:	1. (a) The Company (b) Weichai Resources 2. Shandong Juli
Term:	1 January 2008 to 31 December 2010

Other terms and details:

(i) Purchase of the finished diesel engine parts and related products by the Company from Shandong Juli

Pursuant to the finished diesel engine parts supply agreement dated 17 November 2003 (as supplemented by two supplemental agreements dated 15 September 2004 and 12 November 2006), Weichai Holdings has agreed to supply to the Company diesel engine parts for a term of three years with effect from 1 January 2003. The term under the said agreement was extended to 31 December 2009 by the two supplemental agreements dated 15 September 2004 and 12 November 2006, respectively.

Since the Weichai Holdings Juli Restructuring in 2007, Weichai Holdings injected its business in relation to the manufacture and sale of medium-speed diesel engines into Shandong Juli and accordingly, certain original Continuing Connected Transactions between Weichai Holdings (and its associates) and the Company (as the case may be) were transferred to Shandong Juli. According to the supplemental agreement dated 9 June 2007 between the Company, Weichai Holdings and Shandong Juli, the rights and obligations of Weichai Holdings under the original finished diesel engine parts supply agreement were assumed by Shandong Juli. Accordingly, the purchase of finished diesel engine parts under the original finished diesel engine parts supply agreement has become Weichai Continuing Connected Transactions between the Company and Shandong Juli.

Pursuant to the Juli Purchase and Processing Services Agreement, the Company has, *inter alia*, agreed to purchase and Shandong Juli has agreed to sell, *inter alia*, parts for WD615 Diesel Engines and related products, at market prices, to be settled on a monthly basis, for a term ending 31 December 2010, upon the expiry of which the parties may extend the term for another three years.

The table below summarises the actual transaction amounts involved for the two years ended 31 December 2007 (audited) and the five months ended 31 May 2008 (unaudited) for the Weichai Continuing Connected Transactions under this paragraph (i):

	Year ended 31 December		**Five Months ended 31 May**
	2006	**2007**	**2008**
	RMB	*RMB*	*RMB*
	(audited)	*(audited)*	*(unaudited)*
Actual transaction amount	86,488,000 *(note 1)*	106,739,000 *(note 2)*	94,148,800

Notes:

1. This represents the actual transaction amounts between Weichai Holdings and the Company prior to the Weichai Holdings Juli Restructuring.

2. This represents the aggregate actual transaction amounts between Weichai Holdings and the Company (up to the completion of the Weichai Holdings Juli Restructuring) in the amount of approximately RMB72,854,000 and between Shandong Juli and the Company (since the completion of the Weichai Holdings Juli Restructuring) in the amount of approximately RMB33,885,000.

(ii) Purchase of materials and related products by Chongqing Branch from Shandong Juli

For the three years ended 31 December 2007, the Company has purchased certain materials for the manufacture of diesel engines from Shandong Juli, at market prices and settled on a monthly basis. Pursuant to the Juli Purchase and Processing Services Agreement, the Company has agreed to purchase and Shandong Juli has agreed to sell such materials and related products on the same terms for a term ending 31 December 2010, upon the expiry of which the parties may extend the term for another three years.

The table below summarises the actual transaction amounts involved for the two years ended 31 December 2007 (audited) and the five months ended 31 May 2008 (unaudited) for the said Weichai Continuing Connected Transactions under this paragraph (ii):

	Year ended 31 December		**Five Months ended 31 May**
	2006	**2007**	**2008**
	RMB	*RMB*	*RMB*
	(audited)	*(audited)*	*(unaudited)*
Actual transaction amount	6,232,000 *(note 1)*	199,000 *(note 2)*	6,163,233

Notes:

1. This represents the actual transaction amounts between Chongqing Weichai and Chongqing Branch.

2. This represents the aggregate actual transaction amounts between Chongqing Weichai and Chongqing Branch (up to the completion of the Weichai Holdings Juli Restructuring) in the amount of approximately RMB112,000 and between Shandong Juli and Chongqing Branch (after the completion of the Weichai Holdings Juli Restructuring) in the amount of approximately RMB87,000.

The reason for the significant decrease in the transaction amount from 2006 to 2007 was because Chongqing Branch decided to use the relevant materials from its own inventory instead of purchasing the same from Shandong Juli in 2007. The transaction amount has increased significantly in 2008 primarily due to the said inventory being used up and the increase in the production volume leading to an increased demand by Chongqing Branch for the relevant materials and related products.

(iii) Purchase of diesel engine parts and components, steel and scrap metal, etc. and related products by the Company from Shandong Juli

For the three years ended 31 December 2007, the Company has purchased certain parts and components and steel and scrap metal, etc. for the manufacture of diesel engines from Shandong Juli, at market prices and settled on a monthly basis. Pursuant to the Juli Purchase and Processing Services Agreement, the Company has agreed to purchase and Shandong Juli has agreed to sell the said parts and components and steel and scrap metal, etc. and related products on the same terms for a term ending 31 December 2010, upon the expiry of which the parties may extend the term for another three years.

The table below summarises the actual transaction amounts involved for the two years ended 31 December 2007 (audited) and the five months ended 31 May 2008 (unaudited) for the said Weichai Continuing Connected Transactions under this paragraph (iii):

	Year ended 31 December		Five Months ended 31 May
	2006	**2007**	**2008**
	RMB	*RMB*	*RMB*
	(audited)	*(audited)*	*(unaudited)*
Actual transaction amount	6,661,000 *(note 1)*	8,948,000 *(note 2)*	5,493,579

Notes:

1. This represents the actual transaction amounts between Weichai Holdings and the Company.

2. This represents the aggregate actual transaction amounts between Weichai Holdings and the Company (up to the completion of the Weichai Holdings Juli Restructuring) in the amount of approximately RMB1,006,000 and between Shandong Juli and the Company (after the completion of the Weichai Holdings Juli Restructuring) in the amount of approximately RMB7,942,000.

(iv) Purchase of diesel engine parts and components and related products by Weichai Resources from Shandong Juli

Since 2007, Weichai Resources has purchased certain parts and components, steel and scrap metal, etc. from Shandong Juli, at market prices and settled on a monthly basis. Pursuant to the Juli Purchase and Processing Services Agreement, Weichai Resources has agreed to purchase and Shandong Juli has agreed to sell the said parts and components and related products on the same terms for a term ending 31 December 2010, upon the expiry of which the parties may extend the term for another three years.

The table below summarises the actual transaction amounts involved for the two years ended 31 December 2007 (audited) and the five months ended 31 May 2008 (unaudited) for the said Weichai Continuing Connected Transactions under this paragraph (iv):

	Year ended 31 December		**Five Months ended 31 May**
	2006	**2007**	**2008**
	RMB	*RMB*	*RMB*
	(audited)	*(audited)*	*(unaudited)*
Actual transaction amount	17,996,000 *(note 1)*	19,852,000 *(note 2)*	17,996,418

Notes:

1. This represents the actual transaction amounts between Weichai Holdings and the Weichai Resources.

2. This represents the aggregate actual transaction amounts between Weichai Holdings and Weichai Resources (up to the completion of the Weichai Holdings Juli Restructuring) in the amount of approximately RMB8,779,000 and between Shandong Juli and Weichai Resources (after the completion of the Weichai Holdings Juli Restructuring) in the amount of approximately RMB11,073,000.

(v) Provision of processing services by Shandong Juli to Chongqing Branch

Since 2008, Chongqing Branch has engaged Shandong Juli in providing processing services with respect to diesel engine parts and components. Pursuant to the Juli Purchase and Processing Services Agreement, Shandong Juli has agreed to provide the said processing services for fees at market prices, for such processing services for a term ending 31 December 2010, upon the expiry of which the parties may extend the term for another three years. The fees are settled on a monthly basis.

The actual transaction amounts involved for the five months ended 31 May 2008 (unaudited) for the processing services provided by Shandong Juli to Chongqing Branch was approximately RMB3,749,226.

The table below summarises the Existing Caps for the three years ending 31 December 2009 under the original finished diesel engine parts supply agreement (as supplemented) for the transactions under paragraphs (i) to (iv) above:

	2007	**2008**	**2009**
	RMB	*RMB*	*RMB*
Existing Cap	136,000,000	160,000,000	185,000,000

The above Existing Caps for three years ended 31 December 2008 represents the Existing Caps for these Weichai Continuing Connected Transactions between Weichai Holdings and the Company as set out in the 2006 Announcement.

The table below summarises the aggregate actual transaction amounts involved for the purchases and processing services for the two years ended 31 December 2007 (audited) and the five months ended 31 May 2008 (unaudited) for the Weichai Continuing Connected Transactions set out in paragraphs (i) to (v) in this sub-section:

	Year ended 31 December		**Five Months ended 31 May**
	2006	**2007**	**2008**
	RMB	*RMB*	*RMB*
	(audited)	*(audited)*	*(unaudited)*
Actual transaction amount (aggregate)	117,378,000 *(note)*	135,738,000 *(note)*	127,551,256

Note: This has aggregated the actual transaction amount of Weichai Holdings and Chongqing Weichai (as the case may be) for the transactions under paragraphs (i), (ii), (iii) and (iv) above.

The Company estimates that the aggregate transaction amounts in respect of the above purchase and processing services set out in paragraphs (i) to (v) in this sub-section for the three years ending 31 December 2010 will not exceed RMB315 million, RMB410 million and RMB525 million for each of the three years and therefore such amount has accordingly been set as the proposed New Caps for these Weichai Continuing Connected Transactions.

The table below summarises the proposed New Caps for the Weichai Continuing Connected Transactions set out in paragraphs (i) to (v) in this sub-section for the three years ending 31 December 2010:

	2008	**2009**	**2010**
	RMB	*RMB*	*RMB*
New Cap	315,000,000	410,000,000	525,000,000

The above New Caps were prepared by the Company primarily based on historical costs and its estimate of its production volume, having taken into account the development of the heavy-duty truck and construction machinery markets, the average unit prices of finished diesel engine parts, the market prices of the relevant raw materials, steel, scrap metal and related products and the costs of processing services, and based on the assumption that the sales of the Company's products will increase by 30% each year for the three years ending 31 December 2010.

As the New Caps for these Weichai Continuing Connected Transactions for the three years ending 31 December 2010 exceed the 2.5% Threshold, they constitute Non-exempt Continuing Connected Transactions of the Company under Chapter 14A of the Listing Rules and will be subject to the reporting requirements set out in Rules 14A.45 and 14A.46 and the annual review requirements of Rules 14A.37 and 14A.38, and approval from the Independent Shareholders (being Shareholders other than Weichai Holdings and Tan Xuguang (who is the chairman and a director of Weichai Holdings), who will abstain from voting at the EGM in relation to the resolution to be proposed in respect of these New Caps, and no other Shareholders will be required to abstain from voting in relation thereto at the EGM) at the EGM will be required.

Since these Weichai Continuing Connected Transactions are Non-exempt Continuing Connected Transactions and the New Caps are subject to Independent Shareholders' approval as aforesaid, this Juli Purchase and Processing Agreement is conditional upon the said resolution being passed at the EGM.

In addition to the above Weichai Continuing Connected Transactions, the sale of semi-finished diesel engine parts by the Company to Weichai Holdings (as announced in the 2006 Announcement) which was transferred to Shandong Juli after the Weichai Holdings Juli Restructuring on the same terms pursuant to a supplemental agreement dated 9 June 2007 between the Company, Weichai Holdings and Shandong Juli, are still subsisting. The existing caps for the three years ending 31 December 2009 for the said continuing connected transaction shall continue to apply.

B. TAGC Continuing Connected Transactions

The TAGC Continuing Connected Transactions arose as a consequence of the Merger, which was completed on 27 April 2007. Reference is made to the supplemental announcement to the preview announcement of the 2007 annual results of the Company dated 28 April 2008, where it was announced that the Company, subsequent to the communications and consultations with the relevant experts and the PRC regulatory bodies, has re-evaluated and redefined the time when the Company obtained actual control of TAGC to be 29 December 2006 since the approval of the Merger at the relevant general meetings of TAGC and the Company, for the accounting purposes. Reference is also made to the 2007 Announcement and the 2007 Circular where it was announced that the relevant agreements in respect of the TAGC Continuing Connected Transactions took effect from 1 May 2007 to 31 December 2009. The Existing Caps for the TAGC Continuing Connected Transactions (as applicable) were obtained and, where necessary under the Listing

Rules, approved by the Independent Shareholders at the 2007 EGM. For the avoidance of doubt, it is noted that the Existing Caps for the said TAGC Continuing Connected Transactions for the year of 2007 were set for the period from the completion of the Merger to 31 December 2007.

1. *Continuing connected transactions between SFGC and Fast Transmission*

Fast Transmission is principally engaged in the processing of parts and components of vehicles. Fast Transmission is a substantial shareholder of SFGC (which is a subsidiary of the Company) and is accordingly a connected person of Company.

SFGC is a 51% subsidiary of the Company and is principally engaged in the manufacture, sale, design and development of transmissions and other motor vehicle parts and components such as gears.

(a) *Sale of parts and components of transmissions and related products by SFGC to Fast Transmission*

Agreement:	Supplemental agreement to the parts and components sale agreement dated 1 August 2007
Date:	27 November 2008
Parties:	1. SFGC 2. Fast Transmission
Term:	1 January 2008 to 31 December 2010

Other terms and details:

Pursuant to the parts and components sale agreement dated 1 August 2007 between SFGC and Fast Transmission, SFGC has sold to Fast Transmission certain parts and components of transmissions, namely, gearboxes, at market prices settled by the parties every two to three months. Pursuant to this supplemental agreement, SFGC has agreed to sell and Fast Transmission has agreed to purchase such parts and components and related products, on the same terms, for a term ending 31 December 2010, upon the expiry of which SFGC shall have an option to renew the agreement for a term of three years. Save as aforesaid and the revisions of the Existing Caps below, all other terms of the original parts and components sale agreement remain unchanged.

The table below summaries the Existing Caps for the three years ending 31 December 2009 for the TAGC Continuing Connected Transaction set out in this sub-section:

	2007	**2008**	**2009**
	RMB	*RMB*	*RMB*
Existing Cap	350,000,000	350,000,000	350,000,000

The table below summarises the actual transaction amounts involved for the two years ended 31 December 2007 (audited) and the five months ended 31 May 2008 (unaudited) for the TAGC Continuing Connected Transactions set out in this sub-section:

	Year ended 31 December		Five Months ended 31 May
	2006	**2007**	**2008**
	RMB	*RMB*	*RMB*
	(audited)	*(audited)*	*(unaudited)*
Actual transaction amount	—	308,721,000*	257,526,662

Note:

* *This represents the actual transaction amount since the completion of the Merger.*

The sales of parts and components of transmissions has grown significantly in the three years ended 31 December 2007 because the State's macroeconomic policies and the rapid growth of fixed assets and infrastructure investments in the PRC, such as those under the 國家西北大開發戰略 (State's North-West Great Development Strategy) and in relation to the Beijing 2008 Olympic Games, have stimulated the development of the heavy-duty vehicles industry in the PRC. Further, with the completion of the construction and improvement of highway networks in the PRC, the market of transportation vehicles, especially heavy-duty vehicles, has entered into in a rapid growth period.

SFGC is principally engaged in the manufacture and sale of transmissions and other vehicle parts and components and is the largest manufacturer of transmissions for heavy-duty trucks in the PRC, while Fast Transmission is principally engaged in the processing of vehicle parts and components, accordingly, the Directors believe that the demand for the products of SFGC and the products to be processed by Fast Transmission will continue to grow steadily at a steady rate. The PRC has maintained a strong economic growth over the past few years and the market of heavy-duty vehicles has shown recovery in 2006 and the sale of parts and components of transmissions by SFGC to Fast Transmission has grown sharply by approximately 248% from 2006 to 2007. The Directors believe that such sale will continue to increase substantially.

Accordingly, the Company estimates that the transaction amounts involved in the TAGC Continuing Connected Transactions set out in this sub-section will not exceed RMB650,000,000 and RMB620,000,000 and RMB690,000,000, respectively, for each of the three years ending 31 December 2010 and such amounts have accordingly been set as the New Caps for these TAGC Continuing Connected Transactions. The proposed New Caps have been prepared by the Company primarily based on the relevant historical costs incurred and the estimate of the volume of parts and components to be sold by Fast Transmission and of the average unit price of such parts and components.

The table below summarises the proposed New Caps for the TAGC Continuing Connected Transactions set out in this sub-section for the three years ending 31 December 2009:

	2008	2009	2010
	RMB	*RMB*	*RMB*
New Cap	650,000,000	620,000,000	690,000,000

As the New Caps for these TAGC Continuing Connected Transactions for the three years ending 31 December 2010 exceed the 2.5% Threshold, they constitute Non-exempt Continuing Connected Transactions of the Company under Chapter 14A of the Listing Rules and will be subject to the reporting requirements set out in Rules 14A.45 and 14A.46 and the annual review requirements of Rules 14A.37 and 14A.38, and approval from the Independent Shareholders. No Shareholder will be required to abstain from voting at the EGM in relation to the resolution to be proposed in respect of these New Caps.

Since these TAGC Continuing Connected Transactions are Non-exempt Continuing Connected Transactions and the New Caps are subject to Independent Shareholders' approval as aforesaid, this supplemental agreement is conditional upon the said resolution being passed at the EGM.

(b) *Purchase of parts and components of transmissions and related products by SFGC from Fast Transmission*

Agreement:	Supplemental agreement to the parts and components and related products purchase agreement dated 1 August 2007
Date:	27 November 2008
Parties:	1. Fast Transmission 2. SFGC
Term:	1 January 2008 to 31 December 2010

Other terms and details:

Pursuant to the parts and components purchase agreement dated 1 August 2007 between Fast Transmission and SFGC, SFGC has purchased from Fast Transmission certain parts and components of transmissions and gears, namely, power take off assemblies and castings, at market prices settled by the parties every two to three months. Pursuant to this supplemental agreement, Fast Transmission has agreed to sell and SFGC has agreed to purchase the said parts and components and related products, on the same terms, for a term ending 31 December 2010, upon the expiry of which SFGC shall have on option to renew the agreement for a term of three years. Save as aforesaid and the revisions of the Existing Caps below, all other terms of the original parts and components purchase agreement remain unchanged.

The table below summaries the Existing Caps for the three years ending 31 December 2009 for the TAGC Continuing Connected Transaction set out in this sub-section:

	2007	**2008**	**2009**
	RMB	*RMB*	*RMB*
Existing Cap	500,000,000	500,000,000	500,000,000

The table below summarises the actual transaction amounts involved for the two years ended 31 December 2007 (audited) and the five months ended 31 May 2008 (unaudited) for the TAGC Continuing Connected Transactions set out in this sub-section:

	Year ended 31 December		**Five Months ended 31 May**
	2006	**2007**	**2008**
	RMB	*RMB*	*RMB*
	(audited)	*(audited)*	*(unaudited)*
Actual transaction amount	—	444,961,000*	377,078,625

Note:

* *This represents the actual transaction amount since the completion of the Merger.*

As mentioned above, in recent years, the State's macroeconomic policies and the rapid growth of fixed assets and infrastructure investments in the PRC, such as those under the 國家西北大開發戰略 (State's North-West Great Development Strategy) and in relation to the Beijing 2008 Olympic Games, have stimulated the development of the heavy-duty vehicles industry in the PRC. Further, with the completion of the construction and improvement of highway networks in the PRC, the market of transportation vehicles, especially heavy-duty vehicles, has entered into a rapid growth period.

Since SFGC is principally engaged in the manufacture and sale of transmissions and other vehicle parts and components and is the largest manufacturer of transmissions for heavy duty trucks in the PRC, the Directors believe that the demand for the products of SFGC in the market and thus the volume of parts and components for its production from Fast Transmission will continue to grow steadily with an increase of approximately 245% in the sales of parts and components by Fast Transmissions to SFGC from 2006 to 2007, the Directors believe that the purchase of these parts and components by SFGC from Fast Transmission will continue to increase substantially.

The Company estimates that the transaction amounts involved in the TAGC Continuing Connected Transaction set out in this sub-section will not exceed RMB850,000,000, RMB810,000,000 and RMB910,000,000 respectively for each of the three years ending 31 December 2010 and such amounts have accordingly been set as the New Caps for these TAGC Continuing Connected Transactions.

The proposed New Caps have been prepared by the Company primarily based on industry forecasts, the relevant historical costs and the estimate of the volume of parts and components required by SFGC from Fast Transmission for its production and of the average unit price of such parts and components.

The table below summarises the proposed New Caps for the TAGC Continuing Connected Transactions set out in this sub-section for the three years ending 31 December 2010:

	2008	**2009**	**2010**
	RMB	*RMB*	*RMB*
New Cap	850,000,000	810,000,000	910,000,000

As the New Caps for these TAGC Continuing Connected Transactions for the three years ending 31 December 2010 exceed the 2.5% Threshold, they constitute Non-exempt Continuing Connected Transactions of the Company under Chapter 14A of the Listing Rules and will be subject to the reporting requirements set out in Rules 14A.45 and 14A.46 and the annual review requirements of Rules 14A.37 and 14A.38, and approval from the Independent Shareholders. No Shareholder will be required to abstain from voting at the EGM in relation to the resolution to be proposed in respect of these New Caps.

Since these TAGC Continuing Connected Transactions are Non-exempt Continuing Connected Transactions and the New Caps are subject to the Independent Shareholders' approval as aforesaid, this supplemental agreement is conditional upon the said resolution being passed at the EGM.

2. *Continuing connected transactions between Shaanxi Zhongqi (and its subsidiaries) and Shaanxi Automotive (and its associates)*

Shaanxi Automotive and its associates

Shaanxi Automotive is engaged in investment holding. Shaanxi Automotive is a substantial shareholder of Shaanxi Zhongqi (which is a subsidiary of the Company) and is accordingly a connected person of the Company.

Shaanxi Wanfang is held as to 49% by Shaanxi Automotive and is accordingly an associate of Shaanxi Automotive and a connected person of the Company. Shaanxi Wanfang is principally engaged in the sale of parts and components of vehicles.

Shaanxi Huazhen is wholly-owned by Shaanxi Automotive and is accordingly an associate of Shaanxi Automotive and a connected person of the Company. Shaanxi Huazhen is principally engaged in the sale of parts and components of vehicles.

Shaanxi Heavy-duty Coach is held as to 45% by Shaanxi Automotive and is accordingly an associate of Shaanxi Automotive and a connected person of the Company. Shaanxi Heavy-duty Coach is principally engaged in the sale of parts and components of vehicles.

Shaanxi Lantong is held as to 60% by Shaanxi Automotive and is accordingly an associate of Shaanxi Automotive and a connected person of the Company. Shaanxi Lantong is principally engaged in the sale of parts and components of vehicles.

Beijing Shaanqi Sale Centre is wholly-owned by Shaanxi Automotive and is accordingly an associate of Shaanxi Automotive and a connected person of the Company. Beijing Shaanqi Sale Centre is principally engaged in the sale of parts and components of vehicles.

Shaanxi Tongchuang is held as to 50% by Shaanxi Automotive and is accordingly an associate of Shaanxi Automotive and a connected person of the Company. Shaanxi Tongchuang is principally engaged in the sale of parts and components of vehicles.

Shaanxi Tongli is held as to 35% by Shaanxi Automotive and is accordingly an associate of Shaanxi Automotive and a connected person of the Company. Shaanxi Tongli is principally engaged in the sale of special-purpose vehicles and parts and components of vehicles.

Shaanxi Zhongqi and its subsidiaries

Shaanxi Zhongqi is a 51% subsidiary of the Company and is principally engaged in the manufacture and sale of heavy-duty vehicles and parts and components of heavy-duty vehicles.

Hande Axle is held as to 3.06% by the Company and as to 94% by Shaanxi Zhongqi. Hande Axle is principally engaged in the design, production, distribution and services of heavy-duty and medium-duty vehicles.

Jinding is held as to 87.05% by Shaanxi Zhongqi and as to 4.24% by Hande Axle and is principally engaged in the research and development, production and processing of casting products.

Shaanxi Import is held as to 82% by Shaanxi Zhongqi and is principally engaged in the import and export of vehicles and their parts and components.

Tiangua is held as to 51% by Shaanxi Zhongqi and is principally engaged in the conversion of vehicles and the sale of vehicles and their parts and components.

(a) Sale of vehicles, parts and components of vehicles and related products and provision of heat processing services by Shaanxi Zhongqi, Hande Axle, Jinding and Tiangua (as the case may be) to Shaanxi Automotive and its associates (as the case may be)

Agreement:	Supplemental agreement to vehicles, parts and components and raw materials sale and heat processing services agreement
Date:	27 November 2008
Parties:	1. (a) Shaanxi Zhongqi (b) Hande Axle (c) Jinding (d) Tiangua 2. (a) Shaanxi Automotive (b) Shaanxi Wanfang (c) Shaanxi Huazhen (d) Shaanxi Heavy-duty Coach (e) Shaanxi Lantong (f) Beijing Shaanqi Sale Centre (g) Shaanxi Tongchuang (h) Shaanxi Tongli
Term:	1 January 2008 to 31 December 2010

Other terms and details:

Pursuant to vehicles, parts and components and raw materials sale and heat processing services agreement dated 1 August 2007,

(a) Shaanxi Zhongqi has sold certain vehicles and parts and components of vehicles, namely, wire gauges emission pipes and raw materials, at market prices, to each of Shaanxi Automotive, Shaanxi Wanfang, Shaanxi Huazhen, Shaanxi Heavy-duty Coach, Shaanxi Lantong, Beijing Shaanqi Sale Centre, Shaanxi Tongli and Shaanxi Tongchuang, settled by the parties every one to three months;

(b) Hande Axle has sold certain parts and components of vehicles, namely, ductile iron to Shaanxi Huazhen at market prices and provided certain heat processing services to Shaanxi Wanfang at market prices, settled by the parties every one to three months; and

(c) Jinding has sold certain parts and components of vehicles, namely, castings, at market prices, to each of Shaanxi Tongchuang, Shaanxi Tongli and Shaanxi Wanfang, settled by the parties every one to three months, for a term ending 31 December 2009. Since 2008, Tiangua has sold certain parts and components of vehicles, namely, converted carriage and provided the related services to Beijing Shaanqi Sale Centre, at market prices and settled by the parties every one to three months.

Pursuant to this supplemental agreement, Shaanxi Zhongqi, Hande Axle, Jinding and Tiangua (as the case may be) have agreed to sell the said parts and components, raw materials and related products and to provide the said services to Shaanxi Automotive, Shaanxi Wanfang, Shaanxi Huazhen, Shaanxi Heavy-duty Coach, Shaanxi Lantong, Beijing Shaanqi Sale Centre, Shaanxi Tongchuang and Shaanxi Tongli (as the case may be) for a term ending 31 December 2010 on the same terms set out above. Upon the expiry of the said term, Shaanxi Zhonqi, Hande Axle, Jinding and Tiangua shall have an option to renew the agreement for a term of three years. Save as aforesaid and the revisions of the Existing Caps below, all other terms of the vehicles, parts and components and raw materials sale and heat processing services agreement remain unchanged.

The table below summaries the Existing Caps for the three years ending 31 December 2009 for the TAGC Continuing Connected Transaction set out in this sub-section:

	2007	**2008**	**2009**
	RMB	*RMB*	*RMB*
Existing Cap	345,000,000	458,000,000	564,000,000

The table below summarises the actual transaction amounts in aggregate involved for the two years ended 31 December 2007 (audited) and the five months ended 31 May 2008 (unaudited) for the TAGC Continuing Connected Transactions set out in this sub-section:

	Year ended 31 December		**Five Months ended 31 May**
	2006	**2007**	**2008**
	RMB	*RMB*	*RMB*
	(audited)	*(audited)*	*(unaudited)*
Actual transaction amount	—	233,836,000*	176,459,494

Note:

* *This represents the actual transaction amount since the completion of the Merger.*

As mentioned above, in recent years, the State's macroeconomic policies and the rapid growth of fixed assets and infrastructure investments in the PRC, such as those under the 國家西北大開發戰略 (State's North-West Great Development Strategy) and in relation to the Beijing 2008 Olympic Games, have stimulated the development of the heavy-duty vehicles industry in the PRC. Further, with the completion of the construction and improvement of highway networks in the PRC, the market of transportation vehicles, especially heavy-duty vehicles, has entered into a rapid growth period.

Since Shaanxi Zhongqi, Hande Axle, Jinding and Tiangua are engaged in the business of the production of heavy-duty vehicles and related products, the Directors believe that the demand for high-speed, heavy-duty vehicles, vehicle parts and components and heat processing services produced and provided by these Group companies will increase substantially and the volume of such products to be purchased by Shaanxi Automotive and/or its relevant associates (as the case may be) for onward sale to third parties will increase correspondingly. With an increase of 74% in the amount of the said sales and services by Shaanxi Zhongqi, Hande Axle, Jinding and Tiangua to Shaanxi Automotive and its associates from 2006 to 2007, the Directors estimate that the amount of such transactions will continue to increase substantially.

The Company estimates that the aggregate transaction amounts involved in the transactions set out in this sub-section will not exceed RMB650,000,000, RMB850,000,000 and RMB1,100,000,000, respectively, for each of the three years ending 31 December 2010 and such amounts have accordingly been set as the New Caps for these TAGC Continuing Connected Transactions. The proposed New Caps have been prepared by the Company primarily based on the relevant historical costs and the estimate of the volume of vehicles, and parts and components of diesel engines and vehicles to be sold, Shanxi Zhongqi, Hande Axle, Jinding and Tiangua (as the case may be), and the amount of heat processing services to be provided by Hande Axle, and the average unit price of the said vehicles and their parts and components and the charges for the said heat processing services.

The table below summarises the proposed New Caps for the TAGC Continuing Connected Transactions set out in this sub-section for the three years ending 31 December 2010:

	2008	**2009**	**2010**
	RMB	*RMB*	*RMB*
New Cap	650,000,000	850,000,000	1,100,000,000

As the New Caps for these TAGC Continuing Connected Transactions for the year ending 31 December 2010 exceed the 2.5% Threshold, they constitute Non-exempt Continuing Connected Transactions of the Company under Chapter 14A of the Listing Rules and will be subject to the reporting requirements set out in Rules 14A.45 and 14A.46 and the annual review requirements of Rules 14A.37 and 14A.38, and approval from the Independent Shareholders. No Shareholder will be required to abstain from voting at the EGM in relation to the resolution to be proposed in respect of these New Caps.

Since these TAGC Continuing Connected Transactions are Non-exempt Continuing Connected Transactions and the New Caps are subject to the Independent Shareholders' approval as aforesaid, this supplemental agreement is conditional upon the said resolution being passed at the EGM.

(b) Purchase of parts and components of vehicles, scrap steel and related products by Shaanxi Zhongqi, Hande Axle, Jinding, Shaanxi Import and Tiangua (as the case may be) from Shaanxi Automotive's associates

Agreement:	Supplemental agreement to the parts and components and scrap steel purchase agreement dated 1 August 2007
Date:	27 November 2008
Parties:	1. (a) Shaanxi Zhongqi (b) Hande Axle (c) Jinding (d) Shaanxi Import (e) Tiangua 2. (a) Shaanxi Wanfang (b) Shaanxi Huazhen (c) Shaanxi Heavy-duty Coach (d) Shaanxi Lantong (e) Shaanxi Tongli (f) Shaanxi Tongchuang (g) Beijing Shaanqi Sale Centre
Term:	1 January 2008 to 31 December 2010

Other terms and details:

Pursuant to the parts and components and scrap steel purchase agreement dated 1 August 2007 between Shaanxi Zhongqi, Hande Axle, Jinding and Shaanxi Wanfang, Shaanxi Huazhen, Shaanxi Heavy-duty Coach and Shaanxi Lantong,:

(a) Shaanxi Zhongqi has purchased certain parts and components of vehicles, namely, wire gauges and emission pipes, at market prices, from each of Shaanxi Wanfang, Shaanxi Huazhen, Shaanxi Heavy-duty Coach and Shaanxi Lantong, settled by the parties every one to three months;

(b) Hande Axle has purchased certain parts and components of vehicles, namely, brake hoof, at market prices, from each of Shaanxi Wanfang and Shaanxi Huazhen, settled by the parties every one to three months; and

(c) Jinding has purchased certain scrap steel, at market prices, from Shaanxi Huazhen, settled by the parties every one to three months, for a term ending 31 December 2009. In addition, Shaanxi Import has purchased certain parts and components of vehicles, namely, transmission axle and radiator, at market prices, from each of Shaanxi Heavy-duty Coach, Beijing Shaanqi Sale Centre, Shaanxi Tongli and Shaanxi Tongchuang, settled by the parties every one to three months; and Tiangua has purchased certain parts and components of vehicles, namely, transmission axle and radiator, from Beijing Shaanqi Sale Centre, at market prices and settled by the parties every one to three months.

Under this supplemental agreement, Shaanxi Zhongqi, Hande Axle, Jinding, Shaanxi Import and Tiangua (as the case may be) have agreed to purchase the said parts and components of vehicles, scrap steel and related products from the said Shaanxi Automotive's associates (as the case may be) for a term ending 31 December 2010, upon the expiry of which Shaanxi Zhonqi, Hande Axle, Jinding, Shaanxi Import and Tiangua shall have an option to renew the agreement for a term of three years. Save as aforesaid and the revisions of the Existing Caps below, all other terms of the parts and components and scrap steel purchase agreement remain unchanged.

The table below summaries the Existing Caps for the three years ending 31 December 2009 for the TAGC Continuing Connected Transaction set out in this sub-section:

	2007	**2008**	**2009**
	RMB	*RMB*	*RMB*
Existing Cap	1,120,000,000	1,340,000,000	1,501,000,000

The table below summarises the actual aggregate transaction amounts involved for the two years ended 31 December 2007 (audited) and the five months ended 31 May 2008 (unaudited) for the TAGC Continuing Connected Transactions set out in this sub-section:

	Year ended 31 December		**Five Months ended 31 May**
	2006	**2007**	**2008**
	RMB	*RMB*	*RMB*
	(audited)	*(audited)*	*(unaudited)*
Actual transaction amount	—	555,481,000*	438,407,995

Note:

* This represents the actual transaction amount since the completion of the Merger.

As mentioned above, in recent years, the State's macroeconomic policies and the rapid growth of fixed assets and infrastructure investments in the PRC, such as those under the 國家西北大開發戰略 (State's North-West Great Development Strategy) and in relation to the Beijing 2008 Olympic Games, have stimulated the development of the heavy-duty vehicles industry in the PRC. Further, with the completion of the construction and improvement of highway networks in the PRC, the market of transportation vehicles, especially heavy-duty vehicles, has entered into a rapid growth period.

Since Shaanxi Zhongqi, Hande Axle, Jinding, Shaanxi Import and Tiangua are principally engaged in the manufacture and sale of heavy-duty vehicles and related products, the Directors believe that such businesses will be benefited by the above. The Directors believe that the demand for the products of Shaanxi Zhongqi, Hande Axle, Jinding, Shaanxi Import and Tiangua and accordingly, the volume of parts and components and scrap steel required for the production of such products, will increase substantially for the three years ending 31 December 2010. The PRC has maintained a strong economic growth over the past few years and the market of heavy-duty vehicles has shown recovery in 2006 and the volume of the said purchase has grown sharply by approximately 69% from 2006 to 2007. Accordingly, the Directors estimate that the transaction amount will continue to increase substantially.

The Company estimates that the aggregate transaction amounts involved in the transactions set out in this sub-section will not exceed RMB1,500,000,000, RMB2,200,000,000 and RMB2,700,000,000, respectively, for each of the three years ending 31 December 2010 and such amounts have accordingly been set as the New Caps for these Continuing Connected Transactions. The proposed New Caps have been prepared by the Company primarily based on the relevant historical costs and estimate of the volume of parts and components of vehicles and scrap steel required by Shanxi Zhongqi, Hande Axle, Jinding, Shaanxi Import and Tiangua for their productions and the average unit price of such parts and components and scrap steel.

The table below summarises the proposed New Caps for the TAGC Continuing Connected Transactions set out in this sub-section for the three years ending 31 December 2010:

	2008	**2009**	**2010**
	RMB	*RMB*	*RMB*
New Cap	1,500,000,000	2,200,000,000	2,700,000,000

As the New Caps for these TAGC Continuing Connected Transactions for the three years ending 31 December 2010 exceed the 2.5% Threshold, they constitute Non-exempt Continuing Connected Transactions of the Company under Chapter 14A of the Listing Rules and will be subject to the reporting requirements set out in Rules 14A.45 and 14A.46 and the annual review requirements of Rules 14A.37 and 14A.38, and approval from the Independent Shareholders. No Shareholder will be required to abstain from voting at the EGM in relation to the resolution to be proposed in respect of these New Caps.

Since these TAGC Continuing Connected Transactions are Non-exempt Continuing Connected Transactions and the New Caps are subject to the Independent Shareholders' approval as aforesaid, this supplemental agreement is conditional upon the said resolution being passed at the EGM.

3. *Continuing connected transactions between DFOVCL and Dong Feng Automotive (and its associates) (as the case maybe)*

Dong Feng Automotive is principally engaged in the manufacture and sale of commercial and military vehicles. Dong Feng Automotive is a substantial shareholder of DFOVCL (which is a subsidiary of the Company and is accordingly, a connected person of the Company.

Dong Feng Cummings is held as to 50% by Dong Feng Automotive and is accordingly an associate of Dong Feng Automotive and a connected person of the Company. Dong Feng Cummings is principally engaged in the manufacture and sale of diesel engines.

Dong Feng Import and Export is held as to 50% by Dong Feng Automotive and is accordingly an associate of Dong Feng Automotive and a connected person of the Company. Dong Feng Import and Export is principally engaged in the import and export of vehicles and vehicle parts and components.

Dong Feng Equipment is held as to 50% by Dong Feng Automotive and is accordingly an associate of Dong Feng Automotive and a connected person of the Company. Dong Feng Equipment is principally engaged in the manufacture and sale of equipment for vehicles and parts and components of vehicles produced by the group of Dong Feng Automotive.

Dong Feng Measuring is held as to 50% by Dong Feng Automotive and is accordingly an associate of Dong Feng Automotive and a connected person of the Company. Dong Feng Measuring is principally engaged in the manufacture and sale of measuring equipment of vehicles and the parts and components of vehicles produced by the group of Dong Feng Automotive.

Dong Feng Fastener is held as to 50% by Dong Feng Automotive and is accordingly an associate of Dong Feng Automotive and a connected person of the Company. Dong Feng Fastener is principally engaged in the manufacture and sale of fastening pieces for vehicles.

Dong Feng Moulding is held as to 50% by Dong Feng Automotive and is accordingly an associate of Dong Feng Automotive and a connected person of the Company. Dong Feng Moulding is principally engaged in the development, manufacture and sale of vehicle parts and components and the moulds for the same.

Dong Feng Wheel is held as to 50% by Dong Feng Automotive and is accordingly an associate of Dong Feng Automotive and a connected person of the Company. Dong Feng Wheel is principally engaged in the manufacture and sale of wheels.

Dong Feng Casting is held as to 50% by Dong Feng Automotive and is accordingly an associate of Dong Feng Automotive and a connected person of the Company. Dong Feng Casting is principally engaged in the manufacture and sale of vehicle casting parts and components.

DFOVCL is principally engaged in the manufacture and sale of off-road vehicles and chassis.

(a) *Sale of off-road vehicles by DFOVCL to Dong Feng Automotive*

Agreement:	Supplemental agreement to off-road vehicles sale agreement dated 1 August 2007
Date:	27 November 2008
Parties:	1. DFOVCL 2. Dong Feng Automotive
Term:	1 January 2008 to 31 December 2010

Other terms and details:

Pursuant to the off-road vehicles sale agreement dated 1 August 2007 between DFOVCL and Dong Feng Automotive, DFOVCL has sold certain off-road vehicles to Dong Feng Automotive, at market prices, settled by the parties every two to three months for a term ending 31 December 2009, upon the expiry of which DFOVCL shall have an option to renew the agreement for a term of three years. The supplemental agreement will extend the term of the off-road vehicles sale agreement to 31 December 2010. Save as aforesaid and the revisions of the Existing Caps below, all other terms of the off-road vehicles sale agreement remain unchanged.

The table below summaries the Existing Caps for the three years ending 31 December 2009 for the TAGC Continuing Connected Transaction set out in this sub-section:

	2007	**2008**	**2009**
	RMB	*RMB*	*RMB*
Existing Cap	130,000,000	350,000,000	400,000,000

The table below summarises the actual transaction amounts involved for the two years ended 31 December 2007 (audited) and the five months ended 31 May 2008 (unaudited) for the TAGC Continuing Connected Transactions set out in this sub-section:

	Year ended 31 December		Five Months ended 31 May
	2006	**2007**	**2008**
	RMB	*RMB*	*RMB*
	(audited)	*(audited)*	*(unaudited)*
Actual transaction amount	—	8,137,000*	85,558,800

Note:

* This represents the actual transaction amount since the completion of the Merger.

DFOVCL has commenced commercial production of off-road vehicles in 2008. Accordingly, the Directors believe that the sale of off-road vehicles will increase substantially in the three years ending 31 December 2010 with an increase of approximately 51% and 19% each year. The Directors estimate that the sale volume will reach approximately 650 in 2008 and will continue to grow significantly in the following two years.

The Company estimates that the transaction amounts involved in the TAGC Continuing Connected Transactions set out in this sub-section will not exceed RMB350,000,000, RMB530,000,000 and RMB630,000,000 for each of the three years ending 31 December 2010 and such amounts have accordingly been set as the New Caps for these TAGC Continuing Connected Transactions. The proposed New Caps have been prepared by the Company primarily based on the relevant historical costs, the estimate of the volume of off-road vehicles of DFOVCL to be sold to Dong Feng Automotive and the average unit price of such vehicles.

The table below summarises the proposed New Caps for the TAGC Continuing Connected Transactions set out in this sub-section for the three years ending 31 December 2010:

	2008	**2009**	**2010**
	RMB	*RMB*	*RMB*
New Cap	350,000,000	530,000,000	630,000,000

As the New Caps for these TAGC Continuing Connected Transactions for the three years ending 31 December 2010 exceed the 2.5% Threshold, they constitute Non-exempt Continuing Connected Transactions of the Company under Chapter 14A of the Listing Rules and will be subject to the reporting requirements set out in Rules 14A.45 and 14A.46 and the annual review requirements of Rules 14A.37 and 14A.38, and approval from the Independent Shareholders. No Shareholder will be required to abstain from voting at the EGM in relation to the resolution to be proposed in respect of these New Caps.

Since these TAGC Continuing Connected Transactions are Non-exempt Continuing Connected Transactions and the New Caps are subject to the Independent Shareholders' approval as aforesaid, this supplemental agreement is conditional upon the said resolution being passed at the EGM.

(b) *Purchase of parts and components of off-road vehicles and related products by DFOVCL from Dong Feng Automotive (and its associates) (as the case may be) and provision of technical support services by Dong Feng Automotive (and its associates) (as the case may be) to DFOVCL*

Agreement:	Supplemental agreement to parts and components purchase agreement
Date:	27 November 2008
Parties:	1. Dong Feng Automotive 2. DFOVCL
Term:	1 January 2008 to 31 December 2010

Other terms and details:

Pursuant to the parts and components purchase agreement dated 1 August 2007, DFOVCL has purchased certain parts and components of off-road vehicles from Dong Feng Automotive (and its associates) (as the case may be), at market prices, settled by the parties every two to three months for a term ending 31 December 2009, upon the expiry of which DFOVCL shall have an option to renew the agreement for a term of three years. Pursuant to this latest supplemental agreement, DFOVCL has agreed to purchase the said parts and components and related products from Dong Feng Automotive (and its associates) (as the case may be) on the said terms. This supplemental agreement will extend the said term to 31 December 2010.

In addition, pursuant to this supplemental agreement, Dong Feng Automotive (and its associates) (as the case may be) has agreed to provide certain technical support services to DFOVCL at a price being 3% of the transaction amount of the off-road vehicles sold by DFOVCL, for a term ending 31 December 2010. Save as aforesaid and the revisions of the Existing Caps below, all other terms of the parts and components purchase agreement remain unchanged.

The table below summaries the Existing Caps in respect of the purchase of parts and components of off-road vehicles for the three years ending 31 December 2009 for the TAGC Continuing Connected Transaction set out in this sub-section:

	2007	**2008**	**2009**
	RMB	*RMB*	*RMB*
Existing Cap	60,000,000	135,000,000	160,000,000

The table below summarises the actual transaction amounts involved for the two years ended 31 December 2007 (audited) and the five months ended 31 May 2008 (unaudited) for the TAGC Continuing Connected Transactions set out in this subsection:

	Year ended 31 December		**Five Months ended 31 May**
	2006	**2007**	**2008**
	RMB	*RMB*	*RMB*
	(audited)	*(audited)*	*(unaudited)*
Actual transaction amount	—	8,255,000*	38,578,967

Note:

* This represents the actual transaction amount since the completion of the Merger.

The relatively low volume in the purchase of parts and components of off-road vehicles by DFOVCL from Dong Feng Automotive (and its associates) (as the case may be) for the two years ended 31 December 2007 was due to the test production of off-road vehicles by DFOVCL during such period and the volume of parts and components required for the production of DFOVCL varied at a low level according to the relevant requirements of the test production. With the completion of the test production, DFOVCL has commenced commercial production of off-road vehicles in 2008 and accordingly, the Directors believe that the need for parts and components by DFOVCL for its production from Dong Feng Automotive (and its associates) (as the case may be) will increase substantially in three years ending 31 December 2010 with an increase of approximately 1,110%, 39% and 17% in the number of parts and components required from Dong Feng Automotive for each of the three years from 2007 to 2010.

The Company estimates that the aggregate transaction amounts involved for purchase of such parts and components of off-road vehicles and technical support services by DFOVCL from Dong Feng Automotive (and its associates) (as the case may be) will not exceed RMB165,000,000, RMB230,000,000 and RMB270,000,000 for each of the three years ending 31 December 2010 and such amounts have accordingly been set as the New Caps for these Continuing Connected Transactions. The proposed New Caps have been prepared by the Company primarily based on the relevant historical costs and the estimate of the volume of parts and components required by DFOVCL during commercial production and of the average unit price of such parts and components.

The table below summarises the proposed New Caps for the Continuing Connected Transactions set out in this sub-section for the three years ending 31 December 2010:

	2008	**2009**	**2010**
	RMB	*RMB*	*RMB*
New Cap	165,000,000	230,000,000	270,000,000

As the New Caps for these Continuing Connected Transactions for the three years ending 31 December 2010 exceed the 2.5% Threshold, they constitute Non-exempt Continuing Connected Transactions of the Company under Chapter 14A of the Listing Rules and will be subject to the reporting requirements set out in Rules 14A.45 and 14A.46 and the annual review requirements of Rules 14A.37 and 14A.38, and the approval from the Independent Shareholders. No Shareholder will be required to abstain from voting at the EGM in relation to the resolution to be proposed in respect of these New Caps.

Since these TAGC Continuing Connected Transactions are Non-exempt Continuing Connected Transactions and the New Caps are subject to the Independent Shareholders' approval as aforesaid, this supplemental agreement is conditional upon the said resolution being passed at the EGM.

C. Listing Rules Requirements

The Company is principally engaged in the research and development, manufacture and sale of high-speed, heavy-duty diesel engines. Prior to the incorporation of the Company and the listing of the Shares on the Hong Kong Stock Exchange, the Company had business relationships with certain entities. Under the Listing Rules, such entities has become connected persons of the Company since the listing of the Company and the transactions between the Company and such entities constitute continuing connected transactions of the Company. In respect of the Weichai Continuing Connected Transactions between the Company and Weichai Holdings, since their production facilities are located in close proximity to each other and in view of the PRC Government's policy not to duplicate construction of production and other facilities, certain Weichai Continuing Connected Transactions have been continuing since the listing of the Company on the Hong Kong Stock Exchange. After the completion of the Weichai Holdings Juli Restructuring in 2007, certain of these Weichai Continuing Connected Transactions with Weichai Holdings were transferred to Shangdong Juli.

As the Company has conducted these Weichai Continuing Connected Transactions with the relevant entities for a number of years and the Company has built up a long term strategic and solid business relationship with these entities, the Directors, including the independent non-executive Directors, consider it beneficial to the Company to continue to conduct these Weichai Continuing Connected Transactions in order to ensure and maximize the operating efficiency and stability of the operations of the Company.

Prior to completion of the Merger, TAGC had conducted the TAGC Continuing Connected Transactions with the relevant entities for a number of years, and the Company has taken up such Continuing Connected Transactions after the completion of the Merger, and the Directors, including the independent non-executive Directors, consider it beneficial to the Company to continue to conduct these Continuing Connected Transactions in order to ensure and maximize operating efficiency and stability of the operations of the Group. The Directors are not aware of any disadvantage of the Non-exempt Continuing Connected Transactions to the Group.

The Directors, including the independent non-executive Directors, have confirmed that the Non-Exempt Continuing Connected Transactions have been subject to arm's length negotiation between the Group and the relevant parties, and have been entered into by the Group in the ordinary and usual course of business and either (i) on normal commercial terms or better, or (ii) on terms no less favourable to the Group than those available to or from (as appropriate) independent third parties.

The Directors, including the independent non-executive Directors, are of the view that the terms of the Non-Exempt Continuing Connected Transactions, and the proposed New Caps, are fair and reasonable and in the interests of the Shareholders as a whole.

Since the New Caps (either alone or aggregated with other New Caps as mentioned above, in respect of any one or more of the three years ending 31 December 2010) referred to in the above section exceed the 2.5% Threshold, the Continuing Connected Transactions concerning such New Caps constitute non-exempt continuing connected transactions of the Company under Chapter 14A of the Listing Rules and the New Caps will be subject to the prior approval of the Independent Shareholders (as mentioned above) at the EGM to be convened in relation to, *inter alia*, the resolutions to be proposed in respect of each such New Caps and the relevant Continuing Connected Transactions Agreements, and the reporting requirements set out in Rules 14A.45 and 14A.46 for disclosure of details in the Company's annual reports and accounts, as well as annual review by the independent non-executive Directors under Rule 14A.37 and by the Company's auditors under Rule 14A.38.

If any of the Continuing Connected Transactions Agreements concerning the Non-exempt Continuing Connected Transactions is renewed or if there is a material change to the terms of any of them, or if any of the New Caps for such Non-exempt Continuing Connected Transactions is exceeded, the Company must re-comply with Rules 14A.35(3) and (4).

III. EGM

It is proposed that the New Caps and the Continuing Connected Transactions Agreements in respect of the Non-exempt Continuing Connected Transactions shall be considered and, if thought fit, approved at the EGM.

A notice setting out the resolutions in respect of, *inter alia*, the New Caps and the Continuing Connected Transactions Agreements in respect of the Non-exempt Continuing Connected Transactions is set out in this circular. Except for Mr. Tan Xuguang, Weichai Holdings, Guangxi Liugong, Fujian Longgong and Shanghai Longgong, which are, as aforementioned, required to abstain from voting in respect of the relevant resolution(s), no Shareholder is required to abstain from voting in respect of the resolutions for approvals of the New Caps and the Continuing Connected Transactions Agreements, and it is a requirement of the Listing Rules that such voting must be taken by poll. The procedure for demanding a poll is also set out in the section headed "8. Procedures for demanding a poll" below.

If you intend to attend the EGM, please complete and return the reply slip enclosed in this circular in accordance with the instructions printed thereon as soon as possible and in any event by no later than 22 January 2009.

The proxy form for use at the EGM is enclosed with this circular. Holders of A Shares may use the forms of proxy published by the Company on the website of The Shenzhen Stock Exchange instead. Whether or not you intend to be present at such meetings, you are requested to complete the forms of proxy in accordance with the instructions printed thereon and return the same to Computershare Hong Kong Investor Services Limited at Rooms 1806–1807, 18th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong (with respect to the holders of H Shares) or the Company's registered office at Securities Department, 197, Section A, Fu Shou East Street, High Technology Industrial Development Zone, Weifang, Shandong Province, the PRC (postal code: 261061) (with respect to the holders of A Shares), no later than 24 hours before the time fixed for holding the EGM or any adjournment thereof. Completion and delivery of the form of proxy will not prevent you from attending and voting at the relevant meeting or any adjournment thereof if you so wish.

IV. RECOMMENDATIONS

Having considered the reasons set out herein, the Directors, including the independent non-executive Directors (having considered the advice of the Independent Financial Adviser), are of the opinion that the New Caps and the terms of the Continuing Connected Transactions Agreements in respect of the Non-exempt Continuing Connected Transactions are fair and reasonable and in the interests of the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the resolutions regarding the same.

The Independent Board Committee comprising the independent non-executive Directors (namely, Mr. Zhang Xiaoyu, Mr. Koo Fook Sun, Louis and Mr. Fang Zhong Chang) has been appointed to consider the Non-exempt Continuing Connected Transactions and the respective New Caps. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of the Continuing Connected Transactions Agreements in respect of the Non-exempt Continuing Connected Transactions and the respective New Caps. Your attention is drawn to (i) the letter setting out the advice from the Independent Board Committee to the Independent Shareholders, and (ii) the letter of advice from the Independent Financial

Adviser setting out its advice to the Independent Board Committee and the Independent Shareholders in relation to the New Caps and the Continuing Connected Transactions Agreements in respect of the Non-exempt Continuing Connected Transactions, which are set out in this circular.

V. FURTHER INFORMATION

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

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

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)

18 December 2008

To the Independent Shareholders
of Weichai Power Co., Ltd.

Dear Sir or Madam,

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

We have been appointed as members of the Independent Board Committee to advise the Independent Shareholders of Weichai Power Co., Ltd. to consider the New Caps (as defined in the circular of the Company dated 18 December 2008) (the "Circular") in relation to the Non-exempt Continuing Connected Transactions, details of which are set out in the section headed "II. Continuing Connected Transactions" in the "Letter from the Board" contained in the Circular. Unless the context otherwise requires, terms defined in the Circular shall have the same meanings when used in this letter.

Your attention is drawn to the "Letter from the Board", the advice of the Independent Financial Adviser in its capacity as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Non-exempt Continuing Connected Transactions as set out in the "Letter from the Independent Financial Adviser on the Non-exempt Continuing Connected Transactions" as well as other additional information set out in other parts of the Circular.

Having taken into account the advice of, and the principal factors and reasons considered by the Independent Financial Adviser in relation thereto as stated in its letter, we consider that the terms of the Non-exempt Continuing Connected Transactions and the New Caps are fair and reasonable and the Non-exempt Continuing Connected Transactions are in the interest of the Company and its shareholders as a whole. We therefore recommend that you vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Continuing Connected Transactions Agreements and the New Caps for the Non-exempt Continuing Connected Transactions.

Yours faithfully,
The Independent Board Committee

Zhang Xiaoyu	**Koo Fook Sun, Louis**	**Fang Zhongchang**
Independent non-executive Director	*Independent non-executive Director*	*Independent non-executive Director*

The following is the full text of the letter dated 18 December 2008 from Ceres Capital Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Non-exempt Continuing Connected Transactions and the respective New Caps, prepared for the purpose of incorporation in this circular.

昱豐融資有限公司
CERES CAPITAL LIMITED
CERES

Unit C2, 15th Floor
United Centre
95 Queensway
Hong Kong

18 December 2008

*To the independent board committee and
the independent shareholders of Weichai Power Co., Ltd.*

Dear Sirs,

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS AND NEW CAPS

INTRODUCTION

We refer to our appointment as the independent financial adviser to the independent board committee (the "Independent Board Committee") and the independent shareholders (the "Independent Shareholders") of Weichai Power Co., Ltd. (the "Company") in respect of the agreements dated 27 November 2008 governing the Non-exempt Continuing Connected Transactions and the relevant New Caps, details of which are set out in the circular to the Shareholders dated 18 December 2008 (the "Circular"), of which this letter forms part. This letter contains our advice to the Independent Board Committee and the Independent Shareholders in respect of the agreements governing the Non-exempt Continuing Connected Transactions and the relevant New Caps. Unless otherwise stated, terms defined in the Circular have the same meanings in this letter.

The Board has announced, among other things, that on 27 November 2008 the Group has entered into agreements and supplemental agreements with various connected persons (as defined under the Listing Rules) of the Company for the conduct of the Continuing Connected Transactions (the "CCT Agreements"). Since the New Caps for certain of these Continuing Connected Transactions with Weichai Holdings and its associates, Fujian Longgong, Shanghai Longgong, Guangxi Liugong Machinery, Weichai Deutz, Shangdong Juli, Fast Transmission, Shaanxi Automotive and its associates, and Dong Feng Automotive, either individually or when aggregated with others, exceed the 2.5% Threshold, the CCT Agreements governing these Non-exempt Continuing Connected Transactions and the respective New Caps are required to be subject to, among others, the approval of the independent shareholders at a general meeting of the Company pursuant to Chapter 14A of the Listing Rules.

The Independent Board Committee, comprising three independent non-executive Directors, has been formed to advise the Independent Shareholders as to (i) whether the CCT Agreements in respect of the Non-exempt Continuing Connected Transactions are in the interests of the Company and the Shareholders as a whole; (ii) whether the terms of the CCT Agreements in respect of the Non-exempt Continuing Connected Transactions and the respective New Caps are fair and reasonable; and (iii) how the Independent Shareholders should vote in respect of the relevant resolutions at the EGM. As the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders as to (i) whether or not the CCT Agreements in respect of the Non-exempt Continuing Connected Transactions are in the interests of the Company and the Shareholders as a whole; (ii) whether or not the terms of the CCT Agreements in respect of the Non-exempt Continuing Connected Transactions are normal commercial terms and are fair and reasonable; (iii) whether or not the respective New Caps in respect of the Non-exempt Continuing Connected Transactions are fair and reasonable; and (iv) whether or not the Independent Shareholders should vote in favour of the ordinary resolutions to approve the CCT Agreements in respect of the Non-exempt Continuing Connected Transactions and the respective New Caps at the EGM.

In formulating our opinion, we have relied on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Company, its advisers and the Directors. We have assumed that all information, representations and opinions contained or referred to in the Circular, which have been provided by the Company, its advisers, and the Directors and for which the Directors are solely and wholly responsible, were true and accurate at the time they were made and continue to be so at the date hereof. We have no reason to believe that any information and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the information provided and the representations made to us untrue, inaccurate or misleading. The Directors have confirmed, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts or representations the omission of which would make any statement in the Circular, including this letter, misleading. We consider that we have reviewed sufficient information which enables us to form a reasonable basis for our opinion. We also consider that we have performed all reasonable steps as required under Rule 13.80 of the Listing Rules to ascertain the reliability of the information provided to us and to form our opinion. We have not, however, conducted any independent verification of the information provided, nor have we carried out any in-depth investigation into the business, financial results and positions and affairs of the Group or any parties involved in the Non-exempt Continuing Connected Transactions, or the prospects of the market in which they respectively operate.

Our opinion is necessarily based upon economic, market and other conditions and circumstances existing on, and the facts, information and representations made available to us up to and including, the Latest Practicable Date. Although subsequent developments may affect our opinion, we do not have any obligation to update, revise or reaffirm our opinion contained herein.

Apart from the normal advisory fee payable to us in connection with our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders, no arrangement exists whereby we shall receive any other fees or benefits from the Company. We are independent of the Company for the purposes of Rule 13.84 of the Listing Rules.

PRINCIPAL FACTORS CONSIDERED

In formulating our opinion regarding the CCT Agreements in respect of the Non-exempt Continuing Connected Transactions and the respective New Caps, we have taken into consideration the following principal factors:

I. Background information

A. *Overview of the business operation and performance of the Company*

The Group is one of the largest manufacturers of high-power, high-speed diesel engines in the PRC. As stated in the Company's annual report for 2007 (the "2007 Annual Report"), the Group is the largest supplier of diesel engines to major manufacturers of heavy-duty trucks and construction machinery (mainly wheel loaders) with a load capacity of 15 tonnes (and above) and 5 tonnes (and above), respectively, in the PRC. During 2007, the Group sold approximately 244,890 units of diesel engines, compared to approximately 145,890 units in 2006. Of the diesel engines sold by the Group during 2007, approximately 151,370 units were truck engines and approximately 85,070 units were construction machine engines.

After the merger with TAGC, the Group's scope of business has expanded to include heavy-duty vehicles, gearboxes and other parts and components of vehicles. In 2007, the Group sold approximately 60,000 units of heavy-duty trucks, and approximately 430,180 units of heavy-duty gearboxes.

Apart from the above, the Group is also engaged in the production and sale of engine parts and other truck parts, such as spark plugs, axles, chassis, air-conditioner compressors, etc. For 2007, sales of such engine parts and truck parts amounted to approximately RMB1,272 million, representing an increase of approximately 31% over the preceding year.

The following is a summary of the financial results of the Group for each of the three years ended 31 December 2005, 2006 and 2007 and the six months ended 30 June 2008 which are extracted from the Company's annual reports for 2006 and 2007 and the 2008 interim report.

	Year ended 31 December			**6 months ended 30 June**
	2005	**2006**	**2007**	**2008**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(audited)	*(audited)*	*(audited)*	*(unaudited)*
Turnover	5,250,735	6,633,668	27,424,960	20,049,751
Gross profit	1,154,327	1,891,285	6,632,474	4,386,079
Profit for the year/period	316,683	708,010	2,793,576	2,087,905
Basic earnings per Share (in RMB)	0.96	2.13	4.36	3.19

For the year ended 31 December 2006, the Group recorded an audited turnover of approximately RMB6,634 million, representing an increase of approximately 26.3% over the turnover of approximately RMB5,251 million for the preceding year. As noted in the Company's 2006 annual report, such increase was mainly due to a rebound in the demand from the heavy-duty truck and construction machinery industries and the Group recorded a 27.8% increase in the unit of diesel engines sold during the year. Coupled with the effective cost control measures and the increase in the sales volume of heavy-duty truck diesel engines in 2006 which have a relatively higher gross profit margin than that of construction machinery diesel engines, the Group achieved significant improvement in its gross profit margin to 28.5% for 2006 from 22.0% for 2005. The Group's gross profit for 2006 reached RMB1,891 million as compared to approximately RMB1,154 million for 2005, representing an increase of approximately 63.8%. Profit for 2006 reached RMB708 million, representing more than 123% increase from RMB317 million for 2005.

For the year ended 31 December 2007, the Group reported a more than three-fold increase in its turnover to approximately RMB27,425 million from approximately RMB6,634 million for 2006. As explained in the 2007 Annual Report, the significant increase in the turnover was mainly due to the rising demand in the heavy-duty truck and construction machinery industries for diesel engines, and the absorption of the business of TAGC. For similar reasons, the Group's gross profit increased by more than two and a half times from approximately RMB1,891 million for 2006 to approximately RMB6,632 million for 2007. Due to the relatively lower gross profit margin of the business of TAGC compared to that of the Group itself, the gross profit margin of the enlarged Group in 2007 dropped to approximately 24.2% from approximately 28.5% in 2006. For the year ended 31 December 2007, the Group recorded a substantial increase in its net profit to RMB2,794 million from approximately RMB708 million for the preceding financial year.

The Group's business continued to grow and reported a turnover and net profit of approximately RMB20,050 million and RMB2,088 million, respectively, for the six months ended 30 June 2008.

As a result of the continuous growth in the Group's business and profitability, the basic earnings per Share increased from RMB0.96 in 2005 to RMB2.13 in 2006, and further to RMB4.36 in 2007. The basic earnings per Share for the six months ended 30 June 2008 reached RMB3.19.

B. *Overview of the heavy-duty truck and construction machinery markets in China*

As stated in the letter from the Board contained in the Circular (the "Letter from the Board"), the State's macroeconomic policies and the rapid growth of fixed assets and infrastructure investments in the PRC in recent years, such as those under 國家西北大開發戰略 (the State's North-West Great Development Strategy) and in relation to the Beijing 2008 Olympic Games, have stimulated the development of the heavy-duty vehicles industry in the PRC. Further, with the completion of the construction and improvement of highway networks in the PRC, the market of transportation vehicles, especially the heavy-duty vehicles, has entered into a rapid growth period.

The National People's Congress in March 2006 endorsed the 11th Five-Year Plan (2006–2010), which builds on a gradual shift in the government's emphasis since 2003 toward policies aimed at achieving balanced, equitable, and sustainable development. Under the plan, one of the goals which relates to economic growth is the indicative target gross domestic product ("GDP") for 2010 of RMB26,000 billion. There is also a stronger emphasis on rural development, such as larger investments in rural infrastructure.

China has seen steady and fast economic growth over the years. According to statistics issued by the National Bureau of Statistics of China, China recorded a growth in GDP in excess of 9% consecutively for five years since 2002. The strong economic performance in China continued and in 2007 GDP reached RMB24,661.9 billion, up by 11.4% over the previous year. The completed investment in fixed assets of the whole country in 2007 was RMB13,723.9 billion, up by 24.8% over the previous year. Of the total investment, that in urban areas was RMB11,741.4 billion, up by 25.8%; and that in rural areas reached RMB1,982.5 billion, up by 19.2%. The strong growth in investment in fixed assets in rural areas of China has suggested development in construction activities and infrastructural developments in those areas and hence a high demand for heavy-duty transportation vehicles and construction machinery. The actual economic performance in China in the recent year as indicated by the statistics is consistent with China's 11th Five-year Plan, which has a strong emphasis on rural development, such as larger investments in rural infrastructure.

According to the National Bureau of Statistics of China, 143,595 kilometers of new highways, including 8,059 kilometers of expressways, were developed during 2007 through fixed assets investment. In 2007, freight flows in China reached 9,918 billion ton-kilometers, up by 11.8% over the previous year. Of the total freight flows, those by railways reached 2,379.7 billion ton-kilometers, up by 8.4%; and those by highways were 1,125.8 billion ton-kilometers, up by 15.4%.

Following the massive earthquake in Sichuan in May 2008, large-scale reconstruction works in respect of public infrastructure such as railways, highways, bridges, power network, communication facilities and water conservancy works, will be undertaken. According to China Daily, Premier Wen Jiabao has announced in late May 2008 that the central government would allocate RMB70 billion in 2008 as reconstruction fund for the disaster-stricken areas, and had also pledged to arrange more funds for reconstruction over the next two years. Such reconstruction is expected to drive demand for heavy-duty transportation vehicles and construction machinery.

Furthermore, in early November 2008, the China government announced a RMB4 trillion stimulus package to bolster the economy amid the global economic downturn. Under the package and starting from the fourth quarter of 2008, funds will be allocated for low-rent housing, roads, railways, airports, power grids, rural development and speeding up reconstruction after the May's earthquake in Sichuan province, etc. The government will also allow tax deductions for purchases of fixed assets such as machinery to stimulate investment. It is therefore expected that the stimulus package will, in particular, spur construction activities in China.

In view of the continuous rapid growth of the national economy, the development and improvement of the expressway network nationwide, the growth of the logistics and transportation industries in China, the recent national policies focusing on promoting rural urbanisation, and the requirements arising from the post-quake reconstruction works in Sichuan, we concur with the view of the Directors that there will be continuous growth of the heavy-duty vehicle market and robust development in the construction machinery market in the PRC.

Notwithstanding the aforesaid, Independent Shareholders should also note that factors such as the fluctuation in prices of raw materials and energy cost, the austerity measures by the State government to tackle inflation, and the economic downturn particularly in the United States and Europe following the recent turmoil in the financial markets, may affect the macro-economic environment in China. In particular, it is noted that China recorded a GDP growth of 9.9% year-on-year in the first three quarters of 2008, showing a trend of a slowdown amid the current global financial crisis. The economic growth in China may continue to slow down after years of successive high growth due to various factors and hence any such economic slowdown may have impact on the Group's business.

C. *Relationship between the Group and the connected persons under the CCT Agreements governing the Non-exempt Continuing Connected Transactions*

1. *Weichai Holdings and its associates*

Weichai Holdings is a substantial shareholder of the Company and a Promoter. The associates of Weichai Holdings include Chongqing Weichai, Chongqing Casting and Weichai Import and Export, all of which are wholly-owned subsidiaries of Weichai Holdings.

Weichai Holdings and Chongqing Weichai are principally engaged in the management, investment and the provision of general services. Chongqing Casting is principally engaged in the manufacture and sale of grey iron, ductile iron casting and stamping parts and the provision of the relevant processing services to the Group companies. Weichai Import and Export is principally engaged in the import and export of certain products including diesel engine parts and components and the provision of the relevant services.

2. *Fujian Longgong and Shanghai Longgong*

Fujian Longgong is a Promoter and is principally engaged in the manufacture and sale of, among others, wheel-loaders. Both Fujian Longgong and Shanghai Longgong are indirectly owned by Mr. Li San Yim, a non-executive Director. Shanghai Longgong is engaged in the manufacture and sale of, among others, construction machines.

3. *Guangxi Liugong Machinery*

Guangxi Liugong Machinery is owned as to 63% by Guangxi Liugong, which is a Promoter. Guangxi Liugong Machinery is engaged in the manufacture and repair of construction machines.

4. *Weichai Deutz*

Weichai Deutz is owned as to 50% by Weichai Holdings, which is a substantial shareholder of the Company and a Promoter. Weichai Deutz is engaged in the manufacture and sale of, among other things, 226B series of diesel engines and parts, certain of which require the semi-finished diesel parts provided by the Company.

5. *Shandong Juli*

Shandong Juli is held as to 30.59% by Weichai Holdings, which is a substantial shareholder of the Company and a Promoter. Shandong Juli is engaged in the manufacture and sale of medium-speed diesel engines and diesel engine parts and components, power generators and related products, and construction machinery and the provision of repair processing services for machinery parts.

As a result of the Weichai Holdings Juli Restructuring, certain continuing connected transactions previously conducted by the Company (and its subsidiaries) with Weichai Holdings (and its associates) have been transferred to Shandong Juli.

6. *Fast Transmission*

Fast Transmission is a holder of 49% of the equity of SFGC, which is a 51% subsidiary of the Company. Fast Transmission is principally engaged in the processing of parts and components of vehicles.

7. *Shaanxi Automotive*

Shaanxi Automotive is a holder of 49% of the equity of Shaanxi Zhongqi, which is a 51% subsidiary of the Company. Shaanxi Automotive is primarily an investment holding company. The Non-exempt Continuing Connected Transactions are conducted between members of the Group and Shaanxi Automotive and/or its associates, including:

— Shaanxi Wanfang which is held as to 49% by Shaanxi Automotive,

— Shaanxi Huazhen which is wholly-owned by Shaanxi Automotive,

— Shaanxi Heavy-duty Coach which is held as to 45% by Shaanxi Automotive,

— Shaanxi Lantong which is held as to 60% by Shaanxi Automotive,

— Beijing Shaanqi Sale Centre which is wholly-owned by Shaanxi Automotive,

— Shaanxi Tongchuang which is held as to 50% by Shaanxi Automotive, and

— Shaanxi Tongli which is held as to 35% by Shaanxi Automotive.

All of the above subsidiaries/associates of Shaanxi Automotive are principally engaged in the sale of parts and components of vehicles. Shaanxi Tongli is also engaged in the sale of special-purpose vehicles.

8. *Dong Feng Automotive*

Dong Feng Automotive is a holder of 40% of the equity of DFOVCL, which is a 60% subsidiary of the Company. Dong Feng Automotive is principally engaged in the manufacture and sale of commercial vehicles, passenger vehicles, engines and other auto parts.

By virtue of the relationship between the Company and each of Weichai Holdings and its associates, Fujian Longgong, Shanghai Longgong, Guangxi Liugong Machinery, Weichai Deutz, Shandong Juli, Fast Transmission, Shaanxi Automotive and its associates, and Dong Feng Automotive as described above, these parties are considered to be connected persons of the Company under the Listing Rules and the transactions between the Company and each of them therefore constitute connected transactions.

II. Background and reasons for the Non-exempt Continuing Connected Transactions

The Company has had business relationships with certain entities which, following the listing of the Company's H Shares on the Stock Exchange in March 2004, have become connected persons of the Company under the Listing Rules, and the transactions between the Group and such entities on an ongoing basis have constituted continuing connected transactions. In respect of the Weichai Continuing Connected Transactions, since the production facilities of the Group and Weichai Holdings are located in close proximity to each other and it is the PRC government's policy not to duplicate construction of production and other facilities, certain Weichai Continuing Connected Transactions have been conducted on an ongoing basis after the listing of the Company on the Stock Exchange. Some of these Weichai Continuing Connected Transactions have constituted non-exempt continuing connected transactions of the Company and were subject to, among others, the approval of the independent shareholders under the Listing Rules. After the Weichai Holdings Juli Restructuring, certain of the Weichai Continuing Connected Transactions with Weichai Holdings had been transferred to Shangdong Juli.

As stated in the 2007 Circular, TAGC invested in its principal operating subsidiaries in conjunction with operation support from the other minority shareholders who often are the founders of the relevant businesses. Accordingly, certain of the operating subsidiaries of TAGC had ongoing transactions with these minority shareholders for many years. After completion of the Merger, the on-going transactions of such subsidiaries with their substantial shareholders (as defined in the Listing Rules) were taken over by the Company and some of which have constituted non-exempt continuing connected transactions under the Listing Rules, and were subject to, among others, the approval of the independent shareholders.

As stated in the Letter from the Board, where applicable under the Listing Rules, the Weichai Continuing Connected Transactions and the TAGC Continuing Connected Transactions and their respective annual caps have been approved by the Independent Shareholders at the 2006 EGM and 2007 EGM, respectively. As advised by the Company, during the constant review and continuous assessment of the Group's production demand and operating conditions, it is anticipated that the transaction values of certain Continuing Connected Transactions will continue to grow and are expected to exceed either their existing annual caps or the 2.5% Threshold. Therefore, the Group has entered into certain CCT Agreements to extend the existing framework agreements for a term ending 31 December 2010 and has also proposed the New Caps for the respective Non-exempt continuing Connected Transactions.

Since these Non-exempt Continuing Connected Transactions have been going on for a number of years and the Group has built up a long-term strategic and solid business relationship with the respective entities, we concur with the Directors' view that it is beneficial to the Company to carry on with the Non-exempt Continuing Connected Transactions in order to ensure and maximize the operating efficiency and stability of the operations of the Group. On this basis, we are of the opinion that the CCT Agreements in respect of the Non-exempt Continuing Connected Transactions are in the interests of the Company and the Shareholders as a whole.

III. Non-exempt Continuing Connected Transactions

A. *Weichai Continuing Connected Transactions*

1. *Provision of general services and labour services by Weichai Holdings (and its associates) (as the case may be) to the Company*

(a) Principal terms of the CCT Agreement between the Company, and Weichai Holdings and Chongqing Weichai in relation to the provision of general and labour services ("Supplemental Weichai Holdings General Services Agreement")

The Supplemental Weichai Holdings General Services Agreement aims to govern the following transactions between the Company and Weichai Holdings (and its associates) and is supplemental to the following services agreements:

(i) Pursuant to the general services agreement dated 17 November 2003 (as supplemented by the supplemental agreements dated 12 January 2004, 2 February 2004, 15 September 2004, 21 September 2005 and 12 November 2006) (the "Original Weichai Holdings General Services Agreement"), Weichai Holdings has agreed to provide certain services to the Company, namely, environmental protection, security, fire, repair, maintenance and other general services and the payment of certain town land use right tax in relation to the property occupied and/or used by the Company (and/or its staff, if applicable), for a term ending 31 December 2009. The Supplemental Weichai Holdings General Services Agreement will extend the original agreement with Weichai Holdings for a term up to 31 December 2010 and under which, the fees payable by the Company to Weichai Holdings with respect to the provision of the said general services are determined based on the actual costs incurred by Weichai Holdings and apportioned on a pro-rata basis according to the area of the relevant property occupied and/or used by the Company plus a service charge representing not more than 5% of such costs and settled on a monthly basis.

(ii) Since 2007, certain employees of Weichai Holdings have provided services in respect of utilities to the Company. Accordingly, the Company has paid certain fees to Weichai Holdings which were determined on the basis of the remunerations and expenses in respect of such employment on a monthly basis. Pursuant to the Supplemental Weichai Holdings General Services Agreement, Weichai Holdings has agreed to provide labour services on the same terms to the Company for a term ending 31 December 2010.

(iii) Pursuant to the general services agreement between the Company and Chongqing Weichai dated 17 November 2003 (as amended and supplemented by the agreements dated 15 September 2004, 21 September 2005 and 12 November 2006) (the "Original Chongqing Weichai General Services Agreement"), Chongqing Weichai has agreed to provide certain general services to Chongqing Branch, namely, environmental protection, security, fire and other general services and the payment of certain town land use right tax in relation to the property used by Chongqing Branch for a term ending 31 December 2009. The Supplemental Weichai Holdings General Services Agreement will extend the original agreement with Chongqing Weichai for a term up to 31 December 2010 and under which, the fees payable by the Company to Chongqing Weichai are determined based on the actual costs incurred by it and apportioned on a pro-rata basis according to the area of the relevant property occupied and/or used by Chongqing Branch (and/or its staff, if applicable) plus a service charge not exceeding 20% of such costs (save that the town land use right tax paid by Chongqing Weichai on behalf of Chongqing Branch and its staff, if applicable, will not be subject to the said 20% service charge) and are settled by the parties on a monthly basis. With respect to certain public utilities provided by Chongqing Weichai to certain common areas used by both Chongqing Weichai and Chongqing Branch, the costs with respect to such public utilities incurred by Chongqing Weichai would be shared between Chongqing Weichai and Chongqing Branch pro-rated according to their respective annual sales. In addition, Chongqing Weichai has agreed that the charges for the general services referred to above will not be higher than the fees payable to it by any independent third parties. If the Company is able to secure the provision of any services similar to those referred to above by itself or from a third party on terms more favourable than those set out in the general services agreement, then the Company is entitled to terminate the relevant services by giving not less than 30 days' prior notice to Chongqing Weichai.

Under the Supplemental Weichai Holdings General Services Agreement, the Company shall have an option to renew the agreements for a term of three years. Save as aforesaid and the revision of the Existing Caps below, all other terms of the Original Weichai Holdings General Services Agreement and the Original Chongqing Weichai General Services Agreement remain unchanged.

As stated in the section headed "Background and reasons for the Non-exempt Continuing Connected Transactions", since the production facilities of the Group and Weichai Holdings are located in close proximity to each other and it is the PRC government's policy not to duplicate construction of production and other facilities, the aforesaid transactions in respect of the provision of general services have been conducted on an ongoing basis after the listing of the Company on the Stock Exchange in 2004. Although certain of the general services are provided by Weichai Holdings at a fee of 5% of the actual cost under the Original Weichai Holdings General Services Agreement and of not more than 20% under the Original Chongqing Weichai General Services Agreement, the labour services and the town land use right tax are determined at their actual costs only. It should be noted that the service charge under the Original Weichai Holdings General Services Agreement has been changed from a fixed rate of 20% to a flexible rate of not more than 20% since 1 September 2005, and has been further reduced to the present level of 5% since 1 January 2006. Although the service charge under the Original Chongqing Weichai General Services Agreement remains at not more than 20% of the actual cost, we consider it acceptable as the Company is entitled to terminate the services by giving not less than 30 days' prior notice to Chongqing Weichai if the Company is able to secure the services on more favourable terms. Due to historical reasons and the long-term strategic and business relationship with Weichai Holdings, the Company considers that it remains more cost effective and efficient to engage the aforesaid general and labour services of Weichai Holdings and Chongqing Weichai.

As stated in the Letter from the Board, the transactions in relation to the provision of general services and labour services by Weichai Holdings (and its associates) to the Company are settled on a monthly basis. We noted from the 2007 Annual Report that about 95% of the Group's trade and bills payables aged up to 180 days. The Group had trade and bills payables of approximately RMB7,391 million as at 31 December 2007, of which about 85.3% aged within 90 days. We have also noted that both sale and purchase transactions between the Company (and its subsidiaries) and Weichai Holdings (and its associates including Chongqing Weichai, Chongqing Casting and Weichai Import and Export) are settled on a monthly basis. We therefore consider that the settlement term on a monthly basis granted by Weichai Holdings and Chongqing Weichai to the

Company for the transactions under the Supplemental Weichai Holdings General Services Agreement is no less favourable to the Company and is in line with the Group's normal commercial terms.

Based on the above, we are of the view that: (i) the provision of general services and labour services by Weichai Holdings (and its associates) to the Company is in the ordinary and usual course of business of the Company; and (ii) the terms, including the charges and settlement term, for the provision of such general services and labour services are normal commercial terms and are fair and reasonable as the Company is entitled to terminate the services if it can secure the services on more favourable terms. We are therefore of the opinion that the Supplemental Weichai Holdings General Services Agreement is in the interests of the Company and the Shareholders as a whole and the terms of which are fair and reasonable.

(b) Rationale for determining the New Caps

The table below sets out the actual transaction amounts involved for the transactions in this sub-section for each of the two years ended 31 December 2007 and the five months ended 31 May 2008;

	Provision of general services by Weichai Holdings to the Company *(RMB'000)*	**Provision of labour services by Weichai Holdings to the Company** *(RMB'000)*	**Provision of general services by Chongqing Weichai to the Company** *(RMB'000)*	**Total** *(RMB'000)*
Actual amounts:				
2006 (audited)	8,131	—	7,172	15,303
2007 (audited)	7,000	4,178	8,452	19,630
5 months up to 31 May 2008 (unaudited)	6,600	1,622	3,166	11,388

The table below sets out (i) the aggregate transaction amounts involved for the aforesaid provision of services by Weichai Holdings (and its associates) to the Company for each of the two years ended 31 December 2007 and the five months ended 31 May 2008; (ii) the existing aggregate annual caps for the transactions in relation to the provision of general services by Weichai Holdings and Chongqing Weichai to the Company for the three years ending 31 December 2009; and (iii) the proposed aggregate New Caps for all the transactions in relation to the provision of general services and labour services by Weichai Holdings (and its associates) to the Company for each of the three years ending 31 December 2008, 2009 and 2010.

	Aggregate transaction amounts involved for the provision of general services and labour services by Weichai Holdings (and its associates) to the Company *(RMB'000)*	**Increase as compared to the preceding financial year** *(%)*
Actual amounts:		
2006 (audited)	15,303	N/A
2007 (audited)	19,630	28.3
5 months up to 31 May 2008 (unaudited) *(Note 1)*	11,388	39.2
Existing Caps: *(Note 2)*		
2007	15,500	N/A
2008	17,000	9.7
2009	18,500	8.8
New Caps:		
2008	29,500	N/A
2009	36,500	23.7
2010	47,500	30.1

Notes:

1. The percentage increase has been calculated on an annualized basis.

2. The Existing Caps do not cover the provision of labour services by Weichai Holdings to the Company under item (ii) above and such transactions will be grouped and governed under the proposed New Caps.

As stated in the Letter from the Board, the above New Caps have been prepared by the Company primarily based on the relevant historical costs plus a service charge by Weichai Holdings and Chongqing Weichai of 5% and 20%, respectively, of such costs. The estimates have taken into account an increase in the sales of the Group's products by approximately 30% per annum and an estimated salary growth rate of 10% due to the economic boom in Chongqing.

As indicated in the table above, the aggregate transaction amount involved for the provision of general and labour services by Weichai Holdings (and its associates) to the Company in 2007 was approximately RMB19.6 million, up by approximately 28% from approximately RMB15.3 million in 2006. For the first five months in 2008, the aggregate transaction amount was approximately RMB11.4 million, representing an annualized increase of approximately 39% over the preceding year. The Company has proposed a New Cap of RMB29.5 million for the whole year of 2008. Since the aggregate transaction amount would be estimated at about RMB27.3 million on an annualized basis using the actual transaction amount for the first five months of 2008, we consider that the proposed New Cap of RMB29.5 million for the whole year of 2008, which represents a buffer of about 8% over the estimated annual transaction amount, is reasonable.

The proposed New Caps of RMB36.5 million and RMB47.5 million for the two years ending 31 December 2009 and 2010 represent a growth rate of about 24% and 30% over their respective New Cap for the preceding year. We consider such growth rates reasonable on the basis that the annual growth rate as represented by the aggregate transaction amount for 2007 is about 28%, and that for the 2008 is about 39% on average based on the actual transaction amount for the first five months of 2008.

In summary, we are of the view that the proposed New Caps of RMB29.5 million, RMB36.5 million and RMB47.5 million for the transactions in relation to the provision of general services and labour services by Weichai Holdings (and its associates) to the Company for each of the three years ending 31 December 2008, 2009 and 2010, respectively, are fair and reasonable.

2. *Supply and/or connection of utilities by Weichai Holdings (and its associates) (as the case may be) to the Company*

(a) Principal terms of the CCT Agreement between the Company and Weichai Holdings and Chongqing Weichai in relation to the supply and/or connection of utilities by Weichai Holdings (and its associates) (as the case may be) to the Company ("Supplemental Weichai Holdings Utilities Agreement")

The Supplemental Weichai Holdings Utilities Agreement is supplemental to the following utility service agreements:

(i) Pursuant to the utility service agreement dated 17 November 2003 (as supplemented by the supplemental agreements dated 15 September 2004, 21 September 2005 and 12 November 2006) (the "Original Weichai Holdings Utilities Agreement"), Weichai Holdings has agreed to provide or provide the connection of (as the case may be) certain utility and energy services to the Company, namely, water, electricity, gas, steam, oxygen, nitrogen, compressed air, waste water treatment and supply of treated waste water, etc., for a term ending 31 December 2009. The Supplemental Weichai Holdings Utilities Agreement will extend the original agreement with Weichai Holdings for a term up to 31 December 2010 and under which, the fees payable by the Company to Weichai Holdings with respect to the provision and/or connection of the said utility and energy services are determined based on the actual usage of the Company and by reference to the market prices of such utilities. If only government published rates are available with respect to certain utilities, the fees payable would be determined by reference to the government published rates plus the wastage, depreciation and repair expenses incurred by Weichai Holdings in relation thereto. If no market price or government published rates with respect to the above utility and energy services are available, the Company will pay the actual costs incurred by Weichai Holdings in relation to the provision of such utility and energy services plus a service charge representing not more than 20% of such costs. The fees are settled on a monthly basis.

(ii) Pursuant to the utility service agreement between the Company and Chongqing Weichai dated 17 November 2003 (as amended and supplemented by the agreements dated 15 September 2004, 21 September 2005 and 12 November 2006) (the "Original Chongqing Weichai Utilities Agreement"), Chongqing Weichai has agreed to provide or provide the connection of (as the case may be) certain utility and energy services to the Chongqing Branch, namely, water, electricity, natural gas, steam, oxygen, nitrogen and compressed air, etc. for a term ending 31 December 2009. The Supplemental Weichai Holdings Utilities Agreement will extend the original agreement with Chongqing Weichai for a term up to 31 December 2010 and under which, the fees payable by the Company to Chongqing Weichai in respect of the relevant utility and energy services are determined based on the usage thereof by the Chongqing Branch or, if it is not possible to measure such usage, pro-rated according to the respective sales of Chongqing Weichai and the Chongqing Branch and by reference to the market prices of such utilities. If only government published rates are available with respect to certain utilities, the fees payable will be determined by reference to the government published rates plus the wastage, depreciation and repair expenses incurred by Chongqing Weichai in relation to the provision of the relevant utilities. If no market prices or government published rates with respect to any of the above utilities are available, the Company will pay the costs incurred by Chongqing Weichai in relation to the provision of the above utility and energy services plus a service charge representing not more than 20% of such costs. The fees are settled on a monthly basis.

Under the Supplemental Weichai Holdings Utilities Agreement, the Company shall have an option to renew the agreements for a term of three years. Save as aforesaid and the revision of the Existing Caps below, all other terms of the Original Weichai Holdings Utilities Agreement and the Original Chongqing Weichai Utilities Agreement remain unchanged.

As stated in the section headed ''Background and reasons for the Non-exempt Continuing Connected Transactions'', since the production facilities of the Group and Weichai Holdings are located in close proximity to each other and it is the PRC government's policy not to duplicate construction of production and other facilities, the aforesaid transactions in respect of the supply and/or connection of utilities have been conducted on an ongoing basis after the listing of the Company on the Stock Exchange in 2004. The supply of the utilities has been provided by Weichai Holdings and Chongqing Weichai at a fee of 5% and 20%, respectively, of the actual costs incurred, and the Company expects that the same rates will be charged for the three years ending 31 December 2010. It should be noted that the service charge under the Original Weichai Holdings Utilities Agreement has been changed from a fixed rate of 20% to a flexible rate of not more than 20% since 1 September 2005. Since 1 January 2006, Weichai Holdings has further reduced the rate to 5%. Although the service charge rate under the Original Chongqing Weichai Utilities Agreement is higher than that charged by Weichai Holdings, the cost-plus margin of ''not more than'' 20% under the agreement would allow the Company to negotiate with Chongqing Weichai as and when appropriate for a lower charge. As stated in the Company's prospectus dated 26 February 2004, the 20% service charge was determined by reference to the document issued by the Ministry of Finance on 21 December 2001 regarding the accounting treatment of sales of goods between connected parties and also by reference to the gross profit margin of the Company. Due to historical reasons and the long-term strategic and business relationship with Weichai Holdings, the Company considers that it remains more cost effective and efficient to engage the aforesaid utility services of Weichai Holdings and Chongqing Weichai.

As stated in the Letter from the Board, the transactions in relation to the supply and/or connection of utilities by Weichai Holdings (and its associates) to the Company are settled on a monthly basis. We noted from the 2007 Annual Report that about 95% of the Group's trade and bills payables aged up to 180 days. The Group had trade and bills payables of approximately RMB7,391 million as at 31 December 2007, of which about 85.3% aged within 90 days. We have also noted that both sale and purchase transactions between the Company (and its subsidiaries) and Weichai Holdings (and its associates including Chongqing Weichai, Chongqing Casting and Weichai Import and Export) are settled on a monthly basis. We therefore consider that the settlement term on a monthly basis granted by Weichai Holdings and Chongqing Weichai to the Company for the transactions under the Supplemental Weichai Holdings Utilities Agreement is no less favourable to the Company and is in line with the Group's normal commercial terms.

Based on the above, we are of the view that: (i) the supply and/or connection of utilities by Weichai Holdings (and its associates) to the Company is in the ordinary and usual course of business of the Company; and (ii) the terms, including the charges and the settlement term, for the provision of such utility services are normal commercial terms and are fair and reasonable as it provides flexibility for the Company to negotiate for a lower charge as and when appropriate. We are therefore of the opinion that the Supplemental Weichai Holdings Utilities Agreement is in the interests of the Company and the Shareholders as a whole and the terms of which are fair and reasonable.

(b) Rationale for determining the New Caps

The table below sets out the actual transaction amounts involved for the transactions in this sub-section for each of the two years ended 31 December 2007 and the five months ended 31 May 2008;

	Supply and/or connection of utilities by Weichai Holdings to the Company *(RMB'000)*	**Supply and/or connection of utilities by Chongqing Weichai to the Company** *(RMB'000)*	**Total** *(RMB'000)*
Actual amounts:			
2006 (audited)	90,071	14,012	104,083
2007 (audited)	110,000	15,740	125,740
5 months up to 31 May 2008 (unaudited)	63,030	8,827	71,857

The table below sets out (i) the aggregate transaction amounts involved for the aforesaid supply of utility services by Weichai Holdings (and its associates) to the Company for each of the two years ended 31 December 2007 and the five months ended 31 May 2008; (ii) the existing aggregate annual caps for the aforesaid transactions for the three years ending 31 December 2009; and (iii) the proposed aggregate New Caps for all the transactions in relation to the supply of utility services by Weichai Holdings (and its associates) to the Company for each of the three years ending 31 December 2008, 2009 and 2010.

	Aggregate transaction amounts involved for the supply and/or connection of utilities by Weichai Holdings (and its associates) to the Company *(RMB'000)*	**Increase as compared to the preceding financial year** *(%)*
Actual amounts:		
2006 (audited)	104,083	N/A
2007 (audited)	125,740	20.1
5 months up to 31 May 2008 (unaudited) *(Note 1)*	71,857	37.2
Existing Caps:		
2007	126,000	N/A
2008	142,000	12.7
2009	158,000	11.3
New Caps:		
2008	178,000	N/A
2009	223,000	25.3
2010	290,000	30.0

Note: The percentage increase has been calculated on an annualized basis.

As stated in the Letter from the Board, the above New Caps have been prepared by the Company primarily based on the relevant historical costs plus a service charge by Weichai Holdings and Chongqing Weichai of 5% and 20%, respectively, of such costs. The estimates have taken into account an increase in the sales of the Group's products by approximately 30% per annum, an estimated salary growth rate of 10% due to the economic boom in Chongqing and an increase of the costs for such utility and energy services at a rate of 5%.

As indicated in the table above, the aggregate transaction amount involved for the supply and/or connection of utilities by Weichai Holdings (and its associates) to the Company in 2007 was approximately RMB125.7 million, up by approximately 20% from approximately RMB104.1 million in 2006. For the first five months in 2008, the aggregate transaction amount was approximately RMB71.9 million, representing an annualized increase of approximately 37% over the preceding year. The Company has proposed a New Cap of RMB178 million for the whole year of 2008. Since the aggregate transaction amount would be estimated at about RMB172.5 million on an annualized basis using the actual transaction amount for the first five months of 2008, we consider that the proposed New Cap of RMB178 million for the whole year of 2008, which represents a modest buffer of about 3% over the estimated annual transaction amount, is reasonable.

The proposed New Caps of RMB223 million and RMB290 million for the two years ending 31 December 2009 and 2010 represent a growth rate of about 25% and 30% over their respective New Cap for the preceding year. We consider such growth rates reasonable on the basis that the annual growth rate as represented by the aggregate transaction amount for 2007 is about 20%, and that for 2008 is about 37% on average based on the actual transaction amount for the first five months of 2008.

In summary, we are of the view that the proposed New Caps of RMB178 million, RMB223 million and RMB290 million for the transactions in relation to the supply and/or connection of utilities by Weichai Holdings (and its associates) to the Company for each of the three years ending 31 December 2008, 2009 and 2010, respectively, are fair and reasonable.

3. *Purchase of diesel engine parts and components, gas and scrap metals, etc., materials and related products and processing services by the Company from Weichai Holdings (and its associates) (as the case may be)*

(a) Principal terms of the Weichai Purchase and Processing Services Agreement

On 27 November 2008, the Company entered into the Weichai Purchase and Processing Services Agreement with Weichai Holdings and Chongqing Weichai to govern the conduct of the following transactions:

(i) Purchase of parts and components, gas and scrap materials, etc., and related products by the Company from Weichai Holdings

For the three years ended 31 December 2007, the Company has purchased certain parts and components, gas, scrap metal, etc. and materials for the manufacture of diesel engines from Weichai Holdings, at market prices and settled by the parties on a monthly basis. Pursuant to the Weichai Purchase and Processing Services Agreement, the Company has agreed to purchase the said parts and components, gas and scrap metals, etc., and related products from Weichai Holdings (and its associates) (as the case may be) on the same terms for a term ending 31 December 2010, upon the expiry of which the Company shall have an option to renew the agreement for a term of three years.

(ii) Purchase of materials by Chongqing Branch from Chongqing Weichai

For the three years ended 31 December 2007, Chongqing Branch has purchased certain materials from Chongqing Weichai for the manufacture of diesel engines at market prices and settled on a monthly basis. Pursuant to the Weichai Purchase and Processing Services Agreement, the Company has agreed to purchase and Chongqing Weichai has agreed to sell the said materials and related products on the same terms for a term ending 31 December 2010, upon the expiry of which the Company shall have an option to renew the agreement for a term of three years.

(iii) Provision of processing services by Chongqing Weichai to Chongqing Branch

Pursuant to a processing services agreement dated 17 November 2003 between Chongqing Weichai and the Company (as supplemented by the supplemental agreements dated 15 September 2004, 21 September 2005 and 12 November 2006, respectively), Chongqing Weichai has agreed to provide processing services to the Company with respect to certain semi-finished diesel engine parts for a period ending 31 December 2009. Pursuant to the Weichai Purchase and Processing Services Agreement, Chongqing Weichai has agreed to provide the aforesaid processing services to the Company for a term ending 31 December 2010, upon the expiry of which the Company shall have an option to renew the agreement for a term of three years.

Under the Weichai Purchase and Processing Services Agreement, the prices and fees payable by the Company to Weichai Holdings and Chongqing Weichai are determined based on market prices (and/or according to the principle of fairness and reasonableness) and shall be settled on normal commercial terms.

As stated in the Letter from the Board, the transactions in relation to the purchase of products and processing services by the Company from Weichai Holdings (and its associates) have been conducted at market prices and settled on a monthly basis. We noted from the 2007 Annual Report that about 95% of the Group's trade and bills payables aged up to 180 days. The Group had trade and bills payables of approximately RMB7,391 million as at 31 December 2007, of which about 85.3% aged within 90 days. We have also noted that both sale and purchase transactions between the Company (and its subsidiaries) and Weichai Holdings (and its associates including Chongqing Weichai, Chongqing Casting and Weichai Import and Export) are settled on a monthly basis. We therefore consider that the settlement term on a monthly basis granted by Weichai Holdings and Chongqing Weichai to the Company for the transactions under the Weichai Purchase and Processing Services Agreement is no less favourable to the Company and is in line with the Group's normal commercial terms.

Based on the above, we consider that (i) the transactions contemplated under the Weichai Purchase and Processing Services Agreement are in the ordinary and usual course of business of the Company; and (ii) the terms, including the pricing and the settlement term, for the transactions under the Weichai Purchase and Processing Services Agreement are normal commercial terms and are fair and reasonable. We are therefore of the opinion that the Weichai Purchase and Processing Services Agreement is in the interests of the Company and the Shareholders as a whole and the terms of which are fair and reasonable.

(b) Rationale for determining the New Caps

The table below sets out the actual transaction amounts involved for the transactions in this sub-section for each of the two years ended 31 December 2007 and the five months ended 31 May 2008;

	Purchase of parts and components, gas and scrap metals, etc., and related products from Weichai Holdings *(RMB'000)*	**Purchase of materials by Chongqing Branch from Chongqing Weichai** *(RMB'000)*	**Provision of processing services by Chongqing Weichai to Chongqing Branch** *(RMB'000)*	**Total** *(RMB'000)*
Actual amounts:				
2006 (audited)	540	231	63,070	63,841
2007 (audited)	853	199	70,000	71,052
5 months up to 31 May 2008 (unaudited)	507	76	39,010	39,593

The table below sets out (i) the aggregate transaction amounts involved for the aforesaid purchase of products and materials and processing services by the Company from Weichai Holdings (and its associates) for each of the two years ended 31 December 2007 and the five months ended 31 May 2008; (ii) the existing annual caps for the transactions in relation to the provision of processing services by Chongqing Weichai to Chongqing Branch for the three years ending 31 December 2009; and (iii) the proposed aggregate New Caps for all the transactions in relation to the purchase of products and processing services by the Company (and its subsidiaries) from Weichai Holdings (and its associates) for each of the three years ending 31 December 2008, 2009 and 2010.

	Aggregate transaction amounts involved for the purchase of products and materials and processing services by the Company (and its subsidiaries) from Weichai Holdings (and its associates) *(RMB'000)*	**Increase as compared to the preceding financial year** *(%)*
Actual amounts:		
2006 (audited)	63,841	N/A
2007 (audited)	71,052	11.3
5 months up to 31 May 2008 (unaudited) *(Note 1)*	39,593	33.7
Existing Caps: *(Note 2)*		
2007	70,000	N/A
2008	80,000	14.3
2009	90,000	12.5
New Caps:		
2008	86,500	N/A
2009	102,000	17.9
2010	112,500	10.3

Notes:

1. The percentage increase has been calculated on an annualized basis.

2. The Existing Caps only cover the transactions in relation to the provision of processing services by Chongqing Weichai to the Company.

As stated in the Letter from the Board, the above New Caps have been prepared by the Company primarily based on the historical costs and its estimate of the transaction volume of the said purchases and processing services, which in turn are based on the production volume, material cost, processing cost and the volume of diesel engines to be sold for the three years ending 31 December 2010. The Company estimates that the material and processing costs will increase steadily over the three years ending 31 December 2010, taking into account the estimated increase in salary at an annual rate of 10% in Chongqing Weichai.

As indicated in the table above, the aggregate transaction amount involved for the purchase of products and processing services by the Company (and its subsidiaries) from Weichai Holdings (and its associates) in 2007 was approximately RMB70.1 million, up by approximately 11.3% from approximately RMB63.8 million in 2006. For the first five months in 2008, the aggregate transaction amount was approximately RMB39.6 million, representing approximately 55.7% of the total transaction amount in 2007 and an annualized increase of approximately 33.7%. The Company has proposed a New Cap of RMB86.5 million for the whole year of 2008, representing a growth rate of approximately 21.7% over the total transaction amount in 2007. The proposed New caps of RMB102 million and RMB112.5 million for each of the two years of 2009 and 2010 represent growth rates of approximately 17.9% and 10.3% over their respective preceding year, or an average of about 14% per annum. Having considered the historical growth rate of about 11.3% in the transaction amount in 2007 and that the actual transaction amount in the first five months of 2008 represents about 45.8% of the proposed New Cap for the full year of 2008, we consider that the aforesaid growth rates as represented by the proposed New Caps for the three years ending 31 December 2010 are not excessive.

In summary, we are of the view that the proposed New Caps of RMB86.5 million, RMB102 million and RMB112.5 million for the transactions in relation to the purchase of products and processing services by the Company (and its subsidiaries) from Weichai Holdings (and its associates) for each of the three years ending 31 December 2008, 2009 and 2010, respectively, are fair and reasonable.

4. *Sale of diesel engines, diesel engine parts and components, materials and related products and provision of processing services by the Company (and its subsidiaries) to Weichai Holdings (and its associates) (as the case may be)*

(a) Principal terms of the Weichai Sale and Processing Services Agreement

On 27 November 2008, the Company and Weichai Resources entered into the Weichai Sale and Processing Services Agreement with Weichai Holdings, Chongqing Casting, Weichai Import and Export, and Chongqing Weichai to govern the conduct of the following transactions:

(i) Sale of diesel engine parts and components, materials and related products by the Company to Weichai Holdings

Since 2008, the Company has sold certain diesel engine parts and components and materials for the repair services of diesel engines to Weichai Holdings, at market prices and settled on a monthly basis. Pursuant to the Weichai Sale and Processing Services Agreement, the Company has agreed to sell the said parts and components and materials and related products to Weichai Holdings and its associates (as the case may be) on the same terms for a term ending 31 December 2010, upon the expiry of which the Company shall have an option to renew the agreement for a term of three years.

(ii) Sale of materials and related products by Chongqing Branch to Chongqing Weichai

For the three years ended 31 December 2007, Chongqing Branch has sold certain materials for the manufacture of diesel engines to Chongqing Weichai, at market prices, to be settled on a monthly basis. Pursuant to the Weichai Sale and Processing Services Agreement, the Company has agreed to sell and Chongqing Weichai has agreed to purchase the said materials and related products on the same terms for a term ending 31 December 2010, upon the expiry of which the Company shall have an option to renew the agreement for a term of three years.

(iii) Sale of materials and related products by Chongqing Branch to Chongqing Casting

Since 2008, Chongqing Branch has sold certain materials to Chongqing Casting at market prices and settled on a monthly basis. Pursuant to the Weichai Sale and Processing Services Agreement, the Company has agreed to sell and Chongqing Casting has agreed to purchase the said materials and related products on the same terms for a term ending 31 December 2010, upon the expiry of which the Company shall have an option to renew the agreement for a term of three years.

(iv) Provision of processing services by Chongqing Branch to Chongqing Weichai

For the three years ended 31 December 2007, Chongqing Branch has provided certain processing service in relation to the production of diesel engines to Chongqing Weichai, at market price and settled on a monthly basis. Pursuant to the Weichai Sale and Processing Services Agreement, Chongqing Branch has agreed to provide the said processing services to Chongqing Weichai on the same terms for a term ending 31 December 2010, upon the expiry of which the Company shall have an option to renew the agreement for a term of three years.

(v) Sale of diesel engines, diesel engine parts and components and related products by the Company to Weichai Import and Export

Since 2007, the Company has sold certain diesel engines to be used in ships and diesel engines parts and components to Weichai Import and Export at market prices and settled on a monthly basis. Pursuant to the Weichai Sale and Processing Services Agreement, the Company has agreed to sell and Weichai Import and Export has agreed to purchase the said diesel engines, diesel engine parts and components and related products on the same terms for a term ending 31 December 2010, upon the expiry of which the Company shall have an option to renew the agreement for a term of three years.

(vi) Sale of diesel engine parts and components and related products by Weichai Resources to Weichai Import and Export

For the three years ended 31 December 2007, Weichai Resources has sold certain diesel engine parts to Weichai Import and Export, at market prices and settled on a monthly basis. Pursuant to the Weichai Sale and Processing Services Agreement, Weichai Resources has agreed to sell and Weichai Import and Export has agreed to purchase the said diesel engine parts and components and related products, for a term ending 31 December 2010, upon the expiry of which Weichai Resources shall have an option to renew the agreement for a term of three years.

Under the Weichai Sale and Processing Services Agreement, the prices and fees payable by Weichai Holdings (and its associates) are determined based on market prices (and/or according to the principle of fairness and reasonableness) and shall be settled on normal commercial terms.

As stated in the Letter from the Board, the transactions in relation to the sale of products and provision of processing services by the Company (and its subsidiaries) to Weichai Holdings (and its associates) are conducted at market prices and settled on a monthly basis. We noted from the 2007 Annual Report that the credit terms granted by the Group to its customers were normally in the range between 90 days and 180 days. Customers with established trading records could be granted longer credit period. As stated in the 2007 Annual Report, the Group had trade and bills receivables of approximately RMB6,105 million as at 31 December 2007, of which about 68% aged within 90 days. Based on the credit terms granted by the Group to its customers in general, we consider that the settlement term on a monthly basis for the transactions under the Weichai Sale and Processing Services Agreement is no less favourable to the Group as compared to its normal commercial terms. We have also noted that both sale and purchase transactions between the Company (and its subsidiaries) and Weichai Holdings (and its associates including Chongqing Weichai, Chongqing Casting and Weichai Import and Export) are settled on a monthly basis.

Based on the above, we consider that (i) the transactions contemplated under the Weichai Sale and Processing Services Agreement are in the ordinary and usual course of business of the Company; and (ii) the terms, including the pricing and the settlement term, for the transactions under the Weichai Sale and Processing Services Agreement are normal commercial terms and are fair and reasonable. We are therefore of the opinion that the Weichai Sale and Processing Services Agreement is in the interests of the Company and the Shareholders as a whole and the terms of which are fair and reasonable.

(b) Rationale for determining the New Caps

The table below sets out the actual transaction amounts involved for the transactions in this sub-section for each of the two years ended 31 December 2007 and the five months ended 31 May 2008;

	Transactions referred to in the sub-section (a) above						
	(i)	**(ii)**	**(iii)**	**(iv)**	**(v)**	**(vi)**	**Total**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Actual amounts:							
2006 (audited)	—	39,276	—	3,366	—	1,446	44,088
2007 (audited)	—	41,575	—	4,607	60,241	8,223	114,646
5 months up to 31 May 2008 (unaudited)	381	867	20,423	1,494	44,911	5,259	73,335

The table below sets out (i) the aggregate transaction amounts involved for the aforesaid sale of products and provision of processing services by the Company (and its subsidiaries) to Weichai Holdings (and its associates) for each of the two years ended 31 December 2007 and the five months ended 31 May 2008; and (ii) the proposed aggregate New Caps for all the transactions in relation to the sale of products and provision of processing services by the Company (and its subsidiaries) to Weichai Holdings (and its associates) for each of the three years ending 31 December 2008, 2009 and 2010.

	Aggregate transaction amounts involved for the sale of products and provision of processing service by the Company (and its subsidiaries) to Weichai Holdings (and its associates) *(RMB'000)*	**Increase as compared to the preceding financial year** *(%)*
Actual amounts:		
2006 (audited)	44,088	N/A
2007 (audited)	114,646	160.0
5 months up to 31 May 2008 (unaudited) *(Note 1)*	73,335	53.5
New Caps:		
2008	200,000	N/A
2009	265,000	32.5
2010	315,000	18.9

Note: The percentage increase has been calculated on an annualized basis.

As stated in the Letter from the Board, the above New Caps have been prepared by the Company primarily based on historical costs and the estimate of estimate of the number of diesel engines, diesel engine parts and components and materials required by Weichai Holdings, Chongqing Weichai and Weichai Import and Export (as the case may be), the average unit prices of the same, and the costs of the processing services to be provided, and on the assumption that the sales of the Company will grow by 30% each year for the three years ending 31 December 2010.

As indicated in the table above, the aggregate transaction amount involved for the sale of products and provision of processing services by the Company (and its subsidiaries) to Weichai Holdings (and its associates) in 2007 was approximately RMB114.6 million, up by approximately 160% from approximately RMB44.1 million in 2006. For the first five months in 2008, the aggregate transaction amount was approximately RMB73.3 million, representing an annualized increase of approximately 53.5% over the preceding year. The Company has proposed a New Cap of RMB200 million for the whole year of 2008. Based on the actual transaction amount for the first five months in 2008, the aggregate transaction amount for the full year would be estimated at about RMB176 million on an annualized basis. We have reviewed the sales estimates by the Company and noted that the sales to Weichai Import and Export would increase substantially compared with the preceding year and therefore the proposed New Cap for 2008 has been determined at RMB200 million, which represents a buffer of approximately 13.6% over the estimated annual transaction amount for 2008. The proposed New Caps of RMB265 million and RMB315 million for the two years ending 31 December 2009 and 2010 represent a growth rate of about 32.5% and 18.9% over their respective New Cap for the preceding year. Having considered that the annual growth rate as represented by the aggregate transaction amount in 2007 is about 160% and that for 2008 is about 53.5% on average based on the actual transaction amount for the first five months in 2008, we consider the aforesaid growth rates as represented by the proposed New Caps for the three years ending 31 December 2008, 2009 and 2010 to be reasonable.

In summary, we are of the view that the proposed New Caps of RMB200 million, RMB265 million and RMB315 million for the transactions in relation to the sale of products and provision of processing services by the Company (and its subsidiaries) to Weichai Holdings (and its associates) for each of the three years ending 31 December 2008, 2009 and 2010, respectively, are fair and reasonable.

5. *Sale of diesel engines and diesel engine parts by the Company to Fujian Longgong and Shanghai Longgong (and their respective associates)*

(a) Principal terms of the CCT Agreement in relation to the sale of diesel engines and diesel engine parts by the Company to Fujian Longgong and Shanghai Longgong (and their respective associates) (the "Supplemental Longgong Agreement")

Pursuant to the framework agreement dated 21 October 2003 (as supplemented by the supplemental agreements dated 15 September 2004 and 12 November 2006) entered into between the Company and Fujian Longgong (the "FL Framework Agreement"), the Company has agreed to supply Fujian Longgong and its associates, at market prices, diesel engines and parts for each of the three years ending 31 December 2009. Pursuant to another framework agreement dated 21 October 2003 (as supplemented by the supplemental agreements dated 15 September 2004 and 12 November 2006) entered into between the Company and Shanghai Longgong (the "SL Framework Agreement"), the Company has agreed to supply Shanghai Longgong and its associates, at market prices, diesel engines and parts for each of the three years ending 31 December 2009. Under the Supplemental Longgong Agreement, the prices for the supply of products by the Company to Fujian Longgong and Shanghai Longgong (and their respective associates) shall be determined based on market prices (and/ or according to the principle of fairness and reasonableness) and the FL Framework Agreement and the SL Framework Agreement will be extended for a term ending 31 December 2010, upon the expiry of which the Company shall have the option to extend the term for another three years. Save as aforesaid and the revision of the Existing Caps below, all other terms of the original FL Framework Agreement and the SL Framework Agreement remain unchanged.

As stated in the Letter from the Board, the sale of products by the Company to Fujian Longgong and Shanghai Longgong are conducted at market prices and settled in the month following delivery. We noted from the 2007 Annual Report that the credit terms granted by the Group to its customers were normally in the range between 90 days and 180 days. Customers with established trading records could be granted longer credit period. As stated in the 2007 Annual Report, the Group had trade and bills receivables of approximately RMB6,105 million as at 31 December 2007, of which about 68% aged within 90 days. Based on the credit terms granted by the Group to its customers in general, we consider that the settlement in the month following delivery for the sale transactions by the Company to Fujian Long and Shanghai Longgong under the Supplemental Longgong Agreement is no less favourable to the Group as compared to its normal commercial terms. By entering into the Supplemental Longgong Agreement, the Company shall continue selling diesel engines and diesel engine parts to Fujian Longgong and Shanghai Longgong (and their associates) at market prices so as to increase the revenue stream of the Company.

Based on the above, we consider that (i) the transactions contemplated under the Supplemental Longgong Agreement are in the ordinary and usual course of business of the Company; and (ii) the terms, including the pricing and the settlement term, for the transactions under the Supplemental Longgong Agreement are normal commercial terms and are fair and reasonable. We are therefore of the opinion that the Supplemental Longgong Agreement is in the interests of the Company and the Shareholders as a whole and the terms of which are fair and reasonable.

(b) Rationale for determining the New Caps

The table below sets out (i) the total transaction amounts in relation to the sale of diesel engines and diesel engine parts by the Company to Fujian Longgong (and its associates) for each of the two years ended 31 December 2007 and the five months ended 31 May 2008; (ii) the total transaction amounts in relation to the sale of diesel engines and diesel engines parts by the Company to Shanghai Longgong (and its associates) for each of the two years ended 31 December 2007 and the five months ended 31 May 2008; and (iii) the existing annual caps for the relevant transactions for each of the three years ending 31 December 2009.

	Total transaction amounts in relation to the sale of diesel engines and diesel engine parts by the Company to Fujian Longgong (and its associates) *(RMB'000)*	**Increase/ (Decrease) as compared to the preceding financial year**	**Total transaction amounts in relation to the sale of diesel engines and diesel engine parts by the Company to Shanghai Longgong (and its associates)** *(RMB'000)*	**Increase/ (Decrease) as compared to the preceding financial year** *%*
Actual amounts:				
2006 (audited)	97,355	N/A	429,983	N/A
2007 (audited)	135,000	38.7	377,569	(12.2)
5 months up to 31 May 2008 (unaudited) *(Note)*	252,159	348.3	297,308	89.0
Existing caps:				
2007	135,000	N/A	500,000	N/A
2008	150,000	11.1	520,000	4.0
2009	165,000	10.0	570,000	9.6

Note: The percentage increase/decrease has been calculated on an annualized basis.

As indicated above, the sales by the Company to Fujian Longgong and its associates have increased substantially in 2007 over the preceding year. As advised by the Company, the sales amount would have been more if the Company had not been limited by the annual cap of RMB135 million for 2007 and had been able to make more direct sales to Fujian Longgong towards the year end.

In 2007, the sales by the Company to Shanghai Longgong and its associates have dropped by approximately 12% as compared with the sales in 2006. As advised by the Company, such drop was primarily due to the re-allocation of production activities between Fujian Longgong and Shanghai Longgong pursuant to their business development strategies as a group. Since both Fujian Longgong and Shanghai Longgong are indirectly owned by Mr. Li San Yim, the two companies are in fact associates of each other. As the products purchased by them from the Company are similar, the Company therefore proposes the New Caps for such transactions with Fujian Longgong and Shanghai Longgong (and their associates) for the three years ending 31 December 2010 on a combined basis in order to allow flexibility to accommodate the possible change in production requirements arising from the re-allocation of production activities between Fujian Longgong and Shanghai Longgong.

The table below sets out (i) the total transaction amounts in relation to the sale of diesel engines and diesel engine parts by the Company to Fujian Longgong and Shanghai Longgong (and their associates) for each of the two years ended 31 December 2007 and the five months ended 31 May 2008; (ii) the total existing annual caps for the relevant transactions for each of the three years ending 31 December 2009; and (iii) the proposed New Caps for the sale transactions by the Company to Fujian Longgong and Shanghai Longgong (and their associates) for each of the three years ending 31 December 2010:

	Total transaction amounts in relation to the sales of diesel engines and diesel engine parts by the Company to Fujian Longgong and Shanghai Longgong (and their associates) *(RMB'000)*	**Increase/ (Decrease) as compared to the preceding financial year** *(%)*
Actual amounts:		
2006 (audited)	527,338	N/A
2007 (audited)	512,569	(2.8)
5 months up to 31 May 2008 (unaudited) *(Note)*	549,467	157.3
Total Existing Caps:		
2007	635,000	N/A
2008	670,000	5.5
2009	735,000	9.7
New Caps:		
2008	1,000,000	N/A
2009	1,300,000	30.0
2010	1,500,000	15.4

Note: The percentage increase/decrease has been calculated on an annualized basis.

As noted in the table above, the actual transaction amount in relation to the sale of diesel engines and diesel engine parts by the Company to Fujian Longgong and Shanghai Longgong (and their associates) for the year ended 31 December 2007 was approximately RMB512.6 million, which represented about 81% of the total existing annual cap of RMB635 million for 2007. In the first five months of 2008, the actual transaction amount reached RMB549 million and has already utilized about 82% of the total existing annual cap of RMB670 million for the relevant transactions for the whole year of 2008.

As stated in the Letter from the Board, the proposed New Caps of RMB1,000 million, RMB1,300 million and RMB1,500 million for the three years ending 31 December 2010 have been prepared by the Company primarily based on the historical costs and the estimate of the number of diesel engines required by Fujian Longgong and Shanghai Longgong and of the average unit prices of such diesel engines.

Both Fujian Longgong and Shanghai Longgong are leading manufacturers in their respective markets, and their principal products are wheel-loaders and construction machinery, respectively. The Company is a leading manufacturer of diesel engines in the PRC. In view of the long-established business relationship and the quality and competitiveness of its products, the Company believes that Fujiang Longgong and Shanghai Longgong will continue to purchase from the Company diesel engines and diesel engine parts for their production requirements. Since 2006, China has registered strong economic growth as evidenced by China's GDP statistics and the growth in fixed asset investment in recent years. The construction machinery market has also shown very strong recovery following a depressed market in 2005. As a result, there has been significant increase in the demand for Fujian Longgong's wheel-loaders and Shanghai Longgong's construction machinery. Since Fujian Longgong and Shanghai Longgong require the Group's diesel engines and diesel engine parts for the manufacture of their wheel-loaders and construction machinery, the transaction amount for these Weichai Continuing Connected Transactions is also expected to increase accordingly.

As the actual transaction amount in relation to the sale of diesel engines and diesel engine parts by the Company to Fujian Longgong and Shanghai Longgong (and their associates) for the five months ended 31 May 2008 has reached RMB549 million, we consider that the proposed New Cap of RMB1,000 million for the year of 2008 is not excessive and is fair and reasonable on an average basis. The proposed New Caps of RMB1,300 million and RMB1,500,000 for 2009 and 2010 for these Weichai Continuing Connected Transactions represent a growth rate of 30% and 15.4% over the respective New Cap for the preceding year. In view of the large-scale construction projects underway, such as those infrastructural development and improvement projects associated with the World Expo 2010 Shanghai which are expected to command an estimated US$3 billion in investment, we consider that the estimated growth as represented by the New Cap for 2009 is not excessive and it is important for the Company to set the New Cap at sufficient level in order to capture the business opportunity promptly. We also consider that it is reasonable to project a lower growth rate of about 15% for the New Cap for 2010 after a few years of rapid growth in China and construction works for the World Expo 2010 Shanghai have been completed.

In summary, we are of the view that the proposed New Caps of RMB1,000 million, RMB1,300 million and RMB1,500 million in respect of the above sale transactions by the Company to Fujian Longgong and Shanghai Longgong (and their associates) for each of the three years ending 31 December 2008, 2009 and 2010, respectively, are fair and reasonable.

6. *Sale of diesel engines and diesel engine parts by the Company to Guangxi Liugong Machinery*

(a) Principal terms of the CCT Agreement between the Company and Guangxi Liugong Machinery (the "GLM Supplemental Agreement")

Pursuant to the framework agreement dated 21 October 2003 (as supplemented by the supplemental agreement dated 15 September 2004 and 12 November 2006) entered into between the Company and Guangxi Liugong Machinery (the "GLM Framework Agreement"), the Company has agreed to supply Guangxi Liugong Machinery, at market prices, WD615 engines and parts to Guangxi Liugong Machinery for three years ending 31 December 2009. Under the GLM Supplemental Agreement, the prices for the supply of products by the Company to Guangxi Liugong Machinery shall be determined based on market prices (and/or according to the principle of fairness and reasonableness) and the term of the GLM Framework Agreement will be extended for a term ending 31 December 2010, upon the expiry of which the Company shall have the option to extend the term for another three years. Save as aforesaid and the revision of the Existing Caps below, all other terms of the GLM Framework Agreement remain unchanged.

As stated in the Letter from the Board, the sale of products by the Company to Guangxi Liugong Machinery is conducted at market prices and settled in the month following delivery. We noted from the 2007 Annual Report that the credit terms granted by the Group to its customers were normally in the range between 90 days and 180 days. Customers with established trading records could be granted longer credit period. As stated in the 2007 Annual Report, the Group had trade and bills receivables of approximately RMB6,105 million as at 31 December 2007, of which about 68% aged within 90 days. Based on the credit terms granted by the Group to its customers in general, we consider that the settlement in the month following delivery for the sale transactions by the Company to Guangxi Liugong Machinery under the GLM Supplemental Agreement is no less favourable to the Group as compared to its normal commercial terms. As the sale of WD615 engines and parts by the Company to Guangxi Liugong Machinery has been, and will continue to be, based on market prices and WD615 engine is one of the core products of the Company, it is in the interest of the Company to continue to sell to Guangxi Liugong Machinery by entering into the GLM Supplemental Agreement. In addition, it is also in the commercial interest of the Company to increase the annual cap of the transactions contemplated under the GLM Framework Agreement so as to increase its revenue stream.

Based on the above, we consider that (i) the transactions contemplated under the GLM Supplemental Agreement are in the ordinary and usual course of business of the Company; and (ii) the terms, including the pricing and the settlement term, for the transactions under the GLM Supplemental Agreement are normal commercial terms and are fair and reasonable. We are therefore of the opinion that the GLM Supplemental Agreement is in the interests of the Company and the Shareholders as a whole and the terms of which are fair and reasonable.

(b) Rationale for determining the New Caps

The table below sets out (i) the total transaction amounts in relation to the sale of WD615 engines and parts by the Company to Guangxi Liugong Machinery for each of the two years ended 31 December 2007 and the five months ended 31 May 2008; (ii) the existing annual caps for the relevant transactions for each of the three years ending 31 December 2009; and (iii) the proposed New Caps for each of the three years ending 31 December 2010:

	Total transaction amounts in relation to the sale of WD615 engines and parts by the Company to Guangxi Liugong Machinery *(RMB'000)*	**Increase as compared to the previous financial year** *(%)*
Actual amounts:		
2006 (audited)	320,075	N/A
2007 (audited)	500,000	56.2
5 months up to 31 May 2008 (unaudited) *(Note)*	382,247	83.5

	Total transaction amounts in relation to the sale of WD615 engines and parts by the Company to Guangxi Liugong Machinery *(RMB'000)*	Increase as compared to the previous financial year *(%)*
Existing Caps:		
2007	500,000	N/A
2008	520,000	4.0
2009	610,000	17.3
New Caps:		
2008	1,080,000	N/A
2009	1,235,000	14.4
2010	1,350,000	9.3

Note: The percentage increase has been calculated on an annualized basis.

As noted in the table above, the actual transaction amount in relation to the sales of WD615 engines and parts by the Company to Guangxi Liugong Machinery for the year ended 31 December 2007 amounted to RMB500 million, which represented an increase of over 56% from approximately RMB320 million for the preceding year.

Since 2006, China has registered strong economic growth as evidenced by China's GDP statistics and the growth in fixed asset investment in recent years. The construction machinery market has also shown very strong recovery following a depressed market in 2005. Since Guangxi Liugong Machinery is engaged in the manufacture and repair of construction machinery, which requires the WD615 engines and parts manufactured by the Company, the growth in the demand for construction machinery as a result of the strong economic growth has boosted the sales of Guangxi Liugong Machinery, and hence its purchases from the Company. As advised by the Company, the sales amount by the Company to Guangxi Liugong Machinery would have been more if the Company had not been limited by the annual cap of RMB500 million for 2007 and had been able to make more direct sales to Guangxi Liugong Machinery towards the year end.

In addition, due to the strategic alliance between the Company and Guangxi Liugong Machinery reached in August 2006 whereby the Company's diesel engines will be incorporated in all of the products of Guangxi Liugong Machinery, the Company's sales of WD615 engines to Guangxi Liugong Machinery are expected to continue to increase. Having taken into account the estimate of the number of WD615 engines to be required by Guangxi Liugong Machinery and the expected increase in the average unit prices of WD615 engines during the relevant period, the Company proposes the New Cap in respect of the sale of engines and parts to Guangxi Liugong Machinery of RMB1,080 million, RMB1,235 million and RMB1,350 million for each of the three years ending 31 December 2008, 2009 and 2010, respectively.

As indicated in the table above, in the first five months of 2008, the actual transaction amount of sales by the Company to Guangxi Liugong Machinery reached RMB382 million and has already utilized about 74% of the existing annual cap of RMB520 million for such transactions for the whole year of 2008. Given the actual transaction amount for the five months ended 31 May 2008 of approximately RMB382 million and the fact that the Company's direct sales to Guangxi Liugong Machinery in 2007 had been limited to RMB500 million by the previous annual cap, we consider that the proposed New Cap of RMB1,080 million for 2008 for such transactions between the Company and Guangxi Liugong Machinery is not excessive and is reasonable.

The proposed New Caps of RMB1,235 million and RMB1,350 million for the two years ending 31 December 2009 and 2010 represent a growth rate of about 14.4% and 9.3% over their respective New Cap for the preceding year. On the basis that the actual transaction amount in 2007 represented a growth rate of 56.2% over that in 2006 and the actual transaction amount for the first five months in 2008 represents an annualized growth rate of 83.5% on an average basis, we consider that the modest growth rates as represented by the proposed New Caps for 2009 and 2010 are reasonable.

Based on the above analysis, we are of the view that the proposed New Caps of RMB1,080 million, RMB1,235 million and RMB1,350 million in respect of the above sale transactions by the Company to Guangxi Liugong Machinery for each of the three years ending 31 December 2008, 2009 and 2010, respectively, are fair and reasonable.

7. *Sale of semi-finished diesel engine parts and related products by the Company to Weichai Deutz*

(a) Principal terms of the CCT Agreement in relation to the sale of semi-finished diesel engine parts and related products by the Company to Weichai Deutz (the "Weichai Deutz Supplemental Sale Agreement")

Pursuant to the master sales agreement dated 21 October 2003 (as supplemented by the supplemental agreements dated 15 September 2004 and 12 November 2006) entered into between the Company and Weichai Deutz (the "Original Weichai Deutz Sale Framework Agreement"), the Company has agreed to supply semi-finished diesel engine parts to Weichai Deutz for its 226B series of diesel engines. Under the Weichai Deutz Supplemental Sale Agreement, the Company has agreed to sell and Weichai Deutz has agreed to purchase the said semi-finished diesel engine parts and related products at prices determined based on market prices (and/or according to the principle of fairness and reasonableness). The term of the Original Weichai Deutz Sale Framework Agreement shall also be extended for a term ending 31 December 2010, upon the expiry of which the Company shall have the option to extend the term for another three years. Save as aforesaid and the revision of the Existing Caps below, all other terms of the original master sales agreement remain unchanged.

Weichai Deutz is engaged in the manufacture and sale of, among others, 226B series of diesel engines and parts, certain of which require the semi-finished diesel engine parts provided by the Company. As advised by the Company, the transactions in relation to the sale of diesel engine parts and related products by the Company to Weichai Deutz are conducted at market prices and settled on a monthly basis.

We noted from the 2007 Annual Report that the credit terms granted by the Group to its customers are normally in the range between 90 days and 180 days. Customers with established trading records could be granted longer credit period. As stated in the 2007 Annual Report, the Group had trade and bills receivables of approximately RMB6,105 million as at 31 December 2007, of which about 68% aged within 90 days. Based on the credit terms granted by the Group to its customers in general, we consider that the settlement of the sale transactions under the Weichai Deutz Supplemental Sale Agreement on a monthly basis is no less favourable to the Company and is in line with the Group's normal commercial terms.

In summary, (i) the sale of diesel engine parts and related products is conducted in the ordinary and usual course of business of the Company; (ii) the terms, including the pricing and settlement term, of the sale of diesel engine parts and related products by the Company to Weichai Deutz under the Weichai Deutz Supplemental Sale Agreement are normal commercial terms and are fair and reasonable. On this basis, we are of the opinion that the Weichai Deutz Supplemental Sale Agreement is in the interests of the Company and the Shareholders as a whole, and the terms of which are normal commercial terms and are fair and reasonable.

(b) Rationale for determining the New Caps

The table below sets out (i) the actual transaction amounts involved for the sale of engine parts and related products by the Company to Weichai Deutz for each of the two years ended 31 December 2006 and 2007 and the five months ended 31 May 2008; (ii) the existing annual caps for such Weichai Continuing Connected Transactions for each of the three years ending 31 December 2007, 2008 and 2009; and (ii) the proposed New Caps for such Weichai Continuing Connected Transactions for each of the three years ending 31 December 2008, 2009 and 2010:

	Total transaction amounts *(RMB'000)*	**Increase as compared to the preceding financial year** *(%)*
Actual transaction amounts:		
2006	47,998	N/A
2007	48,000	—
Five months ended 31 May 2008 *(Note)*	41,236	106.2
Existing Caps:		
2007	48,000	N/A
2008	58,000	20.8
2009	69,000	19.0
New Caps:		
2008	100,000	N/A
2009	130,000	30.0
2010	170,000	30.8

Note: The percentage increase has been calculated on an annualized basis.

As noted in the table above, the Company had fully utilized the annual cap of RMB48 million for 2007 in relation to the sale transaction of diesel engine parts and related productions to Weichai Deutz. As advised by the Company, the sales amount by the Company to Weichai Deutz would have been increased by about 40% to RMB67.5 million if the Company had not been limited by the annual cap of RMB48 million for 2007 and had been able to make more direct sales to Weichai Deutz towards the year end. The significant growth in business volume between the Company and Weichai Deutz can be evidenced by the actual sales amount in the first five months of 2008 which has reached RMB41.2 million and has utilized about 71% of the existing annual cap for such transactions for 2008.

The Company has proposed New Caps for the above sale transactions by the Company to Weichai Deutz of RMB100 million, RMB130 million and RMB170 million for the three years ending 31 December 2008, 2009 and 2010 respectively. As stated in the Letter from the Board, the proposed New Caps have been prepared primarily based on the estimate of the production volume of Weichai Deutz's 226B series diesel engines, which in turn is based on the increase in demand for 226B series diesel engines estimated by Weichai Deutz, and of the average selling prices of those semi-finished diesel engine parts to be charged by the Company. The Company estimates that the sales of semi-finished diesel engine parts will increase at a steady rate of approximately 30% per annum for the three years ending 31 December 2010.

Based on the actual transaction amount of sale of diesel engine parts and related products by the Company to Weichai Deutz for the first five months in 2008, the transaction amount for the full year would be estimated at about RMB99 million. On this basis, we consider the proposed New Cap for 2008 of RMB100 million to be reasonable. The proposed New Cap of RMB130 million and RMB170 million for 2009 and 2010, respectively, represents a growth rate of about 30% per annum. Having considered that the actual transaction amount in 2007 had been limited by the annual cap at RMB48 million and could have increased by about 40% and there has been significant increase in the actual transaction amount in the five months ended 31 May 2008, we consider that the estimated growth rate of about 30% as represented by the proposed New Caps for 2009 and 2010 is reasonable. In summary, we consider that the proposed New Caps of RMB100 million, RMB130 million and RMB170 million for the sale transactions of diesel engine parts and related products by the Company to Weichai Deutz for each of the three years ending 31 December 2008, 2009 and 2010, respectively, are fair and reasonable.

8. *Purchase of diesel engine parts and components and related products by Weichai Resources from Weichai Deutz*

(a) Principal terms of the agreement in relation to the purchase of diesel engine parts and components and related products by Weichai Resources from Weichai Deutz (the "Weichai Deutz Parts Purchase Agreement")

Since 2008, Weichai Resources has purchased certain parts and components for the manufacture of diesel engines from Weichai Deutz, at market prices and settled on a monthly basis. On 27 November 2008, Weichai Resources entered into the Weichai Deutz Parts Purchase Agreement with Weichai Deutz pursuant to which, Weichai Resources has agreed to purchase and Weichai Deutz has agreed to sell the said diesel engine parts and components and related products at prices determined based on market prices (and/or according to the principle of fairness and reasonableness) and settled on normal commercial terms, for a term ending 31 December 2010.

As stated in the Letter from the Board, the purchase transactions by Weichai Resources from Weichai Deutz have been conducted at market prices and settled on a monthly basis. It is expected that these transactions will continue generally on the same terms as in the past.

We noted from the 2007 Annual Report that about 95% of the Group's trade and bills payables aged up to 180 days. The Group had trade and bills payables of approximately RMB7,391 million as at 31 December 2007, of which about 85.3% aged within 90 days. We have also noted that the settlement term on a monthly basis under the Weichai Deutz Parts Purchase Agreement is the same as that granted by the Company to Weichai Deutz under the Weichai Deutz Supplemental Sale Agreement as discussed above.

In summary, (i) the purchase of diesel engine parts and components and related products by Weichai Resources from Weichai Deutz is conducted in the ordinary and usual course of business of Weichai Resources; (ii) the terms, including the pricing and settlement term, of the purchase transactions by the Company from Weichai Deutz are normal commercial terms and are fair and reasonable. On this basis, we are of the opinion that the Weichai Deutz Parts Purchase Agreement is in the interests of the Company and the Shareholders as a whole, and the terms of the which are normal commercial terms and are fair and reasonable.

(b) Rationale for determining the New Caps

The table below sets out (i) the actual transaction amounts involved for the purchase of diesel engine parts and components and related products by Weichai Resources from Weichai Deutz for the five months ended 31 May 2008; and (ii) the proposed New Caps for such purchase transactions for each of the three years ending 31 December 2008, 2009 and 2010:

	Total transaction amounts *(RMB'000)*	**Increase as compared to the preceding financial year** *(%)*
Actual transaction amounts:		
Five months ended 31 May 2008	4,088	N/A
New Caps:		
2008	15,000	N/A
2009	47,000	213.3
2010	60,000	27.7

As indicated in the table above, the purchase of diesel engine parts and related products by Weichai Resources from Weichai Deutz amounted to approximately RMB4.1 million for the five months ended 31 May 2008. The Company has proposed a New Cap of RMB15 million for the full year of 2008 which represents an increase of about 52.9% over the estimated annual transaction amount based on the actual transaction for the first five months in 2008 on an average and annualized basis. As stated in the Letter from the Board, the purchase of diesel engine parts and related products by Weichai Resources from Weichai Deutz is expected to increase substantially following the adoption of an enterprise, resources and planning ("ERP") system by Weichai Deutz in or about August 2008 resulting in certain changes in the process of the relevant purchases. Under the new process, certain purchases previously made by the Company from third parties are transacted through Weichai Deutz and therefore, the proposed New Cap for 2008 is much higher than the estimated transaction amount based on the first five-months' actual purchases in 2008 on an annualized basis. Under the new ERP system, it is expected that the monthly purchases by Weichai Resources from Weichai Deutz in 2009 will amount to approximately RMB3.9 million and accordingly, the proposed New Cap for 2009 is RMB47 million. The proposed New Cap of RMB60 million for 2010 represents a growth rate of about 27.7% over the New Cap for 2009. As advised by the Company, all its sales of engine parts and components are primarily conducted through Weichai Resources and the purchase of diesel engine parts and components and related products by Weichai Resources from Weichai Deutz are primarily for onward sale to customers. As stated in the section headed "Overview of the business and performance of the

Company" above, the Group recorded an increase of about 31% in the sales of engine parts and truck parts in 2007 compared with the preceding year. On the basis of such historical growth in the Group's sales of engine parts and truck parts, we consider that the aforesaid growth rates as represented by the proposed New Caps for the three years ending 31 December 2010 are reasonable.

In summary, we are of the view that the proposed New Caps of RMB15 million, RMB47 million and RMB60 million for the purchase of diesel engine parts and related products by Weichai Resources from Weichai Deutz for each of the three years ending 31 December 2008, 2009 and 2010, respectively, are fair and reasonable.

9. *Purchase of diesel engines and related products by the Company from Weichai Deutz*

(a) Principal terms of the agreement in relation to the purchase of diesel engines and related products by the Company from Weichai Deutz (the "Weichai Deutz Engines Purchase Agreement")

Since 2008, the Company has purchased certain diesel engines from Weichai Deutz for onward sale to customers at market prices and settled on a quarterly basis. On 27 November 2008, the Company entered into the Weichai Deutz Engines Purchase Agreement with Weichai Deutz pursuant to which, the Company has agreed to purchase and Weichai Deutz has agreed to sell the said diesel engines and related products at prices determined based on market prices (and/or according to the principle of fairness and reasonableness) and settled on normal commercial terms, for a term ending 31 December 2010.

As advised by the Company, some of its customers would purchase products of Weichai Deutz through the Company. Although the Company purchases the diesel engines from Weichai Deutz at market prices for onward sale to customers without any markup, the Company provides sales and warranty period repair and maintenance services to Weichai Deutz for a fee at 3% per annum of the sales of diesel engines and parts by Weichai Deutz (including the sales through the Company under this sub-section), details of which are described in the Company's announcement dated 27 November 2008.

We noted from the 2007 Annual Report that about 95% of the Group's trade and bills payables aged up to 180 days. The Group had trade and bills payables of approximately RMB7,391 million as at 31 December 2007, of which about 85.3% aged within 90 days. The settlement term for the purchase of diesel engines by the Company from Weichai Deutz under the Weichai Deutz Engines Purchase Agreement on a quarterly basis is no less favourable to the Group than the credit terms generally granted to the Group by its suppliers.

In summary, (i) the purchase of diesel engines and related products by the Company from Weichai Deutz is conducted in the ordinary and usual course of the Company's business; (ii) the Company will be able to generate fee incomes for the sales and warranty period repair and maintenance services after the onward sales of Weichai Deutz's engines to customers; and (iii) the settlement term on a quarterly basis is no less favourable to the Group than the normal commercial terms. On this basis, we are of the opinion that the Weichai Deutz Engines Purchase Agreement is in the interests of the Company and the Shareholders as a whole, and the terms of the which are normal commercial terms and are fair and reasonable.

(b) Rationale for determining the New Caps

The table below sets out (i) the actual transaction amounts involved for the purchase of diesel engines by the Company from Weichai Deutz for the five months ended 31 May 2008; and (ii) the proposed New Caps for the purchase of diesel engines and related products by the Company from Weichai Deutz for each of the three years ending 31 December 2008, 2009 and 2010:

	Total transaction amounts *(RMB'000)*	**Increase as compared to the preceding financial year** *(%)*
Actual transaction amounts:		
Five months ended 31 May 2008	12,170	N/A
New Caps:		
2008	24,000	N/A
2009	28,000	16.7
2010	32,000	14.3

As indicated in the table above, the purchase of diesel engines by the Company from Weichai Deutz amounted to approximately RMB12.2 million for the five months ended 31 May 2008. The Company has proposed New Caps of RMB24 million, RMB28 million and RMB32 million for each of the three years ending 31 December 2008, 2009 and 2010. Based on the proposed New Cap of RMB24 million for the full year of 2008, the Company has utilized about 50% of such New Cap in the first five months of 2008. On this basis, we consider that the proposed New Cap for 2008 is not excessive. The proposed New Caps for 2009 and 2010 represent a growth rate of about 15% on average over their respective preceding year. On the basis of the substantial growth in actual purchase requirements by Weichai Deutz from the Company of about 40% in 2007 and of over 100% in the first five months of 2008 on an annualized basis based on the actual purchase amounts as indicated in the sub-section 7(b) above, it is expected that the demand for Weichai Deutz's products will continue to grow. We therefore consider that the aforesaid growth rates as represented by the proposed New Caps for the purchase of diesel engines and related products in this sub-section for 2009 and 2010 are reasonable.

In summary, we are of the view that the proposed New Caps of RMB24 million, RMB28 million and RMB32 million for the purchase of diesel engines and related products by the Company from Weichai Deutz for each of the three years ending 31 December 2008, 2009 and 2010, respectively, are fair and reasonable.

10. *Sale of diesel engines and related products by the Company to Shandong Juli*

(a) Principal terms of the CCT Agreement in relation to the sale of diesel engines by the Company to Shandong Juli (the "Juli Supplemental Sale Agreement")

Pursuant to an original framework agreement dated 17 November 2003 (as supplemented by the supplemental agreements dated 15 September 2004, 12 November 2006 and 9 June 2007) (the "Original Weichai Holdings Sale Agreement"), the Company has agreed to sell and Weichai Holdings has agreed to purchase WD615 diesel engines, at market prices and settled on a monthly basis, for a term ending 31 December 2009. The WD615 engines are one of the components of the power generators manufactured by Weichai Holdings.

As stated in the Letter from the Board, in connection with the Weichai Holdings Juli Restructuring, the Company, Weichai Holdings and Shandong Juli entered into a supplemental framework agreement on 9 June 2007, pursuant to which the rights and obligations of Weichai Holdings under the original framework agreement were assumed by Shandong Juli. Accordingly, the sale of diesel engines under the original framework agreement became Weichai Continuing Connected Transactions between the Company and Shandong Juli. Pursuant to the Juli Supplemental Sale Agreement entered into between the Company and Shandong Juli, the Company has agreed to sell and Shandong Juli has agreed to purchase the said diesel engines and related products at prices determined based on market prices (and/or according to the principle of fairness and reasonableness) and the Original Weichai Holdings Sale Agreement shall be extended to a term up to 31 December 2010, upon the expiry of which the parties may renew the term for another three years. Save as aforesaid and the revision of the Existing Caps below, all other terms of the Original Weichai Holdings Sale Agreement remain unchanged.

On the basis that the sale of diesel engines and related products by the Company to Shandong Juli has been, and will continue to be, conducted at market prices and settled on a monthly basis, which is no less favourable to the Company than the credit terms granted by the Group to its customers in general, we consider that (i) the sale of diesel engines and related products by the Company to

Shandong Juli is in the ordinary and usual course of business of the Company; (ii) the terms, including the pricing and settlement term, of the sale of diesel engines and related products under the Juli Supplemental Sale Agreement are normal commercial terms and are fair and reasonable. We are therefore of the view that the Juli Supplemental Sale Agreement is in the interests of the Company and its shareholders as a whole and the terms of which are normal commercial terms and are fair and reasonable.

(b) Rationale for determining the New Caps

The table below sets out (i) the transaction amount involved for the sale of diesel engines by the Company to Weichai Holdings or Shandong Juli (as the case may be) for each of the two years ended 31 December 2007 and the five months ended 31 May 2008; (ii) the existing annual caps for the aforesaid sale by the Company for each of the three years ending 31 December 2009; and (iii) the proposed New Caps for the sale of diesel engines and related products by the Company to Shandong Juli under the Juli Supplemental Sale Agreement for each of the three years ending 31 December 2008, 2009 and 2010.

	Aggregate transaction amounts involved for the sale of diesel engines by the Company to Weichai Holdings or Shandong Juli (as the case may be) *(RMB'000)*	**Increase/ (Decrease) as compared to the preceding financial year** *(%)*
Actual amounts:		
2006 (audited)	59,517 *(Note 1)*	N/A
2007 (audited)	25,179 *(Note 2)*	(57.7)
5 months up to 31 May 2008 (unaudited) *(Note 3)*	16,223	54.6
Existing Caps:		
2007	26,000	N/A
2008	29,000	11.5
2009	34,000	17.2
New Caps:		
2008	70,000	N/A
2009	91,000	30.0
2010	120,000	31.9

Notes:

1. This represents the actual transaction amount between Weichai Holdings and the Company.

2. This represents the aggregate actual transaction amounts between Weichai Holdings and the Company (up to the completion of the Weichai Holdings Juli Restructuring) in the amount of approximately RMB7,799,000 and between Shangdong Juli and the Company (since the completion of the Weichai Holdings Juli Restructuring) in the amount of approximately RMB17,380,000.

3. The percentage increase/decrease has been calculated on an annualized basis.

Shandong Juli is currently engaged in the manufacture and sale of medium-speed diesel engines and diesel engine parts and components, power generators and related products, and construction machinery and the provision of repair processing services for machinery parts. The WD615 engines are one of the components of the power generators manufactured by Shandong Juli.

As indicated in the table above, the sale of diesel engines by the Company to Weichai Holdings or Shandong Juli (as the case may be) in 2007 dropped significantly to approximately RMB25.2 million from RMB59.7 million in 2006. As advised by the Company, such drop was primarily due to the decrease in market demand for power generators in 2007. As stated in the Letter from the Board, the PRC has maintained a strong economic growth in recent years and the Company estimates that the demand for power generators in the PRC will remain steady for the three years ending 31 December 2010. The Company is a leading manufacturer of diesel engines in the PRC and this evidences the quality and competitiveness of the Company's diesel engines generally. With the proximity between the Company's production facilities and those of Shandong Juli, and in view of the high quality and the competitiveness of the Company's engines, the Company believes that Shandong Juli will continue to purchase the diesel engines from the Company for the manufacture of power generators. The above proposed New Caps have taken into account a stable increase in the average unit prices of WD615 engines by reference to the estimated salary growth rate and an increase in the sales of the Company to Shandong Juli by 30% per year for the three years ending 31 December 2010.

We have observed that following the macro-economic policy adopted by the PRC government in 2007 to prevent an overheated economy and curb inflation, many construction activities in the PRC have been suspended and accordingly, the demand for construction machinery, including power generators, has dropped since then. However, beginning in 2008, in view of the increasingly severe world financial crisis and its impact on the China economy, the PRC government has eased its previous restrictions under the macro-economic policy, including those affecting the construction industry. The recently announced RMB4 trillion stimulus package by the PRC government is expected to strengthen market conditions and encourage development activities. Therefore, it is expected that the construction activities in general would resume and increase. It is also expected that the demand for construction machinery, including power generators, would increase particularly towards the end of 2008 in preparation for construction activities in 2009 and onwards. Furthermore, as discussed in the section headed "Overview of the heavy-duty truck and construction machinery markets in China" above, it is expected that there will be continuous growth and robust development in the construction machinery market in the PRC in view of the continuous rapid growth of the national economy, the development and improvement of the expressway network nationwide, the growth of the logistics and transportation industries in China, the recent national policies focusing on promoting rural urbanization, and the requirements arising from the post-quake reconstruction works in Sichuan.

The proposed New Caps of RMB70 million, RMB91 million and RMB120 million for each of the three years ending 31 December 2008, 2009 and 2010, respectively, represent an annual growth of about 30%. Having considered the fact that (i) the sales of diesel engines by the Company to Shandong Juli for the first five months of 2008 has reached RMB16.2 million; and (ii) the demand in Shandong Juli's power generators, and hence the requirement of the Company's diesel engines for production, is expected to increase towards the end of 2008 and onwards, we consider that the proposed New Cap of RMB70 million for 2008 for the Weichai Continuing Connected Transactions set out in this sub-section is reasonable. In view of the continuous growth in the overall market demand for construction machinery as discussed above, we also consider that the aforesaid growth rate of about 30% as represented by the New Caps for 2009 and 2010 is reasonable.

In summary, we are of the view that the proposed New Caps of RMB70 million, RMB91 million and RMB120 million for the sale of diesel engines and related products by the Company to Shandong Juli for each of the three years ending 31 December 2008, 2009 and 2010, respectively, are fair and reasonable.

11. *Purchase of diesel engine parts and components, materials, steel and scrap metal, etc. and related products and processing services by the Company and Weichai Resources (as the case may be) from Shandong Juli*

(a) Principal terms of the Juli Purchase and Processing Services Agreement

Pursuant to the diesel engine parts supply agreement dated 17 November 2003 (as supplemented by the supplemental agreements dated 15 September 2004 and 12 November 2006) (the "Original Weichai Holdings Framework Agreement"), Weichai Holdings has agreed to supply the Company with diesel engine parts for an extended term ending 31 December 2009. As stated in the Letter from the Board, pursuant to the Weichai Holdings Juli Restructuring which was completed in 2007, Weichai Holdings injected its business in relation to the manufacture and sale of medium-speed diesel engines as well as those diesel engines mainly used in agricultural (and related) machines (which are different from the Company's diesel engine products, namely, the high-speed heavy-duty diesel engines) into Shandong Juli and accordingly, certain original Weichai Continuing Connected Transactions between Weichai Holdings (and its associates) and the Company (as the case may be) were transferred to Shandong Juli. According to the supplemental agreement dated 9 June 2007 between the Company, Weichai Holdings and Shandong Juli, the rights and obligations of Weichai Holdings under the Original Weichai Holdings Framework Agreement were assumed by Shandong Juli. Accordingly, the purchase of diesel engine parts under the Original Weichai Holdings Framework Agreement has become Weichai Continuing Connected Transactions between the Company and Shandong Juli.

Pursuant to the Juli Purchase and Processing Services Agreement, the Company and Weichai Resources (as the case may be) have agreed with Shandong Juli to conduct, or continue to conduct, the following transactions at prices determined based on market prices (and/or according to the principle of fairness and reasonableness) and settled on normal commercial terms:

(i) Purchase of, among others, parts for WD615 diesel engine and related products by the Company from Shandong Juli for a term ending 31 December 2010, upon the expiry of which the parties may renew for another three years.

(ii) Purchase of materials for the manufacture of diesel engines and related products by Chongqing Branch from Shandong Juli for a term ending 31 December 2010, upon the expiry of which the parties may renew for another three years.

(iii) Purchase of diesel engine parts and components, steel and scrap metal, etc. and related products by the Company from Shandong Juli for a term ending 31 December 2010, upon the expiry of which the parties may renew for another three years.

(iv) Purchase of diesel engine parts and components, steel and scrap metal and related products by Weichai Resources from Shandong Juli for a term ending 31 December 2010, upon the expiry of which the parties may renew for another three years.

(v) Provision of processing services by Shandong Juli to Chongqing Branch with respect to diesel engine parts and components for a term ending 31 December 2010, upon expiry of which the parties may renew the term for another three years.

We understand from the Company that the diesel engine parts, components and related products, and other materials such as steel and scrap metals purchased from Shandong Juli have been, and will continue to be, used by the Group for its production of diesel engines for heavy-duty trucks and construction machinery. As stated in the Letter from the Board, the purchase transactions by the Company from Shandong Juli under the Juli Purchase and Processing Services Agreement are conducted at market prices and settled on a monthly basis. We noted from the 2007 Annual Report that about 95% of the Group's trade and bills payables aged up to 180 days. The Group had trade and bills payables of approximately RMB7,391 million as at 31 December 2007, of which about 85.3% aged within 90 days. We have also noted that both sale and purchase transactions between the Company (and its subsidiaries) and Shandong Juli are settled on a monthly basis. We therefore consider that the settlement term on a monthly basis granted by Shandong Juli to the Company for the transactions under the Juli Purchase and Processing Services Agreement is no less favourable to the Company and is in line with the Group's normal commercial terms.

Based on the above, we consider that (i) the transactions contemplated under the Juli Purchase and Processing Services Agreement are in the ordinary and usual course of business of the Company; and (ii) the terms, including the pricing and the settlement term, for the transactions under the Juli Purchase and Processing Services Agreement are normal commercial terms and are fair and reasonable. We are therefore of the opinion that the Juli Purchase and Processing Services Agreement is in the interests of the Company and the Shareholders as a whole and the terms of which are fair and reasonable.

(b) Rationale for determining the New Caps

The table below sets out the actual transaction amounts involved for the transactions in this sub-section for each of the two years ended 31 December 2007 and the five months ended 31 May 2008;

	Purchase of diesel engine parts and related products by the Company from Shandong Juli *(RMB'000)*	**Purchase of materials and related products by Chongqing Branch from Shandong Juli** *(RMB'000)*	**Purchase of diesel engine parts and components, steel and scrap metal, etc. and related products by the Company from Shandong Juli** *(RMB'000)*	**Purchase of diesel engine parts and components, steel and scrap metal and related products by Weichai Resources from Shandong Juli** *(RMB'000)*	**Provision of processing services by Shandong Juli to Chongqing Branch** *(RMB'000)*
Actual amounts:					
2006 (audited)	86,488 *(Note 1)*	6,232 *(Note 3)*	6,661 *(Note 5)*	17,996 *(Note 7)*	—
2007 (audited)	106,739 *(Note 2)*	199 *(Note 4)*	8,948 *(Note 6)*	19,852 *(Note 8)*	—
5 months up to 31 May 2008 (unaudited)	94,149	6,163	5,494	17,996	3,749

Notes:

1. This represents the actual transaction amount between the Company and Weichai Holdings prior to the Weichai Holdings Juli Restructuring.

2. This represents the aggregate actual transaction amount between the Company and Weichai Holdings (up to the completion of the Weichai Holdings Juli Restructuring) in the amount of approximately RMB72,854,000 and between the Company and Shandong Juli (since the completion of the Weichai Holdings Juli Restructuring) in the amount of approximately RMB33,885,000.

3. This represents the actual transaction amount between Chongqing Weichai and Chongqing Branch.

4. This represents the aggregate actual transaction amount between Chongqing Weichai and Chongqing Branch (up to the completion of the Weichai Holdings Juli Restructuring) in the amount of approximately RMB112,000 and between Shandong Juli and Chongqing Branch (after the completion of the Weichai Holdings Juli Restructuring) in the amount of approximately RMB87,000

5. This represents the actual transaction amount between Weichai Holdings and the Company.

6. This represents the aggregate actual transaction amount between Weichai Holdings and the Company (up to the completion of the Weichai Holdings Juli Restructuring) in the amount of approximately RMB1,006,000 and between Shandong Juli and the Company (after the completion of the Weichai Holdings Juli Restructuring) in the amount of approximately RMB7,942,000.

7. This represents the actual transaction amount between Weichai Holdings and Weichai Resources.

8. This represents the aggregate actual transaction amount between Weichai Holdings and Weichai Resources (up to the completion of the Weichai Holdings Juli Restructuring) in the amount of approximately RMB8,779,000 and between Shandong Juli and Weichai Resources (after the completion of the Weichai Holdings Juli Restructuring) in the amount of approximately RMB11,073,000.

The table below sets out (i) the aggregate transaction amounts involved for the aforesaid purchases of products and processing services by the Company and Weichai Resources (as the case may be) from Shandong Juli for each of the two years ended 31 December 2007 and the five months ended 31 May 2008; (ii) the existing annual caps for the aforesaid purchase of parts and components of diesel engines and related products by the Company from Weichai Holdings for each of the three years ending 31 December 2009 as set out in the 2006 Announcement; and (iii) the proposed aggregate New Caps for all the transactions in relation to the purchases of products and processing services by the Company and Weichai Resources (as the case may be) from Shandong Juli under the Juli Purchase and Processing Services Agreement for each of the three years ending 31 December 2008, 2009 and 2010.

	Aggregate transaction amounts involved for the purchases of products and processing services by the Company and Weichai Resources (as the case may be) from Shandong Juli *(RMB'000)*	**Increase as compared to the preceding financial year** *(%)*
Actual amounts:		
2006 (audited)	117,378 *(Note 1)*	N/A
2007 (audited)	135,738 *(Note 1)*	15.6
5 months up to 31 May 2008 (unaudited) *(Note 2)*	127,551	125.5
Existing Caps:		
2007	136,000	N/A
2008	160,000	17.6
2009	185,000	15.6
New Caps:		
2008	315,000	N/A
2009	410,000	30.2
2010	525,000	28.0

Notes:

1. This has included the actual transaction amount of Weichai Holdings and Chongqing Weichai (as the case may be) for the transactions under paragraph (i), (ii), (iii) and (iv) above.

2. The percentage increase has been calculated on an annualized basis.

The existing annual caps for the Original Weichai Holdings Framework Agreement are RMB136 million, RMB160 million and RMB185 million for the three years ending 31 December 2007, 2008 and 2009 respectively.

As stated in the Letter from the Board, the proposed New Caps have been prepared by the Company primarily based on historical costs and its estimate of its production volume, having taken into account the development of the heavy-duty truck and construction machinery markets, the average unit prices of finished diesel engine parts, the market prices of the relevant raw materials, steel and scrap metal and the costs of processing services, and based on the assumption that the sales of the Company's products will increase by about 30% each year for the three years ending 31 December 2010.

As indicated in the table above, in the first five months of 2008, the aggregate transaction amount involved for the purchases of products and processing services by the Company and Weichai Resources (as the case may be) from Shandong Juli has exceeded RMB127 million. The Company expects that such transaction activities will remain steady throughout the year and has therefore proposed a New Cap of RMB315 million for the whole year of 2008. Since the aggregate transaction amount for the full year would be estimated at about RMB306 million on an annualized basis using the actual transaction amount for the first five months of 2008, we consider that the proposed New Cap of RMB315 million for the whole year of 2008, which represents a modest buffer of less than 3% over the estimated annual transaction amount, is reasonable.

The proposed New Caps of RMB410 million and RMB525 million for the two years ending 31 December 2009 and 2010 represent a growth rate of about 30% and 28% over their respective New Cap for the preceding year. As mentioned above, the diesel engine parts, components and related products, etc., purchased from Shandong Juli are used by the Group for its production of diesel engines for heavy-duty trucks and construction machinery. For the year ended 31 December 2006, the Group reported an increase of approximately 26.3% in its total turnover over the preceding year. For the year ended 31 December 2007, the Group's total turnover had more than quadrupled. While such substantial growth was primarily due to the absorption of the business of TAGC under the Merger, we note from the 2007 Annual Report that the Group's external sales of diesel engines alone amounted to approximately RMB8,506 million. Such sales amount represented a growth rate of approximately 28.2% over the Group's total turnover of approximately RMB6,634 million for 2006. On the basis of the significant growth of the Group's diesel engines business in recent years, we consider that the growth rates of approximately 30% and 28% as represented by the proposed New Caps for the Company and Weichai Resources' purchase transactions from Shandong Juli for 2009 and 2010 are reasonable.

In summary, we are of the view that the proposed New Caps of RMB315 million, RMB410 million and RMB525 million for the transactions in relation to the aforesaid purchase of products and processing services by the Company and Weichai Resources (as the case may be) from Shandong Juli for each of the three years ending 31 December 2008, 2009 and 2010, respectively, are fair and reasonable.

B. ***TAGC Continuing Connected Transactions***

1. *Sale of parts and components of transmissions and related products by SFGC to Fast Transmission*

(a) Principal terms of the CCT Agreement in relation to the sale of products by SFGC to Fast Transmission (the "FT Supplemental Sale Agreement")

Pursuant to the parts and components sale agreement dated 1 August 2007 between SFGC and Fast Transmission (the "FT Sale Framework Agreement"), SFGC has sold to Fast Transmission certain parts and components of transmissions, namely, gearboxes, at market prices settled by the parties every two to three months. Under the FT Supplemental Sale Agreement, SFGC has agreed to sell and Fast Transmission has agreed to purchase such parts and components and related products, at prices determined based on market prices (and/or according to the principle of fairness and reasonableness), for a term ending 31 December 2010, upon the expiry of which SFGC shall have the option to extend the term for another three years. Save as aforesaid and the revision of the Existing Caps below, all other terms of the FT Sale Framework Agreement remain unchanged.

SFGC is principally engaged in the manufacture, sale, design and development of transmissions and other motor vehicle parts and components and is the largest manufacturer of transmissions for heavy-duty trucks in the PRC. Fast Transmission is principally engaged in the processing of parts and components of vehicles.

We noted from the 2007 Annual Report that the credit terms granted by the Group to its customers were normally in the range between 90 days and 180 days. Customers with established trading records could be granted longer credit period. As stated in the 2007 Annual Report, the Group had trade and bills receivables of approximately RMB6,105 million as at 31 December 2007, of which about 68% aged within 90 days. Based on the credit terms granted by the Group to its customers in general, we consider that the credit term of two to three months granted by SFGC to Fast Transmission is in line with the Group's normal commercial terms.

On the basis that (i) the sale of parts and components of transmission and related products by SFGC to Fast Transmission is conducted in the ordinary and usual course of SFGC's business; (ii) the prices of the goods under these TAGC Continuing Connected Transactions shall continue to be market prices or prices determined according to the principle of fairness and reasonableness; and (iii) the credit term of two to three months granted by SFGC to Fast Transmission is in line with those granted by the Group to its customers in general, we are of the opinion that the FT Supplemental Sale Agreement is in the interest of the Company and the Shareholders as a whole, and its terms are normal commercial terms and are fair and reasonable.

(b) Rationale for determining the New Caps

The table below sets out (i) the actual transaction amounts involved for the sale of parts and components of transmissions and related products by SFGC to Fast Transmission for each of the two years ended 31 December 2007 and the five months ended 31 May 2008; (ii) the existing annual caps for the relevant transaction for each of the three years ending 31 December 2009; and (iii) the proposed New Caps in relation to the sale of parts and components of transmission and related products by SFGC to Fast Transmission for each of the three years ending 31 December 2008, 2009 and 2010.

	Total transaction amounts in relation to the sale of parts and components of transmissions and related products by SFGC to Fast Transmission *(RMB'000)*	**Increase/ (Decrease) as compared to the preceding financial year** *(%)*
Actual transaction amounts:		
2006 (audited)	—	N/A
2007 (audited) *(Note 1)*	308,721	N/A
5 months up to 31 May 2008 (unaudited) *(Note 2)*	257,527	33.5
Existing Caps:		
2007	350,000	N/A
2008	350,000	0
2009	350,000	0
New Caps:		
2008	650,000	N/A
2009	620,000	(4.6)
2010	690,000	11.3

Notes:

1. This represents the actual transaction amount for about eight months since the completion of the Merger.

2. The percentage increase/decrease has been calculated on an annualized basis.

As stated in the Letter from the Board, the sales of parts and components of transmissions has grown significantly in the three years ended 31 December 2007 because the State's macroeconomic policies and the rapid growth of fixed assets and infrastructure investments in the PRC, such as those under the 國家西北大開發戰略 (State's North-West Great Development Strategy) and in relation to the Beijing 2008 Olympic Games, have stimulated the development of the heavy-duty vehicles industry in the PRC. Further, with the completion of the construction and improvement of highway networks in the PRC, the market of transportation vehicles, especially heavy-duty vehicles, has entered into a rapid growth period. The Directors believe that the demand for the products of SFGC and the products to be processed by Fast Transmission will continue to grow steadily.

The Company has proposed New Caps for the above TAGC Continuing Connected Transaction of RMB650 million, RMB620 million and RMB690 million, respectively, for each of the three years ending 31 December 2008, 2009 and 2010. As stated in the Letter from the Board, such New Caps have been prepared by the Company primarily based on the relevant historical costs and the estimate of the volume of parts and components to be sold by Fast Transmission and of the average unit price of such parts and components.

As indicated in the table above, the transaction amount in relation to the sale of parts and components of transmissions and related products by SFGC to Fast Transmission during the first five months of 2008 reached RMB257.5 million and, accordingly, about 74% of the existing cap of RMB350 million for 2008 has already been utilized. As discussed in the paragraph headed "Overview of the heavy-duty truck and construction machinery markets in China" above, the continuous rapid growth of the national economy, the development and improvement of the expressway network nationwide, the growth of the logistics and transportation industries in China, and the recent national policies focusing on promoting rural urbanization will continue to drive the continuous growth of the heavy-duty truck market. However, we understand from the Company that the implementation of China III Emission Standards as part of China's environmental protection policies to reduce the levels of vehicle emissions and discharges would have impact to a certain extent on the overall sales of the heavy-duty truck market. As announced by the State Environmental Protection Administration, all newly produced vehicles are required to comply with the China III Emission Standards by July 2008. Since higher emission standards would generally be translated into higher compliance expenditures for the automotive manufacturers, such as higher research and development and production costs, vehicles that comply with China III Emission Standards are generally more expensive than those of the older China II Emission Standards. Consumers have therefore moved ahead their purchase plans and have been buying the less expensive, older generation heavy-duty trucks since late last year. The proposed New Cap of RMB650 million for 2008 represents a buffer of about 5% based on the actual transaction amount for the first five months in 2008 on an annualized basis. The Company expects that after the China III Emission Standards coming into force in July 2008, the demand for heavy-duty trucks may ease and therefore the transaction amount between SFGC and Fast Transmission will slightly contract in 2009 as compared with that for the whole year in 2008, and will then stabilize with steady growth in 2010. Accordingly, the Company has proposed a New Cap of RMB620 million for the year ending 31 December 2009 which is slightly lower than the proposed New Cap for 2008 and a New Cap of RMB690 million for 2010, representing an annual growth of approximately 11% over the proposed New Cap for the preceding year.

According to statistics from the China Association of Automobile Manufacturers (中國汽車工業協會), sales of heavy-duty trucks surged to 167,232 units in the first quarter of 2008 with a year-on-year growth rate of 58.7%. The significant growth in the transaction amount between SFGC and Fast Transmission for the first five months of 2008 is consistent with the overall performance of the heavy-duty truck market. As advised by the Company, SFGC has reached its maximum production capacity for the relevant products in 2007. Due to management prudence, SFGC presently has no intention to expand its production capacity significantly and will focus on developing and marketing products of higher power and higher standards.

Taking into account the fact that (i) there was substantial growth in the transaction amount for 2007 and the transaction amount for the first five months of 2008 was approximately RMB257.5 million; (ii) the demand for heavy-duty trucks in the market in general is expected to ease in 2009 after the China III Emission Standards coming into force in July 2008; and (iii) SFGC has reached its maximum production capacity for the relevant products in 2007, we consider that the proposed New Caps for the sale of parts and components of transmissions and related products by SFGC to Fast Transmission for the three years ending 31 December 2008, 2009 and 2010 of RMB650 million, RMB620 million and RMB690 million, respectively, are not excessive and are fair and reasonable.

2. *Purchase of parts and components of transmissions and related products by SFGC from Fast Transmission*

(a) Principal terms of the CCT Agreement in relation to the purchase of products by SFGC from Fast Transmission (the "FT Supplemental Purchase Agreement")

Pursuant to the parts and components purchase agreement dated 1 August 2007 between SFGC and Fast Transmission (the "FT Purchase Framework Agreement"), SFGC has purchased from Fast Transmission certain parts and components of transmissions and gears, namely, power take off assemblies and castings, at market prices settled by the parties every two to three months. Under the FT Supplemental Purchase Agreement, SFGC has agreed to purchase from Fast Transmission such parts and components and related products, at prices determined based on market prices (and/or according to the principle of fairness and reasonableness), for a term ending 31 December 2010, upon the expiry of which SFGC shall have the option to extend the term for another three years. Save as aforesaid and the revision of the Existing Caps below, all other terms of the FT Purchase Framework Agreement remain unchanged.

SFGC is principally engaged in the manufacture and sale of transmissions and other motor vehicle parts and components and is the largest manufacturer of transmissions for heavy-duty trucks in the PRC, while Fast Transmission is principally engaged in the processing of vehicle parts and components. The take off assemblies and castings, etc. purchased by SFGC under the FT Purchase Framework Agreement are processed by Fast Transmission using, among others, the parts and components sold by SFGC under the FT Sale Framework Agreement as described above.

We noted from the 2007 Annual Report that about 95% of the Group's trade and bills payables aged up to 180 days. The Group had trade and bills payables of approximately RMB7,391 million as at 31 December 2007, of which about 85.3% aged within 90 days. Based on the credit terms obtained by the Group from its trade creditors in general, we consider that the settlement term of two to three months granted by Fast Transmission to SFGC is in line with the Group's normal commercial terms. Such settlement term is also the same as that granted by SFGC to Fast Transmission under the FT Sale Framework Agreement described above.

On the basis that (i) the purchase of parts and components of transmissions and related products by SFGC from Fast Transmission is conducted in the ordinary and usual course of business of SFGC; (ii) the prices of the goods under these TAGC Continuing Connected Transactions shall continue to be market prices or prices determined according to the principle of fairness and reasonableness; and (iii) the credit term of two to three months granted by Fast Transmission to SFGC is in line with those obtained by the Group from its customers in general and is also the same as that granted by SFGC to Fast Transmission under the FT Sale Framework Agreement, we are of the opinion that the FT Supplemental Purchase Agreement is in the interests of the Company and the Shareholders as a whole, and its terms are normal commercial terms and are fair and reasonable.

(b) Rationale for determining the New Caps

The table below sets out (i) the actual transaction amounts in relation to the purchase of parts and components of transmissions and related products by SFGC from Fast Transmission for each of the two years ended 31 December 2007 and the five months ended 31 May 2008; (ii) the existing annual caps for the relevant transaction for each of the three years ending 31 December 2009; and (iii) the proposed New Caps for the transactions in relation to the purchase of parts and components of transmissions and related products by SFGC from Fast Transmission for each of the three years ending 31 December 2008, 2009 and 2010.

	Total transaction amounts in relation to the purchase of parts and components of transmissions and related products by SFGC from Fast Transmission *(RMB'000)*	**Increase/ (Decrease) as compared to the preceding financial year** *(%)*
Actual transaction amounts:		
2006 (audited)	—	N/A
2007 (audited) *(Note 1)*	444,961	—
5 months up to 31 May 2008 (unaudited) *(Note 2)*	377,079	35.6
Existing Caps:		
2007	500,000	N/A
2008	500,000	0
2009	500,000	0
New Caps:		
2008	850,000	N/A
2009	810,000	(4.7)
2010	910,000	12.3

Notes:

1. This represents the actual transaction amount for about eight months since the completion of the Merger.

2. The percentage increase/decrease has been calculated on an annualized basis.

As stated in the Letter from the Board, the sales of parts and components of transmissions has grown significantly in the three years ended 31 December 2007 because the State's macroeconomic policies and the rapid growth of fixed assets and infrastructure investments in the PRC, such as those under the 國家西北大開發戰略 (State's North-West Great Development Strategy) and in relation to the Beijing 2008 Olympic Games, have stimulated the development of the heavy-duty vehicles industry in the PRC. Further, with the completion of the construction and improvement of highway networks in the PRC, the market of transportation vehicles, especially heavy-duty vehicles, has entered into in a rapid growth period. The Directors believe that the demand for the products of SFGC in the market and thus the volume of parts and components for its production from Fast Transmission will continue to grow and the purchase of these parts and components by SFGC from Fast Transmission will continue to increase substantially.

The Company has proposed New Caps for the above TAGC Continuing Connected Transaction of RMB850 million, RMB810 million and RMB910 million for each of the three years ending 31 December 2008, 2009 and 2010, respectively. As stated in the Letter from the Board, such New Caps have been prepared by the Company primarily based on the industry forecasts, the relevant historical costs and the estimate of the volume of parts and components to be required by SFGC from Fast Transmission for its production and of the average unit price of such parts and components.

As indicated in the table above, the transaction amount in relation to the purchase of parts and components of transmissions and related products by SFGC from Fast Transmission during the first five months of 2008 reached RMB377 million and, accordingly, about 75% of the existing cap of RMB500 million for 2008 has already been utilized. As discussed in the paragraph headed "Overview of the heavy-duty truck and construction machinery markets in China" above, the continuous rapid growth of the national economy, the development and improvement of the expressway network nationwide, the growth of the logistics and transportation industries in China, and the recent national policies focusing on promoting rural urbanization will continue to drive the continuous growth of the heavy-duty truck market. However, for reasons as mentioned above regarding the sale transaction by SFGC to Fast Transmission, the Company expects that after the China III Emission Standards coming into force in July 2008, the demand for heavy-duty trucks may ease and therefore the transaction amount between SFGC and Fast Transmission will slightly contract in 2009 as compared with that for the whole year in 2008, and will then stabilize with steady growth in 2010. Accordingly, the Company has proposed the New Caps of RMB850 million and RMB810 million for the two years ending 31 December 2008 and 2009, respectively, which are lower than the actual transaction amount for the first five months of 2008 on an annualized and average basis. The proposed New Cap of RMB910 million for the year ending 31 December 2010 represents a steady annual growth of about 12% over the New Cap for the preceding year.

According to statistics from the China Association of Automobile Manufacturers, sales of heavy-duty trucks surged to 167,232 units in the first quarter of 2008 with a year-on-year growth rate of 58.7%. The significant growth in the transaction amount between SFGC and Fast Transmission for the first five months of 2008 is consistent with the overall performance of the heavy-duty truck market. As advised by the Company, SFGC has reached its maximum production capacity for the relevant products in 2007. Due to management prudence, SFGC presently has no intention to expand its production capacity significantly and will focus on developing and marketing products of higher power and higher standards.

Taking into account the fact that (i) there was substantial growth in the transaction amounts for 2007 and the actual transaction amount for the first five months of 2008 reached approximately RMB377 million; (ii) the demand for heavy-duty trucks in the market in general is expected to ease after the China III Emission Standards coming into force in July 2008; and (iii) SFGC has reached its maximum production capacity for the relevant products in 2007, we consider that the proposed New Caps of RMB850 million, RMB810 million and RMB910 million for the purchase of parts and components of transmissions and related products by SFGC from Fast Transmission for each of the three years ending 31 December 2008, 2009 and 2010, respectively, are not excessive and are fair and reasonable.

3. *Sale of vehicles, parts and components of vehicles and related products and provision of heat processing services by Shaanxi Zhongqi, Hande Axle, Jinding and Tiangua (as the case may be) to Shaanxi Automotive and its associates (as the case may be)*

(a) Principal terms of the CCT Agreement in relation to the sale of products and provision of processing services by Shaanxi Zhongqi (and its subsidiaries) to Shaanxi Automotive (and its associates) (the "Shaanxi Automotive Supplemental Sale Agreement")

Pursuant to an existing vehicles, parts and components and raw materials sale and heat processing services agreement dated 1 August 2007 (the "Original Shaanxi Automotive Sale Framework Agreement"):

— Shaanxi Zhongqi has sold certain vehicles and parts and components of vehicles, namely, wire gauges, emission pipes and raw materials, at market prices, to each of Shaanxi Automotive, Shaanxi Wanfang, Shaanxi Huazhen, Shaanxi Heavy-duty Coach, Shaanxi Lantong, Beijing Shaanqi Sale Centre, Shaanxi Tongli and Shaanxi Tongchuang;

— Hande Axle has sold certain parts and components of vehicles, namely, ductile iron, to Shaanxi Huazhen at market prices and provided certain heat processing services to Shaanxi Wanfang at market prices; and

— Jinding has sold certain parts and components of vehicles, namely, castings, at market prices, to each of Shaanxi Tongchuang, Shaanxi Tongli and Shaanxi Wanfang.

Since 2008, Tiangua has sold certain parts and components of vehicles, namely, converted carriage, and provided the related services to Beijing Shaanqi Sale Centre.

As stated in the Letter from the Board, during the past years, the sale and provision of service transactions by Shaanxi Zhongqi, Hande Axle, Jinding and Tiangua (as the case may be) to Shaanxi Automotive and its associates have been conducted at market prices and settled by the relevant parties every one to three months.

Pursuant to the Shaanxi Automotive Supplemental Sale Agreement, Shaanxi Zhongqi, Hande Axle, Jinding and Tiangua (as the case may be) have agreed to sell the said parts and components, raw materials and related products and to provide the said heat processing services to Shaanxi Automotive, Shaanxi Wanfang, Shaanxi Huazhen, Shaanxi Heavy-duty Coach, Shaanxi Lantong, Beijing Shaanqi Sale Centre, Shaanxi Tongli and Shaanxi Tongchuang (as the case may be) at prices determined based on market prices (and/or according to the principle of fairness and reasonableness) for a term ending 31 December 2010. Upon the expiry of the term ending 31 December 2010, Shaanxi Zhongqi, Hande Axle, Jinding and Tiangua shall have the option to renew the agreement for a term of three years.

We noted from the 2007 Annual Report that the credit terms granted by the Group to its customers are normally in the range between 90 days and 180 days. Customers with established trading records could be granted longer credit period. As stated in the 2007 Annual Report, the Group had trade and bills receivables of approximately RMB6,105 million as at 31 December 2007, of which about 68% aged within 90 days. Based on the credit terms granted by the Group to its customers in general, we consider that the credit term of one to three months granted by Shaanxi Zhongqi and its subsidiaries to Shaanxi Automotive and its associates is in line with the Group's normal commercial terms.

In summary, (i) the sale of vehicles, wire gauges, emission pipes and raw materials by Shaanxi Zhongqi, the sale of ductile iron and provision of heat processing services by Hande Axle, the sale of castings by Jinding, and the sale of converted carriage and provision of related services by Tiangua are all conducted in the ordinary and usual course of their respective businesses; (ii) the prices of the goods or services to be transacted under the Shaanxi Automotive Supplemental Sale Agreement shall continue to be market prices or prices determined according to the principle of fairness and reasonableness; and (iii) the specific contracts or orders to be entered into for these TAGC Continuing Connected Transactions shall continue to be based on the principle of fairness and reasonableness and are on normal commercial terms. On this basis, we are of the opinion that the Shaanxi Automotive Supplemental Sale Agreement governing the sale of such goods and the provision of services by Shaanxi Zhongqi, Hande Axle, Jinding and Tiangua to Shaanxi Automotive and its associates is in the interest of the Company and the Shareholders as a whole, and the terms of the Shaanxi Automotive Supplemental Sale Agreement are normal commercial terms and are fair and reasonable.

(b) Rationale for determining the New Caps

The table below sets out (i) the actual transaction amounts involved for the sale of vehicles, parts and components of vehicles, and the provision of heat processing services by Shaanxi Zhongqi, Hande Axle, Jinding and Tiangua (as the case may be) to Shaanxi Automotive and its associates (as the case may be) for each of the two years ended 31 December 2006 and 2007 and the five months ended 31 May 2008; (ii) the existing annual caps for the relevant transaction for each of the three years ending 31 December 2007, 2008 and 2009; and (iii) the proposed New Caps for such TAGC Continuing Connected Transactions for each of the three years ending 31 December 2008, 2009 and 2010:

	Total transaction amounts *(RMB'000)*	**Increase as compared to the preceding financial year** *(%)*
Actual transaction amounts:		
2006	—	N/A
2007 *(Note 1)*	233,836	N/A
Five months ended 31 May 2008 *(Note 2)*	176,459	20.7
Existing Caps:		
2007	345,000	N/A
2008	458,000	32.8
2009	564,000	23.1
New Caps:		
2008	650,000	N/A
2009	850,000	30.8
2010	1,100,000	29.4

Notes:

1. This represents the actual transaction amount for about eight months since the completion of the Merger.

2. The percentage increase has been calculated on an annualized basis.

As indicated in the table above, the transaction amount in relation to the sale of vehicles, parts and components of vehicles and raw materials and the provision of heat processing services by Shaanxi Zhongqi, Hande Axle, Jinding and Tiangua (as the case may be) to Shaanxi Automotive and its associates (as the case may be) in 2007 after the completion of the Merger was approximately RMB234 million. As stated in the Letter from the Board, the total transaction amount for such TAGC Continuing Connected Transactions for 2007 had increased by approximately 74% from that of 2006. In the first five months ended 31 May 2008, the amount of such TAGC Continuing Connected Transactions has reached RMB176 million and, accordingly, about 38.5% of the existing annual cap of RMB458 million for 2008 has been utilized.

The proposed New Caps for the above TAGC Continuing Connected Transaction are RMB650 million, RMB850 million and RMB1,100 million for the three years ending 31 December 2008, 2009 and 2010 respectively. The proposed New Cap for 2008 represents a growth rate of approximately 53.5% on an annualized basis over the actual transaction amount for the five months ended 31 May 2008, and the proposed New Caps for 2009 and 2010 represent an average growth rate of approximately 30% over the preceding year. As stated in the Letter from the Board, these proposed New Caps have been prepared by the Company primarily based on the relevant historical costs and the estimate of the volume of vehicles, and parts and components of vehicles to be sold by Shaanxi Zhongqi, Hande Axle, Jinding and Tiangua (as the case may be), and the amount of heat processing services to be provided by Hande Axle, and the average unit price of the said vehicles and their parts and components and the charges for the said heat processing services.

The PRC has maintained a strong economic growth over the past few years and the market of heavy-duty vehicles has shown recovery in 2006. Since Shaanxi Zhongqi, Hande Axle, Jinding and Tiangua are engaged in the business of the production of heavy-duty vehicles and related products, the Directors believe that the demand for vehicles and vehicle parts and components and heat processing services produced and provided by these Group companies will increase substantially and the volume of vehicles and parts and components to be purchased by Shaanxi Automotive and/or its relevant associates (as the case may be) for onward sale to third parties will continue to increase correspondingly.

Following the completion of the Merger, the enlarged Group has formed a large consolidated business in the heavy-duty trucks market and has the ability to provide an integrated power train for heavy-duty trucks. The Group, through its interests in Shaanxi Zhongqi, is therefore in an advantageous position to capture the growth potential in the heavy-duty trucks market. As advised by the Company, according to the statistics of the China Association of Automobile Manufacturers, Shaanxi Automotive sold 60,020 heavy-duty trucks in 2007, representing a growth rate of approximately 96.5% from 30,550 units in 2006. In the first quarter of 2008, Shaanxi Automotive has sold 19,614 heavy-duty trucks, up by about 39%

from 14,107 units for the corresponding period last year. According to statistics from the China Association of Automobile Manufacturers, sales of heavy-duty trucks in China surged to 167,232 units in the first quarter of 2008 with a year-on-year growth rate of 58.7%. Based on such sales volume, the market share of Shaanxi Automotive in the heavy-duty truck market in China is about 11.7%.

As discussed in the paragraph headed "Overview of the heavy-duty truck and construction machinery markets in China" above, the continuous rapid growth of the national economy, the development and improvement of the expressway network nationwide, the growth in the logistics and transportation industries in China, and the recent national policies focusing on promoting rural urbanization will continue to drive the continuous growth of the heavy-duty truck market. Although the new regulation for compliance with the China III Emission Standards is expected to have impact to a certain extent on the vehicle market in China, the Company expects that the sales volume of Shaanxi Automotive will continue to grow given its enhanced competitiveness and a significant market share. According to a report by China Economic Net (中國經濟網), since 2006 Shaanxi Automotive has performed well in products quality, services and differentiation in the heavy-duty truck market. The Merger, under which Shaanxi Zhongqi has become a subsidiary of the Company, has provided the development opportunity for Shaanxi Automotive through the advanced industrial supply chain and service network established by the Group. Shaanxi Automotive has also established a heavy-duty truck service system with large-scale network, unquestioned service policies, high service efficiency and high customer satisfaction and, as a result, has created the record of fastest growing in the heavy-duty truck market in China according to the statistics of China Association of Automobile Manufacturers.

According to the website of Shaanxi Automotive, it has already sold over 5000 heavy-duty trucks that comply with the China III Emission Standards up to June 2008 before such standards came into force on 1 July 2008. In view of (i) the growth rates of 96.5% and 39% in the sales volume of heavy-duty trucks achieved by Shaanxi Automotive in 2007 and in the first quarter of 2008 respectively; (ii) the growth rate of 58.7% in the heavy-duty trucks market in China during the first quarter of 2008; and (iii) a significant 11.7% market share of Shaanxi Automotive in the heavy-duty truck market in China, we consider that the growth rates as represented by the proposed New Caps of approximately 53.5% for 2008 over the actual transaction amount for the first five months in 2008 on an average basis and of an average of approximately 30% for 2009 and 2010 for the TAGC Continuing Connected Transactions in this sub-section are reasonable.

In summary, we consider that the proposed New Caps of RMB650 million, RMB850 million and RMB1,100 million for the three years ending 31 December 2008, 2009 and 2010, respectively, for the sale transactions and provision of services by Shaanxi Zhongqi and its subsidiaries to Shaanxi Automotive and its associates are fair and reasonable.

4. *Purchase of parts and components of vehicles, scrap steel and related products by Shaanxi Zhongqi, Hande Axle, Jinding, Shaanxi Import and Tiangua (as the case may be) from Shaanxi Automotive's associates*

(a) Principal terms of the CCT Agreement in relation to the purchase of products by Shaanxi Zhongqi, Hande Axle, Jinding, Shaanxi Import and Tiangua (as the case may be) from Shaanxi Automotive's associates (the "Shaanxi Automotive Supplemental Purchase Agreement")

Pursuant to an existing parts and components and scrap steel purchase agreement dated 1 August 2007 between Shaanxi Zhongqi, Hande Axle, Jinding and Shaanxi Wanfang, Shaanxi Huazhen, Shaanxi Heavy-duty Coach and Shaanxi Lantong (the "Original Shaanxi Automotive Purchase Framework Agreement"):

— Shaanxi Zhongqi has purchased certain parts and components of vehicles, namely, wire gauges and emission pipes, at market prices, from each of Shaanxi Wanfang, Shaanxi Huazhen, Shaanxi Heavy-duty Coach, and Shaanxi Lantong;

— Hande Axle has purchased certain parts and components of vehicles, namely, brake hoof, at market prices from each of Shaanxi Wanfang and Shaanxi Huazhen; and

— Jinding has purchased certain scrap steel, at market prices, from Shaanxi Huazhen.

In addition, Shaanxi Import has purchased certain parts and components of vehicles, namely, transmission axle and radiator, from each of Shaanxi Heavy-duty Coach, Beijing Shaanqi Sale Centre, Shaanxi Tongli and Shaanxi Heavy-duty Coach, Beijing Shaanqi Sale Centre, Shaanxi Tongli and Shaanxi Tongchuang. Tiangua has also purchased certain parts and components of vehicles, namely, transmission axle and radiator, from Beijing Shaanqi Sale Centre.

As stated in the Letter from the Board, during the past years, the purchase transactions by Shaanxi Zhongqi, Hande Axle, Jinding, Shaanxi Import and Tiangua (as the case may be) from Shaanxi Automotive's associates have been conducted at market prices and settled every one to three months.

The Original Shaanxi Automotive Purchase Framework Agreement has a term ending 31 December 2009. Under the Shaanxi Automotive Supplemental Purchase Agreement, Shaanxi Zhongqi, Hande Axle, Jinding, Shaanxi Import and

Tiangua (as the case may be) have agreed to purchase from the aforesaid Shaanxi Automotive's associates (as the case may be) the said parts and components of vehicles, scrap steel and related products at prices determined based on market prices (and/or according to the principle of fairness and reasonableness) for a term ending 31 December 2010, upon the expiry of which Shaanxi Zhongqi, Hande Axle, Jinding, Shaanxi Import and Tiangua shall have an option to renew the agreement for a term of three years. Save as aforesaid and the revision of the Existing Caps below, all other terms of the Original Shaanxi Automotive Purchase Framework Agreement remain unchanged.

We noted from the 2007 Annual Report that about 95% of the Group's trade and bills payables aged up to 180 days. The Group had trade and bills payables of approximately RMB7,391 million as at 31 December 2007, of which about 85.3% aged within 90 days. Based on the credit terms obtained by the Group from its trade creditors in general, we consider that the settlement term of one to three months granted by Shaanxi Automotive's associates to Shaanxi Zhongqi and its subsidiaries is in line with the Group's normal commercial terms. Such settlement term is also the same as that granted by Shaanxi Zhongqi and its subsidiaries under the sale transactions of products to Shaanxi Automotive and its associates as described above.

In summary, (i) the purchase of wire gauges and emission pipes by Shaanxi Zhongqi, the purchase of brake hoof by Hande Axle, the purchase of scrap steel by Jinding, and the purchase of transmission axle and radiator by Shaanxi Import and Tiangua are all conducted in the ordinary and usual course of their respective businesses; (ii) the prices of the goods to be transacted under the Shaanxi Automotive Supplemental Purchase Agreement shall continue to be market prices or prices determined according to the principle of fairness and reasonableness; and (iii) the specific contracts or orders to be entered into for these TAGC Continuing Connected Transactions shall continue to be based on the principle of fairness and reasonableness and are on normal commercial terms. On this basis, we are of the opinion that the Shaanxi Automotive Supplemental Purchase Agreement governing the purchase of such goods by Shaanxi Zhongqi, Hande Axle, Jinding, Shaanxi Import and Tiangua from Shaanxi Automotive's associates is in the interest of the Company and the Shareholders as a whole, and the terms of the Shaanxi Automotive Supplemental Purchase Agreement are normal commercial terms and are fair and reasonable.

(b) Rationale for determining the New Caps

The table below sets out (i) the actual transaction amounts involved for the purchase of parts and components of vehicles, scrap steel and related products by Shaanxi Zhongqi, Hande Axle, Jinding, Shaanxi Import and Tiangua (as the case may be) from Shaanxi Automotive's associates for each of the two years ended 31 December 2007; (ii) the existing annual caps for the relevant transaction for each of the three years ending 31 December 2007, 2008 and 2009; and (iii) the proposed New Caps for such TAGC Continuing Connected Transactions for each of the three years ending 31 December 2008, 2009 and 2010:

	Total transaction amounts *(RMB'000)*	**Increase as compared to the preceding financial year** *(%)*
Actual transaction amounts:		
2006	—	N/A
2007 *(Note 1)*	555,481	N/A
Five months ended 31 May 2008 *(Note 2)*	438,408	26.3
Existing Caps:		
2007	1,120,000	N/A
2008	1,340,000	19.6
2009	1,501,000	12.0
New Caps:		
2008	1,500,000	N/A
2009	2,200,000	46.7
2010	2,700,000	22.7

Notes:

1. This represents the actual transaction amount for about eight months since the completion of the Merger.

2. The percentage increase has been calculated on an annualized basis.

As indicated in the table above, the transaction amount in relation to the purchase of parts and components of vehicles, scrap steel and related products by Shaanxi Zhongqi, Hande Axle, Jinding, Shaanxi Import and Tiangua (as the case may be) from Shaanxi Automotive's associates after completion of the Merger was approximately RMB555 million. In the first five months ended 31 May 2008, the amount of such TAGC Continuing Connected Transactions has reached RMB438 million and utilized about 33% of the existing annual cap of RMB1,340 million for 2008.

The proposed New Caps for the above TAGC Continuing Connected Transaction are RMB1,500 million, RMB2,200 million and RMB2,700 million for the three years ending 31 December 2008, 2009 and 2010, respectively. The proposed New Cap for 2008 represents a growth rate of approximately 42.6% on an annualized basis over the actual transaction amount for the five months ended 31 May 2008, and the proposed New Caps for 2009 and 2010 represent a growth rate of 46.7% and 22.7%, respectively, over the preceding year. As stated in the Letter from the Board, these proposed New Caps have been prepared by the Company primarily based on the relevant historical costs and the estimate of the volume of parts and components of vehicles and scrap steel required by Shaanxi Zhongqi, Hande Axle, Jinding, Shaanxi Import and Tiangua for their production, and the average unit price of such parts and components and scrap steel.

Since Shaanxi Zhongqi, Hande Axle, Jinding, Shaanxi Import and Tiangua are engaged in the business of the production and sale of heavy-duty vehicles and related products, the Directors believe that such businesses will be benefited by the State's macroeconomic policies, the rapid growth of fixed assets and infrastructure investments in the PRC in recent years, the completion of the construction and improvement of highway networks in the PRC, which have resulted in a rapid growth in the market of transportation vehicles, especially the heavy-duty vehicles. The Directors believe that the demand for the products of Shaanxi Zhongqi, Hande Axle, Jinding, Shaanxi Import and Tiangua and accordingly, the volume of parts and components and scrap steel required for the production of such products, will increase substantially for the three years ending 31 December 2010.

Following the completion of the Merger, the enlarged Group has formed a large consolidated business in the heavy-duty truck market and has the ability to provide an integrated power train for heavy-duty trucks. The Group, through its interests in Shaanxi Zhongqi, is therefore in an advantageous position to capture the growth potential in the heavy-duty truck market. As stated in the Company's 2008 interim report, for the six months ended 30 June 2008, Shaanxi Zhongqi reported aggregate sales of approximately 42,800 heavy-duty trucks, up by approximately 40% from about 30,600 units for the corresponding period last year. According to statistics from the China Association of Automobile Manufacturers, sales of heavy-duty trucks surged to 167,232 units in the first quarter of 2008 with a year-on-year growth rate of 58.7%. Furthermore, the Group's market share in the 14 tonne (and above) gross weight heavy-duty truck market in China was about 36%.

As discussed in the paragraph headed "Overview of the heavy-duty truck and construction machinery markets in China" above, the continuous rapid growth of the national economy, the development and improvement of the expressway network nationwide, logistics and transportation industries in China, and the recent national policies focusing on promoting rural urbanization will continue to drive the continuous growth of the heavy-duty truck market. Although the new regulation for compliance with the China III Emission Standards is expected to have impact to a certain extent on the vehicle market in China, the Company expects that the sales volume of Shaanxi Zhongqi will continue to grow given its enhanced competitiveness after the Merger and a significant market share.

In view of (i) the growth of about 40% in the sales volume of heavy-duty trucks of Shaanxi Zhongqi in the first half of 2008; (ii) the growth rate of 58.7% in the heavy-duty trucks market in China during the first quarter of 2008; and (iii) the Group's significant market share of about 36% in the 14 tonne (and above) gross weight heavy-duty truck market in China, we consider that the growth rates as represented by the proposed New Cap for the TAGC Continuing Connected Transactions in this sub-section of approximately 42.6% for 2008 (over the actual transaction amount for the first five months of 2008 on an annualized basis) and of approximately 46.7% for 2009 over the proposed New Cap for 2008 are reasonable. Following a few years' rapid growth in the heavy-duty truck market and when the prices of China III Emission Standards compliant vehicles shall have become more stable, it is reasonable to project that the growth rate as represented by the proposed New Cap for 2010 will ease off a bit as compared to preceding years.

In summary, we consider that the proposed New Caps of RMB1,500 million, RMB2,200 million and RMB2,700 million for the purchase transactions by Shaanxi Zhongqi and its subsidiaries from Shaanxi Automotive's associates under the Shaanxi Automotive Supplemental Purchase Agreement are fair and reasonable.

5. *Sale of off-road vehicles by DFOVCL to Dong Feng Automotive*

(a) Principal terms of the CCT Agreement in relation to the sale of off-road vehicles by DFOVCL to Dong Feng Automotive (the "Dong Feng Supplemental Sale Agreement")

Pursuant to the off-road vehicles sale agreement dated 1 August 2007 (the "Original Dong Feng Sale Framework Agreement"), DFOVCL has sold to Dong Feng Automotive off-road vehicles, at market prices, for a term ending 31 December 2009. Under the Dong Feng Supplemental Sale Agreement, the term of the Original Dong Feng Sale Framework Agreement shall be extended to 31 December 2010 and the New Caps for the sale of off-road vehicles by DFOVCL to Dong Feng Automotive for each of the three years ending 31 December 2008, 2009 and 2010 shall be revised to RMB350 million, RMB530 million and RMB630 million, respectively. Save as aforesaid, all other terms of the Original Dong Feng Sale Framework Agreement remain unchanged.

Pursuant to the Original Dong Feng Sale Framework Agreement, DFOVCL and Dong Feng Automotive shall enter into specific contracts, orders and/or confirmation documents which set out the specific terms including the particulars of models of the vehicles, quantity, price, delivery and inspection methods, payment terms, etc. and such terms must be based on the principle of fairness and reasonableness and must not contravene the terms of the Original Dong Feng Sale Framework Agreement.

As stated in the Letter from the Board, the sale transactions by DFOVCL to Dong Feng Automotive have been conducted at market prices and settled every two to three months. It is expected that these TAGC Continuing Connected Transactions between DFOVCL and Dong Feng Automotive will continue generally on the same terms as in the past.

We noted from the 2007 Annual Report that the credit terms granted by the Group to its customers are normally in the range from 90 days to 180 days. Customers with established trading records could be granted longer credit period. As stated in the 2007 Annual Report, the Group had trade and bills receivables of approximately RMB6,105 million as at 31 December 2007, of which about 68% aged within 90 days. Based on the credit terms granted by the Group to its customers in general, we consider that the credit term of two to three months granted by DFOVCL to Dong Feng Automotive is in line with the Group's normal commercial terms.

In summary, (i) the sale of off-road vehicles is conducted in the ordinary and usual course of DFOVCL's business; (ii) the prices of the vehicles to be conducted under the Dong Feng Supplemental Sale Agreement shall continue to be market prices or prices determined according to the principle of fairness and reasonableness; and (iii) the specific contracts or orders to be entered into for these TAGC Continuing Connected Transactions shall continue to be based on the principle of fairness and reasonableness and are on normal commercial terms. On this basis, we are of the opinion that the Dong Feng Supplemental Sale Agreement governing the sale of such vehicles by DFOVCL to Dong Feng Automotive is in the interests of the Company and the Shareholders as a whole, and the terms of the Dong Feng Supplemental Sale Agreement are normal commercial terms and are fair and reasonable.

(b) Rationale for determining the New Caps

The table below sets out (i) the actual transaction amounts involved for the sale of off-road vehicles by DFOVCL to Dong Feng Automotive for each of the two years ended 31 December 2006 and 2007 and the five months ended 31 May 2008; (ii) the existing annual caps for such TAGC Continuing Connected Transactions for each of the three years ending 31 December 2007, 2008 and 2009; and (ii) the proposed New Caps for such TAGC Continuing Connected Transactions for each of the three years ending 31 December 2008, 2009 and 2010:

	Total transaction amounts *(RMB'000)*	**Increase as compared to the preceding financial year** *(%)*
Actual transaction amounts:		
2006	—	N/A
2007 *(Note 1)*	8,137	N/A
Five months ended 31 May 2008 *(Note 2)*	85,559	1,582.4
Existing Caps:		
2007	130,000	N/A
2008	350,000	169.2
2009	400,000	14.3
New Caps:		
2008	350,000	N/A
2009	530,000	51.4
2010	630,000	18.9

Notes:

1. This represents the actual transaction amount for about eight months since the completion of the Merger.

2. The percentage increase has been calculated on an annualized basis.

The fluctuation in the sales of off-road vehicles by DFOVCL to Dong Feng Automotive up to the year ended 31 December 2007 was due to the test production of off-road vehicles by DFOVCL during such period and the production volume of off-road vehicles varied in accordance with the relevant requirement of the test production. With the completion of the test production in late 2007, DFOVCL has commenced mass production of off-road vehicles in 2008 and accordingly, the Directors believe that the sales of off-road vehicles by

DFOVCL to Dong Feng Automotive will increase substantially with an annual increase of approximately 51% and 19% for the two years ending 31 December 2010.

The proposed New Caps for the above sale transactions by DFOVCL to Dong Feng Automotive are RMB350 million, RMB530 million and RMB650 million for the three years ending 31 December 2008, 2009 and 2010 respectively. The proposed New Cap for 2008 represents a growth rate of approximately 70.4% on an annualized basis over the actual transaction amount for the five months ended 31 May 2008, and the proposed New Caps for 2009 and 2010 represent a growth rate of 51.4% and 18.9%, respectively, from the preceding year. As stated in the Letter from the Board, the proposed New Caps in this sub-section have been prepared by the Company primarily based on the relevant historical costs and the estimate of the volume of off-road vehicles of DFOVCL to be sold to Dong Feng Automotive and the average unit price of such vehicles.

DFOVCL is principally engaged in the manufacture and sale of off-road vehicles and chassis and Dong Feng Automotive is principally engaged in the manufacture and sale of commercial vehicles, passenger vehicles, engines and other auto parts. Although the sales of off-road vehicles by DFOVCL to Dong Feng Automotive during the five months ended 31 May 2008 reached RMB85 million, representing a 15-fold increase on an annualized basis as compared to the sales in 2007 after completion of the Merger, we consider it not meaningful to assess the New Caps by reference to the historical amounts as DFOVCL had just completed the test production in 2007 and has commenced commercial production of off-road vehicles in 2008. Based on the indication of order volume by Dong Feng Automotive to DFOVCL for the year of 2008 and DFOVCL's estimate on the average unit prices of the vehicles to be sold, we consider that the proposed New Cap of RMB350 million for 2008 is reasonable. It is common for a new product to achieve sharp growth in the early stage after it is commercially launched and then stable growth at around the product maturity stage. As noted from the table above, the growth rates as represented by the New Cap for 2009 reaches 51% and then eases to about 19% for 2010. We have reviewed the estimated quantity of vehicles and prices to be transacted between DFOVCL and Dong Feng Automotive during 2009 and 2010 and, on that basis, we consider that the proposed New Caps for the TAGC Continuing Connected Transactions in this sub-section are reasonable. Although such New Caps may not be justified by reference to historical transaction amounts, the interests of the Company and the Shareholders would not be prejudiced so long as the sale of off-road vehicles by DFOVCL to Dong Feng Automotive under the relevant Dong Feng Supplemental Sale Agreement will be based on normal commercial terms and at market price or prices determined according to the principle of fairness and reasonableness. In summary, we consider that the proposed New Caps of RMB350 million, RMB530 million and RMB630 million for the sale transactions of off-road vehicles by DFOVCL to Dong Feng Automotive for each of the three years ending 31 December 2008, 2009 and 2010, respectively, are fair and reasonable.

6. *Purchase of parts and components of off-road vehicles and related products by DFOVCL from Dong Feng Automotive (and its associates) (as the case may be) and provision of technical support services by Dong Feng Automotive to DFOVCL*

(a) Principal terms of the CCT Agreement in relation to the purchase of parts and components of off-road vehicles and related products and technical support services by DFOVCL from Dong Feng Automotive (and its associates) (the "Dong Feng Supplemental Purchase Agreement")

Pursuant to the parts and components agreement dated 1 August 2007 (the "Original Dong Feng Purchase Framework Agreement"), DFOVCL has purchased from Dong Feng Automotive certain parts and components of off-road vehicles, at market prices, for a term ending 31 December 2009. Under the Dong Feng Supplemental Purchase Agreement, the term of the Original Dong Feng Purchase Framework Agreement shall be extended to 31 December 2010. In addition, Dong Feng Automotive has agreed to provide certain technical support services to DFOVCL in respect of the production of off-road vehicles at a price, being 3% of the transaction amount of the off-road vehicles sold by DFOVCL, for a term ending 31 December 2010. Furthermore, the New Caps for the purchase of parts and components of off-road vehicles by DFOVCL from Dong Feng Automotive and provision of technical support services by Dong Feng Automotive to DFOVCL for each of the three years ending 31 December 2008, 2009 and 2010 shall be revised to RMB165 million, RMB230 million and RMB270 million, respectively. Save as aforesaid, all other terms of the Original Dong Feng Purchase Framework Agreement remain unchanged.

Pursuant to the Original Dong Feng Purchase Framework Agreement, DFOVCL and Dong Feng Automotive shall enter into specific contracts, orders and/or confirmation documents which set out the specific terms including the particulars of goods, quantity, price, delivery and inspection methods, payment terms, etc. and such terms must be based on the principle of fairness and reasonableness and must not contravene the terms of the Original Dong Feng Purchase Framework Agreement.

As stated in the Letter from the Board, the purchase transactions by DFOVCL from Dong Feng Automotive have been conducted at market prices and settled every two to three months. It is expected that these TAGC Continuing Connected Transactions between DFOVCL and Dong Feng Automotive (and its associates) will continue generally on the same terms as in the past.

We noted from the 2007 Annual Report that about 95% of the Group's trade and bills payables aged up to 180 days. The Group had trade and bills payables of approximately RMB7,391 million as at 31 December 2007, of which about 85.3% aged within 90 days. Based on the credit terms obtained by the Group from its trade creditors in general, we consider that the settlement term of two to three months granted by Dong Feng Automotive and its associates to DFOVCL is in line with the Group's normal commercial terms. Such settlement term is also the same as that granted by DFOVCL to Dong Feng Automotive under the sale transactions of off-road vehicles to Dong Feng Automotive as described above.

We understand from the Company that majority of the parts and components to be purchased by DFOVCL from Dong Feng Automotive shall be used in the production of off-road vehicles for onward sale to Dong Feng Automotive. In determining the sale prices of the off-road vehicles, DFOVCL will take into account all relevant costs, including the 3% charge for technical support services by Dong Feng Automotive.

In summary, (i) the purchase of parts and components of off-road vehicles by DFOVCL from Dong Feng Automotive and the provision of technical support service by Dong Feng Automotive to DFOVCL are conducted in the ordinary and usual course of DFOVCL's business; (ii) the prices of the parts and components to be conducted under the Dong Feng Supplemental Purchase Agreement shall continue to be market prices or prices determined according to the principle of fairness and reasonableness; and (iii) DFOVCL will take into account the technical support service charge at 3% in determining the sale prices of the off-road vehicles to Dong Feng Automotive. On this basis, we are of the opinion that the Dong Feng Supplemental Purchase Agreement governing the purchase transactions and provision of technical support service between DFOVCL and Dong Feng Automotive is in the interests of the Company and the Shareholders as a whole, and the terms of the Dong Feng Supplemental Purchase Agreement are normal commercial terms and are fair and reasonable.

(b) Rationale for determining the New Caps

The table below sets out (i) the actual transaction amounts involved for the purchase of parts and components of off-road vehicles by DFOVCL from Dong Feng Automotive for each of the two years ended 31 December 2006 and 2007 and the five months ended 31 May 2008; (ii) the existing annual caps for such TAGC Continuing Connected Transactions for each of the three years ending 31 December 2007, 2008 and 2009; and (iii) the proposed New Caps for such purchase transactions and the provision of technical support service between DFOVCL and Dong Feng Automotive for each of the three years ending 31 December 2008, 2009 and 2010:

	Total transaction amounts *(RMB'000)*	**Increase as compared to the preceding financial year** *(%)*
Actual transaction amounts:		
2006	—	N/A
2007 *(Note 1)*	8,255	N/A
Five months ended 31 May 2008 *(Note 2)*	38,579	647.7

	Total transaction amounts *(RMB'000)*	Increase as compared to the preceding financial year *(%)*
Existing Caps:		
2007	60,000	N/A
2008	135,000	125.0
2009	160,000	18.5
New Caps:		
2008	165,000	N/A
2009	230,000	39.4
2010	270,000	17.4

Notes:

1. This represents the actual transaction amount for about eight months since the completion of the Merger.

2. The percentage increase has been calculated on an annualized basis.

The fluctuation in the purchase amount of parts and components of off-road vehicles by DFOVCL from Dong Feng Automotive up to the year ended 31 December 2007 was due to the test production of off-road vehicles by DFOVCL during such period and the production volume of off-road vehicles varied in accordance with the relevant requirement of the test production. With the completion of the test production in late 2007, DFOVCL has commenced mass production of off-road vehicles in 2008 and accordingly, the Directors believe that the purchase of parts and components of off-road vehicles by DFOVCL from Dong Feng Automotive will increase substantially.

The proposed New Caps for the above purchase transactions by DFOVCL from Dong Feng Automotive are RMB165 million, RMB230 million and RMB270 million for the three years ending 31 December 2008, 2009 and 2010 respectively. The proposed New Cap for 2008 represents a growth rate of approximately 78% on an annualized basis over the actual transaction amount for the five months ended 31 May 2008, and the proposed New Caps for 2009 and 2010 represent a growth rate of 39% and 19%, respectively, from the preceding year. As stated in the Letter from the Board, the proposed New Caps in this sub-section have been prepared by the Company primarily based on the relevant historical costs and the estimate of the volume of parts and components required by DFOVCL for commercial production and of the average unit price of such parts and components.

DFOVCL is principally engaged in the manufacture and sale of off-road vehicles and chassis and Dong Feng Automotive is principally engaged in the manufacture and sale of commercial vehicles, passenger vehicles, engines and other auto parts. Although the purchase of parts and components of off-road vehicles by DFOVCL from Dong Feng Automotive during the five months ended 31 May 2008 reached RMB85 million, representing more than 640% increase on an annualized basis as compared to the purchases in 2007 after completion of the Merger, we consider it not meaningful to assess the New Caps by reference to the historical amounts as DFOVCL had just completed the test production in 2007 and has commenced commercial production of off-road vehicles in 2008. As mentioned above, majority of the parts and components to be purchased by DFOVCL from Dong Feng Automotive shall be used in the production of off-road vehicles for onward sale to Dong Feng Automotive. Based on the indication of order volume by Dong Feng Automotive to DFOVCL for the year of 2008, the estimation of parts and components required by DFOVCL for production of off-road vehicles, DFOVCL's estimate on the average unit prices of the parts and components and the technical support service charge, we consider that the proposed New Cap of RMB165 million for 2008 is reasonable. As mentioned above, it is common for a new product to achieve sharp growth in the early stage after it is commercially launched and accordingly, the demand for the related parts and components will follow the same growth trend. As noted from the table above, the growth rates as represented by the New Cap for 2009 eases to about 39% and then 17% for 2010. Such growth rates are substantially consistent with the growth rates as represented by the proposed New Caps for the sale of off-road vehicles by DFOVCL to Dong Feng Automotive for 2009 and 2010. We therefore consider that the proposed New Caps for the TAGC Continuing Connected Transactions in this sub-section are reasonable. Although such New Caps may not be justified by reference to historical transaction amounts, the interests of the Company and the Shareholders would not be prejudiced so long as the purchase of parts and components of off-road vehicles by DFOVCL from Dong Feng Automotive under the Dong Feng Supplemental Purchase Agreement will be based on normal commercial terms and at market price or prices determined according to the principle of fairness and reasonableness.

In summary, we consider that the proposed New Caps of RMB165 million, RMB230 million and RMB270 million for the purchase transactions and provision of technical support service between DFOVCL and Dong Feng Automotive for each of the three years ending 31 December 2008, 2009 and 2010, respectively, are fair and reasonable.

RECOMMENDATION

In formulating our recommendation to the Independent Board Committee and the Independent Shareholders in respect of the agreements governing the Non-exempt Continuing Connected Transactions and the proposed New Caps, we have considered the above principal factors and reasons, in particular, the following:

(i) The Non-exempt Continuing Connected Transactions are ongoing transactions, most of which have been conducted between members of the Group and the connected persons for a number of years and the Group has established a long-term strategic and solid business relationship with these connected persons. It is important to continue these transactions in order to ensure and maximize the operating efficiency and stability of the operations of the Group, and it is in the interest of the Company and the Shareholders to continue such transactions.

(ii) The Non-exempt Continuing Connected Transactions are conducted in the ordinary and usual course of business of the Group and on normal commercial terms, or terms that are no less favorable to the Group than those offered to the Group by independent third parties.

(iii) The value of, and the basis for determining, the New Caps are reasonable, details of which are set out in the relevant sub-sections headed "Rationale for determining the New Caps".

Based on the above consideration, we are of the opinion that the CCT Agreements governing the Non-exempt Continuing Connected Transactions are in the interests of the Company and the Shareholders as a whole, the terms of such CCT Agreements are normal commercial terms and are fair and reasonable, and the New Caps are fair and reasonable. Accordingly, we would advise the Independent Board Committee and the Independent Shareholders that the Independent Shareholders should vote in favour of the ordinary resolution(s) to approve the CCT Agreements governing the Non-exempt Continuing Connected Transactions and the New Caps at the EGM.

Yours faithfully,
For and on behalf of
Ceres Capital Limited

Frank Moy	**Jinny Mok**
Managing Director	*Executive Director*

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 in the shares, underlying shares and debentures of the Company notified to the Company and the Hong Kong 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 Hong Kong 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
Liu Huisheng	600,000 *(Note 1)*	Nil	600,000	Beneficial owner	Long
Yeung Sai Hong *(Note 2)*	Nil	23,500,000 *(Note 1)*	23,500,000	Interest of corporation controlled by this person	Long
Li San Yim *(Note 3)*	Nil	21,500,000 *(Note 1)*	21,500,000	Interest of corporation controlled by this person	Long

Name of Director	Personal interest	Corporate interest	Total	Capacity	Type of interest
Julius G. Kiss *(Note 4)*	Nil	10,750,000 *(Note 1)*	10,750,000	Interest of corporation controlled by this person	Long
Name of Supervisor					
Ding Yingdong	350,000 *(Note 1)*	Nil	350,000	Beneficial owner	Long

Notes:

1. These are A Shares of the Company. A 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 and are listed on The Shenzhen Stock Exchange.

2. Yeung Sai Hong, a non-executive 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 shares of the Company.

3. Li San Yim, a non-executive 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), which in turn held 21,500,000 shares, and Li San Yim was deemed interested in Ni Yinying's entire interest in Fujian Longgong.

4. Julius G. Kiss, a non-executive Director, was indirectly interested in the entire capital of IVM Technical Consultants Wien G.m.b.H., which in turn held 10,750,000 shares of the Company.

5. The New A Shares (as defined in the circular of the Company dated 16 September 2008 (the "Bonus Issue Circular")) under the Bonus Shares Issue (as defined in the Bonus Issue Circular) were issued on the Latest Practicable Date. The information regarding the number of the A Shares referred to in the above table and notes was received by the Company before the Latest Practicable Date, and the Company had not received further information regarding such A Shares on the Latest Practicable Date.

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 A Shares *(Note 5)*	Percentage of share capital comprising only A Shares	Number of H Shares *(Note 6)*	Percentage of share capital comprising only H Shares	Capacity	Type of interest held
濰柴控股集團有限公司 (Weichai Group Holdings Limited) ("Weichai Holdings")	77,647,900	19.70%	Nil	—	Beneficial owner	Long

Name	Number of A Shares *(Note 5)*	Percentage of share capital comprising only A Shares	Number of H Shares *(Note 6)*	Percentage of share capital comprising only H Shares	Capacity	Type of interest held
山東省國有資產監督管理委員會 (State-owned Assets Supervision and Administration of Shandong Province) *(Note 1)*	77,647,900	19.70%	Nil	—	Interest of corporation controlled by this entity	Long
Peterson Holdings Company Limited *(Note 2)*	23,500,000	5.96%	Nil	—	Beneficial owner	Long
Chan Yu Suk *(Note 2)*	23,500,000	5.96%	Nil	—	Spouse	Long
Advantage Investment Corporation Limited *(Note 2)*	23,500,000	5.96%	Nil	—	Interest of corporation controlled by this entity	Long
福建龍岩工程機械(集團)有限公司 (Fujian Longyan Construction Machinery (Group) Company Limited)	21,500,000	5.45%	Nil	—	Beneficial owner	Long
倪銀英 (Ni Yinying) *(Note 3)*	21,500,000	5.45%	Nil	—	Spouse	Long
深圳市創新投資集團有限公司 (Shenzhen Chuangxin Investment Group Company Limited) *(Note 4)*	21,500,000	5.45%	Nil	—	Beneficial owner	Long
深圳市投資管理公司 (Shenzhen Investment Management Company) *(Note 4)*	21,500,000	5.45%	Nil	—	Interest of corporation controlled by this entity	Long
The Capital Group Companies, Inc.	Nil	—	18,975,000	15%	Investment manager	Long
Hansberger Global Investors, Inc.	Nil	—	6,505,000	5.10%	Investment manager	Long

Notes:

1. 山東省國有資產監督管理委員會 (State-owned Assets Supervision and Administration Commission of Shandong Province) held the entire registered capital of Weichai Holdings. For details, please refer to the announcement of the Company dated 22 March 2006.

2. Yeung Sai Hong, a non-executive Director, was beneficially interested in the entire issued share capital of Advantage Investment Corporation Limited, which was interested in 90% of the entire issued share capital of Peterson Holdings Company Limited. Chan Yu Suk is Yeung Sai Hong's wife, and therefore she is deemed interested in Yeung Sai Hong's interest in shares.

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) 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 is Li San Yim's wife, and therefore she is deemed interested in Li San Yim's interest in shares.

4. 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).

5. A 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 and they are currently listed on The Shenzhen Stock Exchange.

6. 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 Hong Kong Stock Exchange.

7. The New A Shares (as defined in the circular of the Company dated 16 September 2008 (the "Bonus Issue Circular")) under the Bonus Shares Issue (as defined in the Bonus Issue Circular) were issued on the Latest Practicable Date. The information regarding the number of the A Shares referred to in the above table and notes was received by the Company before the Latest Practicable Date, and the Company had not received further information regarding such A Shares on the Latest Practicable Date.

8. The New H Shares (as defined in the Bonus Issue Circular) were issued on 12 December 2008, which was four days before the Latest Practicable Date. The information regarding the number and percentage of the H Shares referred to in the above table and notes was received by the Company before 12 December 2008, and the Company had not received further information regarding such H Shares up to the Latest Practicable Date.

9. 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) Each of the executive Directors has entered into a service contract with the Company for a term commencing on 18 December 2005 and ending on 17 December 2008. Terms of the service contracts of each executive Directors are in all material respects the same. None of the Directors has entered into any service contract with the Group, which is not determinable by the Group within one year without payment of compensation (other than the payment of statutory compensation).

(b) As at the Latest Practicable Date, none of the Directors was interested, directly or indirectly, in any assets which had since 31 December 2007, being the date to which the latest published audited consolidated financial statements of the Group were made up, been acquired or disposed of by or leased to the Company, or were proposed to be acquired or disposed of by or leased to the Company.

(c) As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date and entered into by the Group since 31 December 2007, being the date to which the latest published audited consolidated financial statements of the Group were made up, and which was significant in relation to the business of the Group.

(d) As at the Latest Practicable Date, save for the directorship of Mr. Tan Xuguang in 北汽福田汽車股份有限公司 (Beiqi Foton Motor Co., Ltd.) ("**Beiqi Foton**"), none of the Directors or their respective associates had any interest in a business which competed or might compete with the business of the Company. The Company has an approximately 2% interest in the shares of Beiqi Foton. Beiqi Foton is also a customer of the Company's diesel engines. Mr. Tan's directorship in Beiqi Foton was approved on 28 November 2008. Beiqi Foton is engaged in the production of, inter alia, heavy-duty vehicles/trucks, whilst Shaanxi Automotive (and its associates) are also engaged in the manufacture and sale of, inter alia, heavy-duty vehicles/trucks and parts and components.

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 Group since 31 December 2007, the date to which the latest audited consolidated financial statements of the Group were made up.

7. EXPERT

(a) The following is the qualification of the expert which has given opinions or advice which are contained in this circular:

Name	Qualification
Ceres Capital Limited	A licensed corporation under the SFO to carry on type 6 (advising on corporate finance) regulated activity

(b) As at the Latest Practicable Date, the Independent Financial Adviser did not have any shareholding in the Company or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in the Company, nor did it have any interest, direct or indirect, in any assets which had, since the date to which the latest published audited consolidated financial statements of the Group were made up, been acquired or disposed of by or leased to the Company, or were proposed to be acquired or disposed of by or leased to the Company.

(c) The Independent Financial Adviser has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and references to its name in the forms and contexts in which they appear.

8. PROCEDURES FOR DEMANDING A POLL

Under the articles of association of the Company, at any general meeting of Shareholders, a resolution shall be decided on a show of hands unless a poll is demanded by any of the following persons before (or after) any vote by a show of hands:

(a) the chairman of the meeting;

(b) at least two Shareholders, who have the right to vote, present in person or by proxy;

(c) one or more Shareholders (including proxies) representing, either calculated separately or in aggregate, one-tenth or more of all shares carrying the right to vote at the meeting.

9. GENERAL

(a) The secretary and qualified accountant of the Company is Mr. Cheung Tat Leung, Peter. Mr. Cheung Tat Leung, Peter is a fellow member of the Association of Chartered Certified Accountants and 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 Room 1909, 19th Floor, Gloucester Tower, 15 Queen's Road 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 Hopewell Centre, 46th Floor, 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.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours on any weekday (except public holidays) at the principal place of business of the Company in Hong Kong at Room 1909, 19th Floor, Gloucester Tower, 15 Queen's Road Central, Hong Kong, from 18 December 2008 to 5 January 2009 (both days inclusive):

(a) the letter from the Independent Financial Adviser as set out in this circular;

(b) the written consent from the Independent Financial Adviser referred to in paragraph 7 of this appendix;

(c) the letter from the Independent Board Committee as set out in this circular;

(d) the service contracts of the Directors referred to in paragraph 4 of this appendix; and

(e) the Continuing Connected Transactions Agreements in respect of the Non-exempt Continuing Connected Transactions and the relevant agreements (if any) previously entered into in respect of the same Non-exempt Continuing Connected Transactions.

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)

NOTICE OF EXTRAORDINARY GENERAL MEETING OF THE SHAREHOLDERS OF WEICHAI POWER CO., LTD.

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**EGM**") of Weichai Power Co., Ltd. (the "**Company**") will be held at the Company's conference room at 26 Minsheng East Street, Weifang, Shandong Province, the People's Republic of China (the "**PRC**") on 11 February 2009 at 10:00 a.m. for the purpose of considering and, if thought fit, approving the matters set out below. Unless the context requires otherwise, terms defined in the circular to the shareholders of the Company (the "**Shareholders**") dated 18 December 2008, of which this notice forms part (the "**Circular**") shall have the same meanings when used herein.

ORDINARY RESOLUTIONS

To consider and, if thought fit, approve the following resolutions as ordinary resolutions:

1. "**THAT** the supplemental agreement referred to in the section headed "II. Continuing connected transactions — A. Weichai Continuing Connected Transactions — 1. Continuing connected transactions between Weichai Holdings (and its associates) and the Company (and its subsidiaries) — (a) Provision of general services and labour services by Weichai Holdings (and its associates) (as the case may be) to the Company" in the "Letter from the Board" contained in the circular (the "**Circular**") of the Company of which this notice forms part and the relevant New Caps (as defined in the Circular) be and are hereby approved." *(Note L)*

2. "**THAT** the supplemental agreement referred to in the section headed "II. Continuing connected transactions — A. Weichai Continuing Connected Transactions — 1. Continuing connected transactions between Weichai Holdings (and its associates) and the Company (and its subsidiaries) — (b) Supply and/or connection of utilities by Weichai Holdings (and its associates) (as the case may be) to the Company" in the "Letter from the Board" contained in the circular (the "**Circular**") of the Company of which this notice forms part and the relevant New Caps (as defined in the Circular) be and are hereby approved." *(Note L)*

3. "**THAT** the Weichai Purchase and Processing Services Agreement referred to in the section headed "II. Continuing connected transactions — A. Weichai Continuing Connected Transactions — 1. Continuing connected transactions between Weichai Holdings (and its associates) and the Company (and its subsidiaries) — (c) Purchase of diesel engine parts and components, gas and scrap metals, etc., materials and related products and processing

services by the Company from Weichai Holdings (and its associates) (as the case may be)" in the "Letter from the Board" contained in the circular (the "**Circular**") of the Company of which this notice forms part and the relevant New Caps (as defined in the Circular) be and are hereby approved." *(Note L)*

4. "**THAT** the Weichai Sale and Processing Services Agreement referred to in the section headed "II. Continuing connected transactions — A. Weichai Continuing Connected Transactions — 1. Continuing connected transactions between Weichai Holdings (and its associates) and the Company (and its subsidiaries) — (d) Sale of diesel engines, diesel engine parts and components, materials and related products and provision of processing services by the Company (and its subsidiaries) to Weichai Holdings (and its associates) (as the case may be)" in the "Letter from the Board" contained in the circular (the "**Circular**") of the Company of which this notice forms part and the relevant New Caps (as defined in the Circular) be and are hereby approved." *(Note L)*

5. "**THAT** the supplemental agreement referred to in the section headed "II. Continuing connected transactions — A. Weichai Continuing Connected Transactions — 2. Continuing connected transactions between Fujian Longgong and Shanghai Longgong (and their respective associates) and the Company — Sale of diesel engines and diesel engine parts by the Company to Fujian Longgong and Shanghai Longgong (and their respective associates)" in the "Letter from the Board" contained in the circular (the "**Circular**") of the Company of which this notice forms part and the relevant New Caps (as defined in the Circular) be and are hereby approved." *(Note J)*

6. "**THAT** the supplemental agreement to the framework agreement dated 21 October 2003 referred to in the section headed "II. Continuing connected transactions — A. Weichai Continuing Connected Transactions — 3. Continuing connected transactions between Guangxi Liugong Machinery and the Company — Sale of diesel engines and diesel engine parts by the Company to Guangxi Liugong Machinery" in the "Letter from the Board" contained in the circular (the "**Circular**") of the Company of which this notice forms part and the relevant New Caps (as defined in the Circular) be and are hereby approved." *(Note K)*

7. "**THAT** the supplemental agreement to the master sales agreement dated 21 October 2003 referred to in the section headed "II. Continuing connected transactions — A. Weichai Continuing Connected Transactions — 4. Continuing connected transactions between Weichai Deutz and the Company — (a) Sale of semi-finished diesel engine parts and related products by the Company to Weichai Deutz" in the "Letter from the Board" contained in the circular (the "**Circular**") of the Company of which this notice forms part and the relevant New Caps (as defined in the Circular) be and are hereby approved." *(Note L)*

8. "**THAT** the diesel engine parts and components and related products purchase agreement referred to in the section headed "II. Continuing connected transactions — A. Weichai Continuing Connected Transactions — 4. Continuing connected transactions between Weichai Deutz and the Company — (b) Purchase of diesel engine parts and components and related products by Weichai Resources from Weichai Deutz" in the "Letter from the Board"

contained in the circular (the "**Circular**") of the Company of which this notice forms part and the relevant New Caps (as defined in the Circular) be and are hereby approved." *(Note L)*

9. "**THAT** the diesel engines purchase agreement referred to in the section headed "II. Continuing connected transactions — A. Weichai Continuing Connected Transactions — 4. Continuing connected transactions between Weichai Deutz and the Company — (c) Purchase of diesel engines and related products by the Company from Weichai Deutz" in the "Letter from the Board" contained in the circular (the "**Circular**") of the Company of which this notice forms part and the relevant New Caps (as defined in the Circular) be and are hereby approved." *(Note L)*

10. "**THAT** the supplemental agreement to the framework agreement dated 17 November 2003 referred to in the section headed "II. Continuing connected transactions — A. Weichai Continuing Connected Transactions — 5. Continuing connected transactions between Shandong Juli and the Company — (a) Sale of diesel engines and related products by the Company to Shandong Juli" in the "Letter from the Board" contained in the circular (the "**Circular**") of the Company of which this notice forms part and the relevant New Caps (as defined in the Circular) be and are hereby approved." *(Note L)*

11. "**THAT** the Juli Purchase and Processing Services Agreement (as defined in the Circular) referred to in the section headed "II. Continuing connected transactions — A. Weichai Continuing Connected Transactions — 5. Continuing connected transactions between Shandong Juli and the Company — (b) Purchase of diesel engine parts and components, materials, steel and scrap metal, etc. and related products and processing services by the Company and Weichai Resources (as the case may be) from Shandong Juli" in the "Letter from the Board" contained in the circular (the "**Circular**") of the Company of which this notice forms part and the relevant New Caps (as defined in the Circular) be and are hereby approved."
(Note L)

12. "**THAT** the supplemental agreement to the parts and components sale agreement dated 1 August 2007 referred to in the section headed "II. Continuing connected transactions — B. TAGC Continuing Connected Transactions — 1. Continuing connected transactions between SFGC and Fast Transmission — (a) Sale of parts and components of transmissions and related products by SFGC to Fast Transmission" in the "Letter from the Board" contained in the circular (the "**Circular**") of the Company of which this notice forms part and the relevant New Caps (as defined in the Circular) be and are hereby approved."

13. "**THAT** the supplemental agreement to the parts and components and related products purchase agreement dated 1 August 2007 referred to in the section headed "II. Continuing connected transactions — B. TAGC Continuing Connected Transactions — 1. Continuing connected transactions between SFGC and Fast Transmission — (b) Purchase of parts and components of transmissions and related products by SFGC from Fast Transmission" in the "Letter from the Board" contained in the circular (the "**Circular**") of the Company of which this notice forms part and the relevant New Caps (as defined in the Circular) be and are hereby approved."

14. "**THAT** the supplemental agreement to vehicles, parts and components and raw materials sale and heat processing agreement referred to in the section headed "II. Continuing connected transactions — B. TAGC Continuing Connected Transactions — 2. Continuing connected transactions between Shaanxi Zhongqi (and its subsidiaries) and Shaanxi Automotive (and its associates) — (a) Sale of vehicles, parts and components of vehicles and related products and provision of heat processing services by Shaanxi Zhongqi, Hande Axle, Jingding and Tiangua (as the case may be) to Shaanxi Automotive and its associates (as the case may be)" in the "Letter from the Board" contained in the circular (the "**Circular**") of the Company of which this notice forms part and the relevant New Caps (as defined in the Circular) be and are hereby approved."

15. "**THAT** the supplemental agreement to the parts and components and scrap steel purchase agreement dated 1 August 2007 referred to in the section headed "II. Continuing connected transactions — B. TAGC Continuing Connected Transactions — 2. Continuing connected transactions between Shaanxi Zhongqi (and its subsidiaries) and Shaanxi Automotive (and its associates) — (b) Purchase of parts and components of vehicles, scrap steel and related products by Shaanxi Zhongqi, Hande Axle, Jingding, Shaanxi Import and Tiangua (as the case may be) from Shaanxi Automotive's associates" in the "Letter from the Board" contained in the circular (the "**Circular**") of the Company of which this notice forms part and the relevant New Caps (as defined in the Circular) be and are hereby approved."

16. "**THAT** the supplemental agreement to off-road vehicles sale agreement dated 1 August 2007 referred to in the section headed "II. Continuing connected transactions — B. TAGC Continuing Connected Transactions — 3. Continuing connected transactions between DFOVCL and Dong Feng Automotive (and its associates) (as the case maybe) — (a) Sale of off-road vehicles by DFOVCL to Dong Feng Automotive" in the "Letter from the Board" contained in the circular (the "**Circular**") of the Company of which this notice forms part and the relevant New Caps (as defined in the Circular) be and are hereby approved."

17. "**THAT** the supplement agreement to parts and components purchase agreement referred to in the section headed "II. Continuing connected transactions — B. TAGC Continuing Connected Transactions — 3. Continuing connected transactions between DFOVCL and Dong Feng Automotive (and its associates) (as the case maybe) — (b) Purchase of parts and components of off-road vehicles and related products by DFOVCL from Dong Feng Automotive (and its associates) (as the case may be) and provision of technical support services by Dong Feng Automotive to DFOVCL" in the "Letter from the Board" contained in the circular (the "Circular") of the Company of which this notice forms part and the relevant New Caps (as defined in the Circular) be and are hereby approved."

SPECIAL RESOLUTION

To consider and, if thought fit, pass the following resolution relating to the granting of a general mandate to the Board of Directors to issue debenture in the PRC as a special resolution:

18. "**THAT**:

(1) The Board of Directors be and is hereby generally and unconditionally granted (subject to the approval from the relevant PRC regulatory authorities), within a period of two years from the relevant registration in the PRC, a general mandate to issue debentures (or other non-equity related debt instruments), in one or more tranches, with an amount less than RMB2,700 million (the "**Debenture Issue**").

(2) The Board of Directors (or any committee thereof), taking into consideration the specific needs of the Company and other market conditions, be and is hereby generally and unconditionally authorised to:

(i) determine the terms and conditions of and other matters relating to the Debenture Issue (including, but not limited to, the determination of the actual aggregate amount, interest rate, rating, guarantee arrangements and use of the proceeds of the Debenture Issue);

(ii) do all such acts which are necessary and incidental to the Debenture Issue (including, but not limited to, the securing of approvals, the determination of selling arrangements and the preparation of relevant application documents); and

(iii) take all such steps which are necessary for the purposes of executing the Debenture Issue (including, but not limited to, the execution of all requisite documentation and the disclosure of relevant information in accordance with application laws), and to the extent that any of the aforementioned acts and steps have already been undertaken by the Board of Directors (or any committee thereof) in connection with the Debenture Issue, such acts and steps be hereby approved, confirmed and ratified."

By Order of the Board of Directors
Weichai Power Co., Ltd.
Cheung Tat Leung, Peter
Company Secretary

Hong Kong, 18 December 2008

Notes:

(A) The Company will not process registration of transfers of H shares (being overseas listed foreign shares and ordinary shares) in the share capital of the Company with a Renminbi denominated par value of RMB1.00 each, which are subscribed and/or paid for in Hong Kong dollars and listed on The Stock Exchange of Hong Kong Limited ("H Shares") from 12 January 2009 to 10 February 2009 (both days inclusive). Holders of H Shares of the Company whose names appear on the register of H Shares of the Company kept at Computershare Hong Kong Investor Services Limited at the end of 9 January 2009 are entitled to attend and vote at the EGM following completion of the registration procedures. To qualify for attendance and voting at the EGM documents on transfers of H Shares of the Company, accompanied by the relevant share certificates, must be lodged with the Company's H-Share Registrar and Transfer Office, not later than 4:30 p.m. on 9 January 2009. The address of the Company's H-Share Registrar and Transfer Office is as follows:

Computershare Hong Kong Investor Services Limited
Shops 1712–16, 17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

(B) Holders of H Shares intending to attend the EGM should complete and return the reply slip for attending the EGM personally, by facsimile or by post to the Secretary to the Board of the Company 20 days before the EGM (i.e. on or before 22 January 2009). The contact details of the Secretary to the Board of the Company are as follows:

Securities Department
197, Section A, Fu Shou East Street
High Technology Industrial Development Zone
Weifang
Shandong Province
The People's Republic of China
Postal Code: 261061
Telephone No.: 86 (536) 229 7068
Facsimile No.: 86 (536) 819 7073

(C) Each holder of H Shares of the Company entitled to attend and vote at the EGM may, by completing the form of proxy of the Company, appoint one or more proxies to attend and vote at the EGM on his behalf. A proxy need not be a shareholder of the Company. With respect to any shareholder who has appointed more than one proxy, the proxy holders may only vote on a poll.

(D) Holders of H Shares of the Company must use the form of proxy of the Company for appointing a proxy and the appointment must be in writing. The form of proxy must be signed by the relevant shareholder or by a person duly authorised by the relevant shareholder in writing (a "power of attorney"). If the forms of proxy is signed by the person authorised by the relevant shareholder as aforesaid, the relevant power of attorney and other relevant documents of authorisation (if any) must be notarised. If a corporate shareholder appoints a person other than its legal representative to attend the EGM on its behalf, the relevant form of proxy must be affixed with the company seal/chop of the corporate shareholder or duly signed by its director or any other person duly authorised by that corporate shareholder as required by the Articles of Association of the Company.

(E) To be valid, the form of proxy and the relevant notarised power of attorney (if any) and other relevant documents of authorisation (if any) as mentioned in Note (D) above must be delivered to the Company's H-Share Registrar and Transfer Office, Computershare Hong Kong Investor Services Limited (address: Rooms 1806–1807, 18th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong), not less than 24 hours before the time appointed for the EGM.

(F) Each holder of A Shares of the Company who is entitled to attend and vote at the EGM may also, by completing the form of proxy of the Company, appoint one or more proxies to attend and vote at the EGM on his behalf. A proxy need not be a shareholder of the Company. Notes (C) and (D) above also apply to the holders of A Shares of the Company, except that, to be valid, the form of proxy and the relevant power of attorney (if any) and other relevant documents of authorisation (if any) must be delivered to the Secretary to the Board of the Company not less than 24 hours before the time appointed for the EGM. The address of the Secretary to the Board of the Company is stated in Note (B) above.

(G) A shareholder or his proxy should produce proof of identity when attending the EGM. If a corporate shareholder's legal representative or any other person authorised by the board of directors or other governing body of such corporate shareholder attends the EGM, such legal representative or other person shall produce his proof of identity, and proof of designation as legal representative and the valid resolution or authorisation document of the board of directors or other governing body of such corporate shareholder (as the case may be) to prove the identity and authorisation of that legal representative or other person.

(H) Any proposal to appoint any person to the office of director of the Company at the EGM shall be given in writing and, notice in writing by that person of his consent to be elected as director shall be, lodged at the registered office of the Company at 197, Section A, Fu Shou East Street, High Technology Industrial Development Zone, Weifang, Shandong Province, the People's Republic of China. The period for lodgement of such notices shall commence on (and include) the day after the date of this notice of the EGM and end on (and exclude) the date that is seven (7) days before the date of the EGM.

(I) The EGM is expected to last for not more than half a day. Shareholders who attend the EGM shall bear their own travelling and accommodation expenses.

(J) Fujian Longgong and Shanghai Longgong (and their respective associates) will abstain from voting at the EGM in respect of this resolution.

(K) Guangxi Liugong (and its associates) will abstain from voting at the EGM in respect of this resolution.

(L) Weichai Holdings and Tan Xuguang will abstain from voting at the EGM in respect of this resolution.