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WEICHAI

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

(a joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 2338)

**CONNECTED TRANSACTIONS
DISPOSAL OF 100% OF THE EQUITY INTEREST
IN MENETA
AND REPURCHASE OF 25% OF THE EQUITY INTEREST
IN MAT**

The Board is pleased to announce that on the date hereof, the Board has approved the Conditional Agreement between MAT, the Company and Mr. Wang. Pursuant to the Conditional Agreement, MAT will sell 100% of the equity interest in Meneta to Mr. Wang and, in consideration therefor, Mr. Wang will (i) pay US\$1,500,000 in cash to MAT; and (ii) assign and transfer 25% of the outstanding equity interest in MAT to MAT for its repurchase of the same. The completion of the Conditional Agreement is conditional upon the conditions set out in the section headed “I. The Conditional Agreement — Conditions” in this announcement.

The Transactions constitute Connected Transactions of the Company and are subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules.

The Board is pleased to announce that on the date hereof, the Board has approved the Conditional Agreement between MAT, the Company and Mr. Wang. Pursuant to the Conditional Agreement, MAT will sell 100% of the equity interest in Meneta to Mr. Wang and, in consideration therefor, Mr. Wang will (i) pay US\$1,500,000 in cash to MAT; and (ii) assign and transfer 25% of the outstanding equity interest in MAT to MAT for its repurchase of the same.

I. THE CONDITIONAL AGREEMENT

The details of the Conditional Agreement are as follows:

Date

31 December 2008

Parties

- (1) MAT, the principal business of which is the import and sale of automotive brakes, brake pads and rotors;
- (2) the Company, the principal business of which is the research and development, manufacture and sale of high speed heavy duty diesel engines and engine parts; and, through its subsidiaries, the manufacture and sale of heavy-duty trucks and motor vehicle parts and accessories for heavy-duty trucks; and
- (3) Mr. Wang.

MAT is owned by the Company and Mr. Wang as to 75% and 25%, respectively. Accordingly, Mr. Wang is a connected person of the Company.

Conditions

The completion of the Conditional Agreement is conditional upon the satisfaction of the following conditions:

- (1) the MAT Guarantee having been fully and effectively released;
- (2) the shareholders and the board of MAT having approved the Transactions; and
- (3) the Board having approved the Transactions (such approval has been obtained on the date hereof).

Assets to be disposed of

The subject matter of the Disposal under the Conditional Agreement is 100% of the equity interest in Meneta. The said 100% of the equity interest in Meneta is held by MAT. Meneta will cease to be an indirect subsidiary of the Company following the completion of the Disposal.

Assets to be acquired

The subject matter of the Repurchase under the Conditional Agreement is 25% of the outstanding equity interest in MAT. The said 25% of the equity interest in MAT is held by Mr. Wang. MAT will become a wholly-owned subsidiary of the Company following the Repurchase.

Consideration

The consideration of the Disposal of 100% of the equity interest in Meneta, at the value of US\$7,200,000, by MAT to Mr. Wang shall be satisfied as follow:

- (1) Mr. Wang shall pay US\$1,500,000 to MAT in cash; and
- (2) Mr. Wang shall assign and transfer all his right, title and interest in and to 25% of the equity interest in MAT, at the value of US\$5,700,000, to MAT for its repurchase of the same.

The said consideration was determined after arm's length negotiation between the parties and by reference to (i) the unaudited net asset value of MAT as at 30 September 2008 prepared in accordance with the US GAAP on an unconsolidated basis; (ii) the unaudited consolidated financial statements of Meneta for the nine months ended 30 September 2008 prepared in accordance with the Danish Financial Statements Act and Danish Accounting Standards, including its net asset value (excluding minority interest), account receivables and inventory, and the assumption that certain of the said account receivables and inventory may not be recoverable or realisable (considering the prevailing economic environment of the automobile industry); (iii) the unaudited consolidated net loss position of Meneta for the nine months ended 30 September 2008, prepared in accordance with the Danish Financial Statements Act and Danish Accounting Standards; and (iv) the Board's view that Meneta's principal business, which is non-core to the Group's business, may not be profitable in the near future, in view of the general decline in the automotive industry in Europe.

Other terms

Mr. Wang shall cause Meneta and/or its affiliates to repay all the amounts made under a loan agreement dated 20 October 2008 from MAT to Meneta (and/or its affiliates) on or before the date that is two years from the date of the Conditional Agreement.

Information on Meneta

The principal business of Meneta is investment holding. Meneta holds the entire equity interest in Meneta A/S, which holds the entire equity interest in MAST and 52% of the equity interest in Meneta India.

Meneta A/S, MAST and Meneta India are principally engaged in the manufacture and sale of automotive parts and components, including brake shims.

Based on the latest unaudited consolidated financial statements of Meneta, the consolidated net asset value of Meneta as at 30 September 2008 prepared in accordance with Danish Financial Statements Act and Danish Accounting Standards was approximately DKK89,485,000 (approximately HK\$124,110,000).

Based on the latest audited consolidated financial statements of Meneta, the consolidated net profit before and after tax of Meneta for the financial year ended 31 December 2007, prepared in accordance with the Danish Financial Statements Act and Danish Accounting Standards, were approximately DKK13,752,000 (approximately HK\$19,073,000) and approximately DKK11,131,000 (approximately HK\$15,438,000), respectively. Based on the audited consolidated financial statements of Meneta, the consolidated net profit before and after tax of Meneta for the financial year ended 31 December 2006, prepared in accordance with the Danish Financial Statements Act and Danish Accounting Standards, were approximately DKK16,465,000 (approximately HK\$22,836,000) and approximately DKK13,216,000 (approximately HK\$18,330,000), respectively.

Information on MAT

The principal business of MAT is the import and sale of automotive parts and components, including brakes, brake pads and rotors. MAT holds 100% of the equity interest in each of Meneta, Dalian Hongyuan and Melbourne Investment. It also holds 25% of the equity interest in Laizhou Luyuan. MAT was incorporated by Mr. Wang in the State of Illinois, United States on 3 December 1990. As at 30 September 2008, the entire registered share capital of MAT was US\$175,000 divided into 10,000 shares and 25% of the same amounted to US\$43,750.

The information in respect of Meneta is set out in the paragraph headed “Information on Meneta” above. Dalian Hongyuan is principally engaged in the production of metallic tools and vehicle parts and components. Laizhou Luyuan is principally engaged in the manufacture of pumps, drums, rotors and truck parts. Melbourne Investment is undergoing the process of de-registration.

Based on the latest unaudited consolidated financial statements of MAT, the consolidated net asset value of MAT as at 30 September 2008 prepared in accordance with the US GAAP was approximately US\$35,522,000.

Based on the latest audited consolidated financial statements of MAT, the consolidated net profit before and after tax of MAT for the financial year ended 31 December 2007, prepared in accordance with the US GAAP, were approximately US\$2,845,746 and approximately US\$1,600,254, respectively. Based on the audited consolidated financial statements of MAT, the consolidated net profit before and after tax of MAT for the financial year ended 31 December 2006, prepared in accordance with the US GAAP, were approximately US\$4,964,999 and approximately US\$3,375,202, respectively.

There are no principal differences between the accounting standards adopted by the Company, MAT and Meneta which may have any material impact on the Group’s consolidated financial statements.

II. REASONS FOR THE TRANSACTIONS

The Board is of the view that the Disposal is in line with the Group's policy of disposing of the non-core assets of the Group as and when the appropriate opportunity arises. The equity interests in the Meneta to be disposed of by the Company pursuant to the Disposal was originally held by TAGC and were only acquired by the Company, together with other assets and liabilities of TAGC, pursuant to its merger with TAGC (the "**Merger**"), which was completed on 24 April 2007 (as announced by the Company in its circular dated 12 November 2006 and its announcement dated 25 April 2007).

The Board is of the view that the businesses carried on by Meneta and its subsidiaries are unrelated to the core businesses of the Group and the Disposal of the equity interest in Meneta will result in it ceasing to be the Company's subsidiary, which will facilitate the Group's concentration on its core businesses. Further, Meneta recorded a net loss for first nine months of 2008, according to its unaudited financial statements. In view of the prospects of the operations of Meneta, the Board is of the view that the Disposal would be beneficial to the Group's future development. Accordingly, the Disposal is beneficial to the Group as a whole.

The Repurchase of 25% of the equity interest in MAT will result in MAT being wholly-owned by the Company. The Board is of the view that such the Repurchase will result in more efficient and centralised management of MAT and its other subsidiaries, which will benefit the development of the business of the Group as a whole.

Based on the unaudited consolidated financial statements of each of Meneta and MAT for the nine months ended 30 September 2008, it is estimated that the Transactions will result in a net loss of approximately RMB36,489,000 for the Company. The cash proceeds of the Disposal in the amount of US\$1,500,000 will be used for the general working capital purposes of the Group.

The Board (including the independent non-executive Directors), consider the terms of the Conditional Agreement have been negotiated and arrived at on arms length basis and are on normal commercial terms and that such terms are in the interest of the Company and fair and reasonable so far as the Shareholders are concerned.

III. LISTING RULES IMPLICATIONS

As the Transactions are between the Group and its connected person, and the applicable percentage ratios (as defined in Chapter 14 of the Listing Rules) of the Disposal (being the larger of the Disposal and the Repurchase) are more than 0.1% and less than 2.5% and the consideration involved shall be more than HK\$1,000,000, in accordance with Chapter 14A of the Listing Rules, it is subject to the reporting and announcement requirements under the Chapter 14A of the Listing Rules.

IV. DEFINITIONS

In this announcement, the following terms and expressions (unless the context otherwise requires) shall have the following meanings:

“Board”	the board of Directors
“Company”	潍柴动力股份有限公司 (Weichai Power Co., Ltd.), a joint stock limited company incorporated in the PRC with limited liability
“Conditional Agreement”	the conditional purchase agreement dated 31 December 2008 entered into between MAT, the Company and Mr. Wang as set out in the section headed “I. The Conditional Agreement” in this announcement
“Connected Transactions”	the Disposal and the Repurchase pursuant to the Conditional Agreement
“Dailian Hongyuan”	大连鸿源机械制造有限公司 (Dalian Hongyuan Machinery Manufacturing Co., Ltd.), a wholly-owned subsidiary of MAT
“Directors”	directors of the Company
“Disposal”	the disposal of 100% of the equity interest in Meneta by MAT to Mr. Wang pursuant to the Conditional Agreement
“DKK”	kroner, the lawful currency of Denmark
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Laizhou Luyuan”	莱州鲁源汽车配件有限公司 (Laizhou Luyuan Auto Parts Co., Ltd.), a company held as to 25% by MAT
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MAST”	Meneta Advanced Shims Technology A/S, a company incorporated in Denmark and held as to 52% by Meneta A/S
“MAT”	MAT Automotive, Inc., a company incorporated in the United States
“MAT Guarantee”	the surety provided by MAT to Nordea Bank Denmark A/S on 6 July 2007 to guarantee the obligations of Meneta and its affiliates, Meneta A/S, Meneta India and MAST, limited to a maximum amount of DKK15,000,000

“Melbourne Investment”	Melbourne Investment Ltd., a wholly-owned subsidiary of MAT
“Meneta”	Meneta Holding ApS, a company incorporated under the laws of Denmark, domiciled at Kirkegyden 52, 5270 Odense N. Denmark
“Meneta A/S”	Meneta A/S, a company incorporated in Denmark and a wholly-owned subsidiary of Meneta
“Meneta India”	Meneta Automotive Components Pvt. Ltd., a company incorporated in India and a wholly-owned subsidiary of Meneta A/S
“Merger”	Has the meaning ascribed to it under the section headed “II. Reasons for the Transactions” in this announcement
“Mr. Wang”	Mr. Steve W. Wang, a resident of the State of Illinois, the United States
“PRC”	the People’s Republic of China
“PRC GAAP”	the generally accepted accounting principles of the PRC
“Repayment Date”	has the meaning ascribed to it under the section headed “I. The Conditional Agreement — Other terms” in this announcement
“Repurchase”	the repurchase of 25% of the outstanding equity interest in MAT by MAT from Mr. Wang pursuant to the Conditional Agreement
“RMB”	Renminbi, the lawful currency of the People’s Republic of China
“Shareholder(s)”	holder(s) of the shares in the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transactions”	the transactions under the Conditional Agreement
“United States”	the United States of America
“US GAAP”	the auditing standards generally accepted in the United States
“US\$”	United States dollars, the lawful currency of the United States
“%”	per cent.

For the purpose of illustration only, conversion of DKK into Hong Kong dollars in this announcement is based on the exchange rate of DKK1 to HK\$1.38694. Such conversion should not be construed as a representation that any amounts have been, could have been, or may be, exchanged at this or any other rate.

By order of the Board
Tan Xuguang
Chairman and CEO

Hong Kong, 17 January 2009

As at the date of this announcement, the executive directors of the Company are Mr. Tan Xuguang, Mr. Xu Xinyu, Mr. Sun Shaojun and Mr. Zhang Quan; the non-executive directors of the Company are Mr. Yeung Sai Hong, Mr. Yao Yu, Mr. Li San Yim, Mr. Liu Huisheng, Ms. Zhang Fusheng, Mr. Julius G. Kiss, Ms. Han Xiaoqun, Mr. Chen Xuejian, Mr. Gu Linsheng, Mr. Li Shihao and Mr. Liu Zheng; and the independent non-executive directors of the Company are Mr. Zhang Xiaoyu, Mr. Koo Fook Sun, Louis and Mr. Fang Zhongchang.