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WEICHAI

濰柴動力股份有限公司

WEICHAI POWER CO., LTD.

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

(Stock Code: 2338)

**ANNOUNCEMENT
CONTINUING CONNECTED TRANSACTION**

SUMMARY

The Board is pleased to announce that on 27 April 2009, the Company has entered into the Continuing Connected Transaction Agreement in respect of the Continuing Connected Transaction as more particularly described herein.

INTRODUCTION

The Board is pleased to announce that on 27 April 2009, the Company has entered into the Continuing Connected Transaction Agreement in respect of the Continuing Connected Transaction. The Continuing Connected Transaction constitutes a continuing connected transaction under Chapter 14A of the Listing Rules. The Company has set annual caps for the transaction amounts under the Continuing Connected Transaction and has entered into the Continuing Connected Transaction Agreement in respect of such Continuing Connected Transaction. A summary of the Continuing Connected Transaction, the Continuing Connected Transaction Agreement, the actual transaction amounts of the Continuing Connected Transaction for the years ended 31 December 2008, the New Caps and their basis is set out in the section headed "I. Continuing Connected Transaction" in this announcement.

I. CONTINUING CONNECTED TRANSACTION

A. Summary of the Continuing Connected Transaction and the New Caps:

Name of connected person	Name of Group Company	Connected person's relation-ship with the Group	Nature of the connected transaction with the Group	2009	New Caps	
				RMB	2010 RMB	2011 RMB
Weichai Gas	The Company	Held as to 50% by Peterson (CNG) (an associate of Yeung Sai Hong (a non-executive Director as well as an associate of a promoter of the Company))	Purchase of gas engines and related products by the Company from Weichai Gas	37,600,000*	47,000,000*	56,400,000*

Notes: Where a New Cap is marked “*”, that means such New Cap for the relevant Continuing Connected Transaction does not exceed the 2.5% Threshold and is exempt from the requirement of the Listing Rules to seek approval of the Independent Shareholders in respect thereof.

B. Terms of the Continuing Connected Transaction between Weichai Gas and the Company

The Company is principally engaged in the research and development, manufacturing and sale of high-speed heavy-duty diesel engines and engine parts.

Weichai Gas is engaged in the business of, inter alia, manufacture and sale of gas-propelled internal combustion engines and parts, certain of which incorporate the entire WD615 Engines, with modifications, into them. Weichai Gas is owned as to 50% by the Company and as to 50% by Peterson (CNG), which is owned as to 50% by Yeung Sai Hong, a non-executive Director and an associate of a promoter of the Company. Accordingly, Weichai Gas is a connected person of the Company.

The Group has entered into the Continuing Connected Transaction as more particularly set out below.

Purchase of gas engines and related products by the Company from Weichai Gas

Agreement: Purchase of gas engines and related products agreement

Date: 27 April 2009

Parties: 1. Weichai Gas
2. The Company

Term: 1 January 2009 to 31 December 2011

Other terms and details:

As disclosed in the section headed “A. I. 6. Continuing connected transactions between Weichai Gas and the Company” in the CCT Announcement, the Company has agreed to supply diesel engines and related parts to Weichai Gas for a term ending 31 December 2011. There is no change to the arrangement of the said continuing connected transaction between Weichai Gas and the Company.

Since October 2007, Weichai Gas has sold and Shaanxi Zhongqi has purchased gas engines and related products manufactured by Weichai Gas by modifying the diesel engines it purchased from the Company, for installation in the vehicles sold by Shaanxi Zhongqi. The said gas engines and related products were sold at market prices and settled in the month following delivery. Since April 2009, as part of the Group’s policy in respect of the manufacture and sale of diesel engines and vehicles, and in order to have a centralised network of production where the Group will have better control over the overall production process including the cost, timing and delivery of the relevant products, Weichai Gas has been selling the said gas engines and related products to the Company, on the same terms, for its on-sale to its customers (including Shaanxi Zhongqi). Pursuant to the Continuing Connected Transaction Agreement, Weichai Gas has agreed to sell the said products to the Company (or its designated entity) on the same terms, for a term ending 31 December 2011, upon the expiry of which the Company shall have an option to extend the term for another three years.

The table below summarises the actual transaction amounts involved for the two years ended 31 December 2008 for the Continuing Connected Transaction:

	Year ended 31 December	
	2007	2008
	<i>RMB</i>	<i>RMB</i>
	<i>(audited)</i>	<i>(unaudited)</i>
Actual transaction amount	3,125,000**	11,493,000**

Note: ** This represents actual transaction amounts between Weichai Gas and Shaanxi Zhongqi.

The Company estimates that the total consideration payable by the Company to Weichai Gas for the said purchase for the three years ending 31 December 2011 will not exceed RMB37.6 million, RMB47 million and RMB56.4 million, respectively and such amounts have accordingly been set as the proposed New Caps for the Continuing Connected Transaction.

The above proposed New Caps have been prepared by the Company primarily based on (i) the historical costs, (ii) the estimate of the number of gas engines to be purchased by the Company from Weichai Gas, (iii) the estimate of the number of vehicles to be sold by Shaanxi Zhongqi with the said gas engines installed, (iv) the average unit price of such gas engines, and (v) the assumption that the volume of such products to be purchased by the Company from Weichai Gas will increase by approximately 25% from 2009 to 2010 and approximately 20% from 2010 to 2011.

The table below summarises the proposed New Caps for the Continuing Connected Transaction set out in this sub-section for the three years ending 31 December 2011:

	2009	2010	2011
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
New Cap	37,600,000	47,000,000	56,400,000

As the New Caps for the Continuing Connected Transaction for the three years ending 31 December 2011 do not exceed the 2.5% Threshold, it constitutes an Exempt Continuing Connected Transaction of the Company under Chapter 14A of the Listing Rules and will be subject to the reporting and announcement requirements set out in Rules 14A.45, 14A.46 and 14A.47 of the Listing Rules and the annual review requirements of Rules 14A.37 and 14A.38 of the Listing Rules.

Since the Continuing Connected Transaction for the three years ending 31 December 2011 is an Exempt Continuing Connected Transaction and is not subject to the approval of the Independent Shareholders, the Continuing Connected Transaction is unconditional in any respect.

C. Reasons for the Continuing Connected Transaction and Listing Rules implications

The sale of diesel engines and related products to Weichai Gas and the purchase of gas engines and related products manufactured by Weichai Gas by modifying the diesel engines it purchased from the Company, and the on-sale of the gas engines by the Company to its customers (including Shaanxi Zhongqi for installation in the vehicles to be sold by Shaanxi Zhongqi), form part of the strategy of the manufacture and sale of diesel engines and vehicles of the Group as a whole. The Company has a strong strategic and business relationships with the relevant entities and has purchased the said gas engines and related products from Weichai Gas instead of other market suppliers. The Board is of the view that through the Continuing Connected Transaction, the Group will be able to have a centralised network of the production of vehicles and the gas engines required where the Group will have better control over the overall production process including the cost, timing and delivery of the said products.

The Directors, including the independent non-executive Directors, consider it beneficial to the Company to conduct the Continuing Connected Transaction in order to ensure and maximise operating efficiency and stability of the operations of the Company.

The Directors, including the independent non-executive Directors, have confirmed that the Continuing Connected Transaction has 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 Continuing Connected Transaction and the proposed New Caps, are fair and reasonable and in the interests of the Shareholders as a whole.

Since the New Caps (in respect of any one or more of the three years ending 31 December 2011) referred to in the above section do not exceed the 2.5% Threshold, the Continuing Connected Transaction concerning such New Caps constitute an Exempt Continuing Connected Transaction of the Company under Chapter 14A of the Listing Rules and the New Caps will be subject to the reporting and announcement requirements set out in Rules 14A.45, 14A.46 and 14A.47 of the Listing Rules, as well as annual review by the independent non-executive Directors under Rule 14A.37 of the Listing Rules and by the Company's auditors under Rule 14A.38 of the Listing Rules.

II. DEFINED TERMS USED IN THIS ANNOUNCEMENT

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

“0.1% Threshold”	the thresholds referred to in Rule 14A.33(3) of the Listing Rules
“2.5% Threshold”	the thresholds referred to in Rule 14A.34 of the Listing Rules
“CCT Announcement”	the announcement of the Company dated 27 November 2008 in respect of certain continuing connected transactions of the Group
“Continuing Connected Transaction”	the transaction described in the section headed “I. Continuing Connected Transaction” in this announcement
“Continuing Connected Transaction Agreement”	the agreement relating to the Continuing Connected Transaction entered into between the Company and Weichai Gas, further details of which are set out in the section headed “I. Continuing Connected Transaction” in this announcement
“Exempt Continuing Connected Transaction”	being a continuing connected transaction 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
“Group”	the Company and its subsidiaries
“Independent Shareholders”	shareholders who are not required to abstain from voting at the EGM in relation to the resolutions for approving the New Caps for the Continuing Connected Transaction
“New Caps”	the new caps for the Continuing Connected Transaction as set out in the section headed “I. Continuing Connected Transaction” in this announcement
“Peterson (CNG)”	Peterson (CNG) Equipment Limited, a company owned as to 50% by Yeung Sai Hong, a non-executive Director

“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
“Shareholder(s)”	shareholder(s) of the Company
“Weichai Gas”	濰坊濰柴培新氣體發動機有限責任公司 (Weifang Weichai Peterson Gas Diesel Engines Company Limited), a company established in the PRC and a connected person of the Company
“Weichai Holdings”	濰柴控股集團有限公司 (Weichai Group Holdings Limited), a legal person established in the PRC, a substantial shareholder and promoter of the Company, and a connected person of the Company

Hong Kong, 27 April 2009

By order of the Board
Tan Xuguang
Chairman and CEO

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