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**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)**

## **ANNOUNCEMENT CONTINUING CONNECTED TRANSACTIONS**

### **SUMMARY**

The Board announces that on 9 November 2009 the Group has entered into the Supplemental Agreements in respect of the Continuing Connected Transactions as more particularly described herein.

A circular containing, *inter alia*, (i) further details of the Non-exempt Continuing Connected Transactions; (ii) a letter from the Independent Board Committee to the Independent Shareholders in relation to the Non-exempt Continuing Connected Transactions; and (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Non-exempt Continuing Connected Transactions, will be despatched to the Shareholders in due course.

### **I. INTRODUCTION**

Reference is made to the 2006 Announcement, 2006 Circular, 2008 Announcement, 2008 Circular and 2009 Announcement of the Company in respect of, *inter alia*, the Continuing Connected Transactions of the Company where the Existing Caps for such Continuing Connected Transactions were set.

For certain Continuing Connected Transactions, the Company proposes to renew the relevant agreements upon the expiry of the same and for certain Continuing Connected Transactions, the Company proposes to revise their respective Existing Caps. For the purposes of the same, the Group entered into the Supplemental Agreements (certain of which and the relevant New Caps are conditional on the approval by Independent Shareholders at the EGM).

A summary of the Continuing Connected Transactions, the Supplemental Agreements, the Existing Caps and the actual transaction amounts of such Continuing Connected Transactions for the relevant periods is set out below.

The New Caps for the Continuing Connected Transactions are based on the internal estimates of the Company, which are in turn determined by reference to, inter alia, the historical performance and operating conditions of the Group. The bases of the New Caps are more particularly set out in this announcement.

## II. CONTINUING CONNECTED TRANSACTIONS

### ***SUMMARY OF THE CONTINUING CONNECTED TRANSACTIONS AND THE NEW CAPS***

The Continuing Connected Transactions include the following:

#### **A. Weichai Continuing Connected Transactions**

<b>Name of connected person</b>	<b>Name of Group Company</b>	<b>Connected person's relationship with the Group</b>	<b>Nature of the connected transaction with the Group</b>
Weichai Holdings (and its associate) (note 1)	The Company and Weichai Casting (note 2) (as the case may be)	Holder of 14.92% of the equity of the Company and a Promoter	(a) Lease of Buildings and Equipment by Weichai Holdings to Weichai Casting  (b) Lease of Chongqing Properties by Chongqing Weichai to the Company
Weichai Heavy Machinery	The Company, Weichai Resources (note 3) and Weichai Casting	Held as to 30.59% by Weichai Holdings	Supply of semi-finished diesel engine parts, diesel engine parts and components, reserve parts and related products and provision of labour services by the Company (and its subsidiaries) to Weichai Heavy Machinery
Weichai Gas	The Company, Weichai Resources and Weichai Reproduction (note 4) (as the case may be)	Held as to 50% by Peterson (CNG) (an associate of Yeung Sai Hong (a non-executive Director and an associate of a Promoter)	(a) Supply of diesel engines and related parts by the Company (and its subsidiaries) to Weichai Gas  (b) Purchase of gas engines and related products by the Company (and its subsidiaries) from Weichai Gas

## 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
Fast Transmission	SFGC ( <i>note 5</i> )	Holder of 49% of the equity of SFGC	<p>(a) Sale of parts and components of transmissions and related products by SFGC to Fast Transmission</p> <p>(b) Purchase of parts and components of transmissions and related products by SFGC from Fast Transmission</p> <p>(c) Provision of general services by Fast Transmission to SFGC</p>

### *Notes:*

- 1. The associate of Weichai Holdings is Chongqing Weichai, a wholly-owned subsidiary of Weichai Holdings.*
- 2. Weichai Casting is a wholly-owned subsidiary of the Company.*
- 3. Weichai Resources is a wholly-owned subsidiary of the Company.*
- 4. Weichai Reproduction is a wholly-owned subsidiary of the Company.*
- 5. SFGC is a 51% subsidiary of the Company.*

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

Connected person and details of the relevant Continuing Connected Transaction	2009 RMB	New Caps 2010 RMB	2011 RMB	2012 RMB
<b>A. Weichai Continuing Connected Transactions</b>				
<b>1. Weichai Holdings (and its associate)</b>				
(a) Lease of Buildings and Equipment by Weichai Holdings to Weichai Casting	—	43,000,000*	43,000,000*	43,000,000*
(b) Lease of Chongqing Properties by Chongqing Weichai to the Company	—	4,000,000*	4,000,000*	4,000,000*
<b>2. Weichai Heavy Machinery</b>				
Supply of semi-finished diesel engine parts, diesel engine parts and components, reserve parts and related products and provision of labour services by the Company (and its subsidiaries) to Weichai Heavy Machinery	330,000,000*	375,000,000*	390,000,000*	—
<b>3. Weichai Gas</b>				
(a) Supply of diesel engines and related parts by the Company (and its subsidiaries) to Weichai Gas	40,000,000*	48,000,000*	58,000,000*	—
(b) Purchase of gas engines and related products by the Company (and its subsidiaries) from Weichai Gas	77,000,000*	93,000,000*	111,000,000*	—

Connected person and details of the relevant Continuing Connected Transaction	2009 RMB	New Caps 2010 RMB	2011 RMB	2012 RMB
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**B. TAGC Continuing Connected Transactions**

**1. Fast Transmission**

(a) Sale of parts and components of transmissions and related products by SFGC to Fast Transmission	820,000,000 <sup>#</sup>	1,000,000,000 <sup>#</sup>	1,200,000,000 <sup>#</sup>	—
(b) Purchase of parts and components of transmissions and related products by SFGC from Fast Transmission	1,250,000,000 <sup>#</sup>	1,600,000,000 <sup>#</sup>	1,800,000,000 <sup>#</sup>	
(c) Provision of general services by Fast Transmission to SFGC	45,000,000*	54,000,000*	65,000,000*	

*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 by 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 exceed the 2.5% Threshold and are subject to the approval by the Independent Shareholders.
3. For the purposes of ascertaining whether a Continuing Connected Transaction would exceed the 2.5% Threshold, the transactions within the paragraphs headed A.1(a) and A.1(b) have been aggregated and they do not exceed the 2.5% Threshold and are accordingly not subject to the approval of the Independent Shareholders.

## ***DETAILS OF THE CONTINUING CONNECTED TRANSACTIONS AND THE RELEVANT SUPPLEMENTAL AGREEMENTS***

### **A. Weichai Continuing Connected Transactions**

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

Weichai Resources is a wholly-owned subsidiary of the Company and is principally engaged in the sale of parts and components of diesel engines.

Weichai Casting is a wholly-owned subsidiary of the Company and is principally engaged in the supply of casting productions and related services.

Weichai Reproduction is a wholly-owned subsidiary of the Company and is principally engaged in the reproduction of parts and components of vehicles.

#### **1. *Weichai Continuing Connected Transactions between the Company (and its subsidiaries) and Weichai Holdings (and its associate)***

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

Weichai Holdings is a substantial Shareholder of the Company and a Promoter, and is accordingly a connected person of the Company. Chongqing Weichai is a wholly-owned subsidiary of Weichai Holdings and is, accordingly, an associate of Weichai Holdings and a connected person of the Company.

##### **(a) *Lease of Buildings and Equipment by Weichai Holdings to Weichai Casting***

Agreement: Supplemental Agreement to the asset lease agreement (“**Weichai Holdings Asset Lease Agreement**”) dated 21 October 2003 (as supplemented by a supplemental agreement dated 12 November 2006)

Date: 9 November 2009

Parties: 1. Weichai Casting  
2. Weichai Holdings  
3. The Company

Term: 1 January 2010 to 31 December 2012

Other terms and details:

Pursuant to the Weichai Holdings Asset Lease Agreement (as supplemented by the supplemental agreement dated 12 November 2006 but prior to the entering into of this latest Supplemental Agreement), Weichai Holdings has agreed to lease to the Company certain buildings (including factories and warehouses with a total gross floor area of 63,245 square metres) situated at Weichai Holdings (the “**Buildings**”) and all the equipment in relation to the manufacture of certain semi-finished diesel engine parts (collectively referred to as “**Equipment**”) located in the Buildings (and such Buildings and Equipment are commonly known as the “**casting and forging workshop**”) for a term ending 31 December 2009, at an annual rental of RMB42,814,310, settled within 30 days before the end of the relevant accounting year.

Pursuant to this latest Supplemental Agreement, Weichai Holdings has agreed to lease to Weichai Casting the Buildings and Equipment at the same rental, settled on a monthly basis, for a term ending 31 December 2012, upon the expiry of which the parties may renew the term for another three years on a mutually agreed basis. Save as aforesaid, all other terms of the Weichai Holdings Asset Lease Agreement (as supplemented by the supplemental agreement dated 12 November 2006 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 Transaction set out in this sub-section:

	<b>2007</b> <i>RMB</i>	<b>2008</b> <i>RMB</i>	<b>2009</b> <i>RMB</i>
Existing Cap	43,000,000	43,000,000	43,000,000

The table below summarises the actual transaction amounts involved for the two years ended 31 December 2008 (audited) and the six months ended 30 June 2009 (unaudited) for the Weichai Continuing Connected Transaction set out in this sub-section:

	<b>Year ended</b> <b>31 December</b> <b>2007</b> <i>RMB</i>	<b>2008</b> <i>RMB</i>	<b>Six</b> <b>months</b> <b>ended</b> <b>30 June</b> <b>2009</b> <i>RMB</i>
Actual Transaction Amount	42,814,000	42,840,000	21,407,000

Since the annual rental for the Buildings and Equipment shall remain at RMB42,814,310, the Company estimates that the transaction amount for each of the three years ending 31 December 2012 shall not exceed RMB43,000,000,

RMB43,000,000 and RMB43,000,000, respectively, and the same have accordingly been set as the proposed New Caps for the said Weichai Continuing Connected Transaction.

The table below summarises the New Caps for the Weichai Continuing Connected Transaction set out in this sub-section for the three years ending 31 December 2012:

	<b>2010</b>	<b>2011</b>	<b>2012</b>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
New Cap	43,000,000	43,000,000	43,000,000

As the New Caps for this Weichai Continuing Connected Transaction for the three years ending 31 December 2012 (when aggregated with those New Caps for the same period under section 1(b) below) do not exceed the 2.5% Threshold, they constitute Exempt Continuing Connected Transactions 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 this Weichai Continuing Connected Transaction for the three years ending 31 December 2012 is an Exempt Continuing Connected Transaction and the New Caps are not subject to the approval of the Independent Shareholders, this Supplemental Agreement is unconditional.

(b) *Lease of Chongqing Properties by Chongqing Weichai to the Company*

Agreement: Supplemental Agreement to the lease agreement (“**Chongqing Weichai Lease Agreement**”) dated 1 July 2003 (as supplemented by a supplemental agreement dated 12 November 2006)

Date: 9 November 2009

Parties: 1. The Company  
2. Chongqing Weichai

Term: 1 January 2010 to 31 December 2012



Other terms and details:

Pursuant to the Chongqing Weichai Lease Agreement (as supplemented by a supplemental agreement dated 12 November 2006 but prior to the entering into of this latest Supplemental Agreement), Chongqing Weichai has agreed to lease to the Company certain land and building situated thereon at which the Chongqing production line (being the Company's production line located at its premises in Chongqing Municipality, the PRC, for the manufacture of diesel engines) is situated (the "**Chongqing Properties**") for a term ending 31 December 2009, at an annual rental of RMB3,404,000, settled within 30 days before the end of the relevant year of the lease.

Pursuant to this latest Supplemental Agreement, Chongqing Weichai has agreed to lease to the Company the Chongqing Properties at the same rental, settled on a monthly basis, for a term ending 31 December 2012, upon the expiry of which the parties may renew the term for another three years on a mutually agreed basis. Save as aforesaid, all other terms of the Chongqing Weichai Lease Agreement (as supplemented by a supplemental agreement dated 12 November 2006 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 Transaction set out in this sub-section:

	<b>2007</b>	<b>2008</b>	<b>2009</b>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Existing Cap	4,000,000	4,000,000	4,000,000

The table below summarises the actual transaction amounts involved for the two years ended 31 December 2008 (audited) and the six months ended 30 June 2009 (unaudited) for the Weichai Continuing Connected Transaction set out in this sub-section:

	<b>Year ended</b>		<b>Six</b>
	<b>31 December</b>		<b>months</b>
	<b>2007</b>	<b>2008</b>	<b>ended</b>
	<i>RMB</i>	<i>RMB</i>	<b>30 June</b>
			<b>2009</b>
			<i>RMB</i>
Actual Transaction Amount	3,404,000	3,404,000	1,702,000

Since the annual rental for the Chongqing Properties shall remain at RMB3,404,000, the Company estimates that the transaction amount for each of the three years ending 31 December 2012 shall not exceed RMB4,000,000, RMB4,000,000 and RMB4,000,000, respectively, and the same have accordingly been set as the proposed New Caps for the said Weichai Continuing Connected Transaction.

The table below summarises the New Caps for the Weichai Continuing Connected Transaction set out in this sub-section for the three years ending 31 December 2012:

	<b>2010</b>	<b>2011</b>	<b>2012</b>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
New Cap	4,000,000	4,000,000	4,000,000

As the New Caps for this Weichai Continuing Connected Transaction for the three years ending 31 December 2012 (when aggregated with those New Caps for the same period under section 1(a) above) do not exceed the 2.5% Threshold, they constitute Exempt Continuing Connected Transactions 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 this Weichai Continuing Connected Transaction for the three years ending 31 December 2012 is an Exempt Continuing Connected Transaction and the New Caps are not subject to the approval of the Independent Shareholders, this Supplemental Agreement is unconditional.

## **2. *Weichai Continuing Connected Transaction between the Company (and its subsidiaries) and Weichai Heavy Machinery***

Weichai Heavy Machinery 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. Weichai Heavy Machinery is a subsidiary of Weichai Holdings (a substantial Shareholder of the Company and a Promoter), 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 continuing connected transactions between Weichai Holdings (and its associates) and the Company (as the case may be) were transferred to Weichai Heavy Machinery.

*Supply of semi-finished diesel engine parts, diesel engine parts and components, reserve parts and related products and provision of labour services by the Company (and its subsidiaries) to Weichai Heavy Machinery*

Agreement: Supplemental Agreement to the semi-finished diesel engine parts supply agreement (“**Weichai Supply 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)

Date: 9 November 2009

Parties: 1. (a) The Company  
(b) Weichai Resources  
(c) Weichai Casting  
2. Weichai Heavy Machinery

Term: 1 January 2009 to 31 December 2011

Other terms and details:

Pursuant to the Weichai Supply Agreement (as supplemented by supplemental agreements dated 15 September 2004 and 12 November 2006, respectively, but prior to the entering into of the supplemented agreement dated 9 June 2007 and this latest Supplemental Agreement), the Company has agreed to sell certain semi-finished diesel engine parts to Weichai Holdings for a term ending 31 December 2009, at a consideration determined based on the costs incurred by the Company in the provision of the said semi-finished diesel engine parts plus a service charge not exceeding 20% of such costs, provided that the consideration will not be less than the relevant market prices, if any (provided that it is permitted by the relevant laws and regulations in the PRC to do so).

In connection with the Weichai Holdings Juli Restructuring (as more particularly set out in the 2008 Circular), the Company, Weichai Holdings and Weichai Heavy Machinery entered into the supplemental agreement on 9 June 2007, pursuant to which the rights and obligations of Weichai Holdings under the Weichai Supply Agreement were assumed by Weichai Heavy Machinery. Accordingly, the sale of semi-finished diesel engine parts under the Weichai Supply Agreement became a Weichai Continuing Connected Transaction between the Company and Weichai Heavy Machinery.

Pursuant to this latest Supplemental Agreement, each of the Company, Weichai Resources and Weichai Casting (and/or their subsidiaries) has agreed to sell the said semi-finished diesel engine parts, diesel engine parts and components, reserve parts

and related products and to provide the relevant labour services (as the case may be) to Weichai Heavy Machinery at market prices and settled on a monthly basis for a term ending 31 December 2011, upon the expiry of which the parties may renew the term for another three years on a mutually agreed basis. Save as aforesaid and the revisions of the Existing Caps below, all other terms of the Weichai Supply Agreement (as supplemented by supplemental agreements dated 15 September 2004, 12 November 2006 and 9 June 2007, respectively, 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 Transaction set out in this sub-section:

	<b>2007</b>	<b>2008</b>	<b>2009</b>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Existing Cap	220,000,000	250,000,000	290,000,000

The table below summarises the actual transaction amounts involved for the two years ended 31 December 2008 (audited) and the six months ended 30 June 2009 (unaudited) for the Weichai Continuing Connected Transaction set out in this sub-section:

	<b>Year ended</b>	<b>Six months</b>
	<b>31 December</b>	<b>ended</b>
	<b>2007</b>	<b>2008</b>
	<i>RMB</i>	<i>RMB</i>
Actual Transaction Amount	97,207,000	119,414,000
		142,031,000

The PRC has maintained a strong economic growth in recent years. Following the slowdown of the economic growth in the second half of 2008, the demand for power generators produced by Weichai Heavy Machinery has substantially increased in 2009. As the said semi-finished diesel engine parts, diesel engine parts and components reserve parts and related products are for uses in connection with WD615 Engines, which are components of the power generators manufactured by Weichai Heavy Machinery, an increase in demand for Weichai Heavy Machinery's power generators will in turn drive its demand for the said products and the relevant labour services from the Group. The Company estimates that the demand for power generators produced by Weichai Heavy Machinery and, accordingly, the transaction

amount of the sale of the said products and provision of the relevant labour services by the Group to Weichai Heavy Machinery will grow for the three years ending 31 December 2011.

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 Weichai Heavy Machinery, and in view of the high quality and the competitiveness of the Company's products, the Company believes that Weichai Heavy Machinery will continue to purchase the Group's semi-finished diesel engine parts, diesel engine parts and components, reserve parts and related products for the manufacture of power generators.

The Company estimates that the sale of the said semi-finished diesel engine parts, diesel engine parts and components, reserve parts and related products and the provision of the relevant labour services by the Group to Weichai Heavy Machinery for the three years ending 31 December 2011 will not exceed RMB330,000,000, RMB375,000,000 and RMB390,000,000, respectively, and such amounts have accordingly been set as the proposed New Caps for this Weichai Continuing Connected Transaction.

The proposed New Caps have been prepared by the Company primarily based on (i) the historical costs, (ii) the estimate of the volume of the said semi-finished diesel engine parts, diesel engine parts and components, reserve parts and related products required by Weichai Heavy Machinery, (iii) the average unit prices of the said semi-finished diesel engine parts, diesel engine parts and components, reserve parts and related products, and (iv) the assumption that the sales of the Group's diesel engines to Weichai Gas will increase by approximately 13.6% and 4% for each of the years ending 31 December 2010 and 31 December 2011, respectively.

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

	<b>2009</b>	<b>2010</b>	<b>2011</b>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
New Cap	330,000,000	375,000,000	390,000,000

As the New Caps for this Weichai Continuing Connected Transaction for the three years ending 31 December 2011 do not exceed the 2.5% Threshold, the said Weichai Continuing Connected Transaction 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.

This Weichai Continuing Connected Transaction for the three years ending 31 December 2011 is an Exempt Continuing Connected Transaction and the New Caps are not subject to the approval of the Independent Shareholders. This Supplemental Agreement is conditional upon the approval by the board of directors and the shareholders of Weichai Heavy Machinery.

**3. *Weichai Continuing Connected Transactions between the Company (and its subsidiaries) and Weichai Gas***

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. Accordingly, Weichai Gas is a connected person of the Company.

**(a) *Supply of diesel engines and related parts by the Company (and its subsidiaries) to Weichai Gas***

Agreement: Supplemental Agreement to the framework agreement (“**Weichai Gas Supply Agreement**”) dated 21 October 2003 (as supplemented by supplemental agreements dated 15 September 2004, 12 November 2006 and 27 November 2008, respectively)

Date: 9 November 2009

Parties: 1. (a) The Company  
(b) Weichai Resources  
(c) Weichai Reproduction  
2. Weichai Gas

Term: 1 January 2009 to 31 December 2011

Other terms and details:

Pursuant to the Weichai Gas Supply Agreement (as supplemented by the supplemental agreements dated 15 September 2004, 12 November 2006 and 27 November 2008, respectively, but prior to the entering into of this latest

Supplemental Agreement), the Company has agreed to supply to Weichai Gas, at market prices and settled in the month following delivery, WD615 Engines and related parts for a term ending 31 December 2009.

Pursuant to this Supplemental Agreement, each of the Company, Weichai Resources and Weichai Reproduction has agreed to supply to Weichai Gas the said WD615 Engines and related parts on the same terms for a term ending 31 December 2011, upon the expiry of which the parties shall have the option to extend the term for another three years on a mutually agreed basis. Save as aforesaid and the revisions of the Existing Caps below, all other terms of the Weichai Gas Supply Agreement (as supplemented by the supplemental agreements dated 15 September 2004, 12 November 2006 and 27 November 2008, respectively, 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 2010 for the Weichai Continuing Connected Transaction set out in this sub-section:

	<b>2008</b>	<b>2009</b>	<b>2010</b>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Existing Cap	20,000,000	26,000,000	34,000,000

The table below summarises the actual transaction amounts involved for the two years ended 31 December 2008 (audited) and the six months ended 30 June 2009 (unaudited) for the Weichai Continuing Connected Transaction set out in this sub-section:

	<b>Year ended</b>	<b>Six months</b>
	<b>31 December</b>	<b>ended</b>
	<b>2007</b>	<b>2008</b>
	<i>RMB</i>	<i>RMB</i>
Actual Transaction Amount	5,987,000	17,179,000
		7,390,000

The Company estimates that the transaction amount for this Weichai Continuing Connected Transaction for the three years ending 31 December 2011 will not exceed RMB40,000,000, RMB48,000,000 and RMB58,000,000, respectively and such amounts have accordingly been set as the proposed New Caps for this Weichai Continuing Connected Transaction.



The said diesel engines and related products sold by the Group to Weichai Gas are modified by Weichai Gas into gas engines, which are in turn sold by Weichai Gas back to the Group for onward sale to its customers. In the second half of 2009, the orders for the Group's heavy-duty vehicles (with gas engines installed) and gas engines have increased substantially. Accordingly, the Company expects that the transaction amount of the said diesel engines and related products sold by the Group to Weichai Gas for modification into gas engines for the year of 2009 shall increase substantially by over approximately 270% from that as at 30 June 2009, and shall maintain a steady growth for the three years ending 31 December 2011. The Company is a leading manufacturer of diesel engines in the PRC. This evidences the quality and competitiveness of the Group's engines generally and, therefore, the Company believes that Weichai Gas will continue to purchase the Group's engines and related products for the manufacture of its products.

The proposed New Caps have been prepared by the Company primarily based on (i) the historical costs, (ii) the estimate of the volume of WD615 Engines and related parts required by Weichai Gas, (iii) the average unit prices of such diesel engines and related parts, and (iv) the assumption that the sales of the Group's diesel engines to Weichai Gas will increase by approximately 20% and 20.8% for each of the years ending 31 December 2010 and 31 December 2011, respectively.

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

	<b>2009</b>	<b>2010</b>	<b>2011</b>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
New Cap	40,000,000	48,000,000	58,000,000

As the New Caps for this Weichai Continuing Connected Transaction for the three years ending 31 December 2011 do not exceed the 2.5% Threshold, the said Weichai Continuing Connected Transaction 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 this Weichai Continuing Connected Transaction for the three years ending 31 December 2011 is an Exempt Continuing Connected Transaction and the New Caps are not subject to the approval of the Independent Shareholders, this Supplemental Agreement is unconditional.



(b) *Purchase of gas engines and related products by the Company (and its subsidiaries) from Weichai Gas*

Agreement: Supplemental Agreement to the purchase of gas engines and related products agreement (“**Weichai Gas Purchase Agreement**”) dated 27 April 2009

Date: 9 November 2009

Parties: 1. (a) The Company  
(b) Weichai Reproduction  
2. Weichai Gas

Term: 1 January 2009 to 31 December 2011

Other terms and details:

Pursuant to the Weichai Gas Purchase Agreement (prior to the entering into of this latest Supplemental Agreement), the Company has agreed to purchase certain gas engines and related products from Weichai Gas, at market prices and settled in the month following delivery, for a term ending 31 December 2011.

Pursuant to this Supplemental Agreement, each of the Company and Weichai Reproduction has agreed to purchase the said gas engines and related products from Weichai Gas on the same terms for a term ending 31 December 2011, upon the expiry of which the parties shall have the option to extend the term for another three years on a mutually agreed basis. Save as aforesaid and the revisions of the Existing Caps below, all other terms of the Weichai Gas Purchase Agreement remain unchanged.

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

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

The table below summarises the actual transaction amounts involved for the two years ended 31 December 2008 (audited) and the six months ended 30 June 2009 (unaudited) for the Weichai Continuing Connected Transaction set out in this sub-section:

	<b>Year ended</b>		<b>Six months</b>
	<b>31 December</b>		<b>ended</b>
	<b>2007</b>	<b>2008</b>	<b>30 June</b>
	<b>RMB</b>	<b>RMB</b>	<b>2009</b>
			<b>RMB</b>
Actual Transaction Amount	3,125,000*	11,493,000*	11,419,000**

*Note:*

\* *This represents the actual transaction amounts between Weichai Gas and Shaanxi Zhongqi. For details, please refer to the 2009 Announcement.*

\*\* *This represents the actual transaction amounts (i) between Weichai Gas and Shaanxi Zhongqi for the three months ended 31 March 2009; and (ii) between Weichai Gas and the Company for the three months ended 30 June 2009. For details, please refer to the 2009 Announcement.*

The Company estimates that transaction amounts for this Weichai Continuing Connected Transaction for the three years ending 31 December 2011 will not exceed RMB77,000,000, RMB93,000,000 and RMB111,000,000, respectively and such amounts have accordingly been set as the proposed New Caps for this Weichai Continuing Connected Transaction.

In the second half of 2009, the orders for the Group's heavy-duty vehicles (with gas engines installed) and gas engines have increased substantially. Accordingly, the Company expects that the transaction amount of gas engines purchased by the Group from Weichai Gas for onward sale to its customers (including Shaanxi Zhongqi for installation in its heavy-duty vehicles) for the year of 2009 shall increase substantially by over approximately 410% from that as at 30 June 2009, which is expected to maintain a steady growth for the three years ending 31 December 2011.

The 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 Group from Weichai Gas, (iii) the average unit price of such gas engines, and (iv) the assumption that the volume of gas engines and related products to be purchased by the Group from Weichai Gas will increase by approximately 20.8% and 19.4% for each of the years ending 31 December 2010 and 31 December 2011, respectively.

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

	<b>2009</b>	<b>2010</b>	<b>2011</b>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
New Cap	77,000,000	93,000,000	111,000,000

As the New Caps for this Weichai Continuing Connected Transaction for the three years ending 31 December 2011 do not exceed the 2.5% Threshold, the said Weichai Continuing Connected Transaction 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 this Weichai Continuing Connected Transaction for the three years ending 31 December 2011 is an Exempt Continuing Connected Transaction and the New Caps are not subject to the approval of the Independent Shareholders, this Supplemental Agreement is unconditional.

## B. TAGC Continuing Connected Transactions

### 1. TAGC Continuing Connected Transactions between SFGC and Fast Transmission

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.

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 the Company.

#### (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 (“**Fast Transmission Sale Agreement**”) dated 1 August 2007 (as supplemented by a supplemental agreement dated 27 November 2008)

Date: 9 November 2009

Parties: 1. SFGC  
2. Fast Transmission

Term: 1 January 2009 to 31 December 2011

Other terms and details:

Pursuant to the Fast Transmission Sale Agreement (as supplemented by a supplemental agreement dated 27 November 2008 but prior to the entering into of this latest Supplemental Agreement), SFGC has sold to Fast Transmission certain parts and components of transmissions, namely, gearboxes, at market prices and settled by the parties every two to three months, for a term ending 31 December 2010.

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 2011, upon the expiry of which the parties shall have an option to renew the agreement for a term of three years on a mutually agreed basis. Save as aforesaid and the revisions of the Existing Caps below, all other terms of the Fast Transmission Sale Agreement remain unchanged.

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

	<b>2008</b>	<b>2009</b>	<b>2010</b>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Existing Cap	650,000,000	620,000,000	690,000,000

The table below summarises the actual transaction amounts involved for the two years ended 31 December 2008 (audited) and the six months ended 30 June 2009 (unaudited) for the TAGC Continuing Connected Transaction set out in this sub-section:

	<b>Year ended</b>		<b>Six months</b>
	<b>31 December</b>		<b>ended</b>
	<b>2007</b>	<b>2008</b>	<b>30 June</b>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Actual Transaction Amount	308,721,000*	599,380,000	349,580,000

*Note:*

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

The Company estimates that the transaction amount for this TAGC Continuing Connected Transaction for the three years ending 31 December 2011 will not exceed RMB820,000,000, RMB1,000,000,000 and RMB1,200,000,000, respectively and such amounts have accordingly been set as the proposed New Caps for this TAGC Continuing Connected Transaction.

SFGC is principally engaged in the manufacture and sale of transmissions and other vehicle parts and components, while Fast Transmission is principally engaged in the processing of vehicle parts and components. The parts and components sold by SFGC to Fast Transmission pursuant to this TAGC Continuing Connected Transaction are processed by Fast Transmission. During the second half of 2009, in accordance with the expected growth of the PRC economy and the heavy-duty vehicles market, the expected production capacity of phase 1 of the casting project (鑄造工程一期) of the Fast Transmission Group was achieved while phase 2 of the casting project (鑄造工程二期) and the aluminium alloy project (鋁合金項目) have gradually commenced. According to the development plan of the Fast Transmission Group, the Company expects that the volume of transmissions produced by the Fast Transmission Group will increase by approximately 9% and 6%, respectively,

for each of the years ending 31 December 2010 and 31 December 2011. Accordingly, it is expected that the volume of the parts and components to be sold by SFGC to Fast Transmission for its processing will also increase.

With continual technological improvements, the quality of the Fast Transmission Group's equipment used in its casting projects (鑄造工程) and the aluminium alloy project (鋁合金項目) have attained a leading position in the industry, which will increase the production capacity of the Fast Transmission Group and accordingly, it is expected that the sale of parts and components by SFGC to Fast Transmission pursuant to the said TAGC Continuing Connected Transaction will also increase.

Further, in order to fight against the counterfeit of its products, the Fast Transmission Group has centralised its key production technologies within its group. The Company expects that this will lead to an increased production capacity of the Fast Transmission Group and thus an increased transaction amount of the said TAGC Continuing Connected Transaction.

The proposed New Caps have been prepared by the Company primarily based on (i) the historical costs, (ii) the estimate of the volume of the said parts and components of transmissions to be sold by SFGC to Fast Transmission, (iii) the average unit prices of such parts and components, and (iv) the assumption that the transaction amount of the sale of the said parts and components will increase by approximately 22% and 20% for each of the years ending 31 December 2010 and 31 December 2011, respectively.

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

	<b>2009</b>	<b>2010</b>	<b>2011</b>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
New Cap	820,000,000	1,000,000,000	1,200,000,000

As the New Caps for this TAGC Continuing Connected Transaction for the three years ending 31 December 2011 exceed the 2.5% Threshold, it constitutes a Non-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, and the approval of 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 and the said Supplemental Agreement.

Since this TAGC Continuing Connected Transaction for the three years ending 31 December 2011 is a Non-exempt Continuing Connected Transaction and the New Caps are subject to the approval of the Independent Shareholders, 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 sale agreement (“**Fast Transmission Purchase Agreement**”) dated 1 August 2007 (as supplemented by a supplemental agreement dated 27 November 2008)

Date: 9 November 2009

Parties: 1. SFGC  
2. Fast Transmission

Term: 1 January 2009 to 31 December 2011

Other terms and details:

Pursuant to the Fast Transmission Purchase Agreement (as supplemented by a supplemental agreement dated 27 November 2008 but prior to the entering into of this latest Supplemental 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 and settled by the parties every two to three months, for a term ending 31 December 2010.

Pursuant to this Supplemental Agreement, SFGC has agreed to purchase and Fast Transmission has agreed to sell such parts and components and related products on the same terms for a term ending 31 December 2011, upon the expiry of which the parties shall have an option to renew the agreement for a term of three years on a mutually agreed basis. Save as aforesaid and the revisions of the Existing Caps below, all other terms of the Fast Transmission Purchase Agreement remain unchanged.

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

	<b>2008</b>	<b>2009</b>	<b>2010</b>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Existing Cap	850,000,000	810,000,000	910,000,000

The table below summarises the actual transaction amounts involved for the two years ended 31 December 2008 (audited) and the six months ended 30 June 2009 (unaudited) for the TAGC Continuing Connected Transaction set out in this sub-section:

	<b>Year ended</b>	<b>Six months</b>
	<b>31 December</b>	<b>ended</b>
	<b>2007</b>	<b>30 June</b>
	<i>RMB</i>	<i>RMB</i>
Actual Transaction Amount	444,961,000*	511,220,000

*Note:*

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

The Company estimates that the transaction amount for this TAGC Continuing Connected Transaction for the three years ending 31 December 2011 will not exceed RMB1,250,000,000, RMB1,600,000,000 and RMB1,800,000,000, respectively and such amounts have accordingly been set as the proposed New Caps for this TAGC Continuing Connected Transaction.

SFGC is principally engaged in the manufacture and sale of transmissions and other vehicle parts and components, while Fast Transmission is principally engaged in the processing of vehicle parts and components. The said parts and components purchased by SFGC from Fast Transmission pursuant to this TAGC Continuing Connected Transaction are used in its production. During the second half of 2009, in accordance with the expected growth of the PRC economy and the heavy-duty vehicles market, the expected production capacity of phase 1 of the casting project (鑄造工程一期) of the Fast Transmission Group was achieved while phase 2 of the casting project (鑄造工程二期) and the aluminium alloy project (鋁合金項目) have gradually commenced. According to the development plan of the Fast Transmission Group, the Company expects that the volume of transmissions produced by the Fast



Transmission Group will increase by approximately 9% and 6%, respectively, for each of the years ending 31 December 2010 and 31 December 2011. Accordingly, it is expected that the volume of the parts and components to be purchased by SFGC from Fast Transmission for its production will also increase.

With continual technological improvements, the quality of the Fast Transmission Group's equipment used in its casting projects (鑄造工程) and the aluminium alloy project (鋁合金項目) have attained a leading position in the industry, which will increase the production capacity of the Fast Transmission Group and accordingly, it is expected that the volume of parts and components required by SFGC from Fast Transmission for its production pursuant to the said TAGC Continuing Connected Transaction will also increase.

Further, in order to fight against the counterfeit of its products, the Fast Transmission Group has centralised its key production technologies within its group. The Company expects that this will lead to an increased production capacity of the Fast Transmission Group and thus an increased transaction amount of the said TAGC Continuing Connected Transaction.

The proposed New Caps have been prepared by the Company primarily based on (i) the historical costs, (ii) the estimate of the volume of the said parts and components of transmissions to be purchased by SFGC from Fast Transmission, (iii) the average unit prices of such parts and components, and (iv) the assumption that the transaction amount of the purchase of the said parts and components by SFGC will increase by approximately 28% and 12.5% for each of the years ending 31 December 2010 and 31 December 2011, respectively.

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

	<b>2009</b>	<b>2010</b>	<b>2011</b>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
New Cap	1,250,000,000	1,600,000,000	1,800,000,000

As the New Caps for this TAGC Continuing Connected Transaction for the three years ending 31 December 2011 exceed the 2.5% Threshold, it constitutes a Non-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, and the approval of 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 and the said Supplemental Agreement.

Since this TAGC Continuing Connected Transaction for the three years ending 31 December 2011 is a Non-exempt Continuing Connected Transaction and the New Caps are subject to the approval of the Independent Shareholders, this Supplemental Agreement is conditional upon the said resolution being passed at the EGM.

(c) *Provision of general services by Fast Transmission to SFGC*

Agreement: Supplemental Agreement to the general services agreement (“**Fast Transmission General Services Agreement**”) dated 17 September 2001 (as supplemented by a supplemental agreement dated 27 November 2008)

Date: 9 November 2009

Parties::  
1. Fast Transmission  
2. SFGC

Term: 1 January 2009 to 31 December 2011

Other terms and details:

Pursuant to the Fast Transmission General Services Agreement (as supplemented by a supplemental agreement dated 27 November 2008 but prior to the entering into of this latest Supplemental Agreement), Fast Transmission has agreed to provide certain general services to SFGC, namely, health care, staff accommodation, child care, logistics, etc., for a term ending 31 December 2010. The fees payable by SFGC to Fast Transmission with respect to the provision of the said general services are determined based on the relevant State policy and market prices and are settled on a quarterly basis.

Pursuant to this Supplemental Agreement, Fast Transmission has agreed to provide the said general services to SFGC on the same terms for a term ending 31 December 2011, upon the expiry of which the parties shall have an option to renew the agreement for a term of three years on a mutually agreed basis. Save as aforesaid and the revisions of the Existing Caps below, all other terms of the Fast Transmission General Services Agreement remain unchanged.

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

	<b>2008</b>	<b>2009</b>	<b>2010</b>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Existing Cap	35,000,000	35,000,000	35,000,000

The table below summarises the actual transaction amounts involved for the two years ended 31 December 2008 (audited) and the six months ended 30 June 2009 (unaudited) for the TAGC Continuing Connected Transaction set out in this sub-section:

	<b>Year ended</b>		<b>Six months</b>
	<b>31 December</b>		<b>ended</b>
	<b>2007</b>	<b>2008</b>	<b>30 June</b>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Actual Transaction Amount	20,924,000*	30,531,000	10,101,000

*Note:*

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

The Company estimates that the transaction amount for this TAGC Continuing Connected Transaction for the three years ending 31 December 2011 will not exceed RMB45,000,000, RMB54,000,000 and RMB65,000,000, respectively and such amounts have accordingly been set as the proposed New Caps for this TAGC Continuing Connected Transaction.

The proposed New Caps have been prepared by the Company primarily based on (i) the historical costs, (ii) the contractual terms of the Fast Transmission General Services Agreement (as supplemented by a supplemental agreement dated 27 November 2008 and this Supplemental Agreement), and (iii) the assumption that the transaction amount of the said general services shall increase by approximately 20% and 20.4% for each of the years ending 31 December 2010 and 31 December 2011, respectively.

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

	<b>2009</b>	<b>2010</b>	<b>2011</b>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
New Cap	45,000,000	54,000,000	65,000,000

As the New Caps for this TAGC Continuing Connected Transaction for the three years ending 31 December 2011 do not exceed the 2.5% Threshold, the said TAGC Continuing Connected Transaction 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 this TAGC Continuing Connected Transaction for the three years ending 31 December 2011 is an Exempt Continuing Connected Transaction and the New Caps are not subject to the approval of the Independent Shareholders, this Supplemental Agreement is unconditional.

It is noted that as set out in the 2008 Announcement under the section headed “A. II.1.(d) — Lease of land and premises by Fast Transmission to SFGC”, the caps set for the lease of certain land and premises by Fast Transmission to SFGC for the three years ending 31 December 2010 were RMB14,000,000, RMB13,000,000 and RMB13,000,000, respectively. On 9 November 2009, Fast Transmission and SFGC entered into a supplemental agreement to the land use rights lease agreement dated 21 March 2002 (as supplemented by the supplemental agreement dated 2 June 2006) and the building lease agreement dated 21 March 2002 (both as supplemented by the supplemental agreements dated 1 August 2007 and 27 November 2008, respectively) pursuant to which, *inter alia*, the caps for such continuing connected transactions for the three years ending 31 December 2011 were revised and set as RMB24,000,000, RMB26,000,000 and RMB28,000,000, respectively. Since the new caps for the said continuing connected transactions do not exceed the 0.1% Threshold, they will not 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 Rule 14A.37 and 14A.38 of the Listing Rules nor the Independent Shareholders approval requirement under the Listing Rules.

### **III. REASONS FOR THE CONTINUING CONNECTED TRANSACTIONS AND LISTING RULES IMPLICATIONS**

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. The Company has conducted the Weichai Continuing Connected Transactions with Weichai Holdings for a number of years until the completion of the Weichai Holdings Juli Restructuring after which certain of such transactions were transferred to Weichai Heavy Machinery. The Directors, including the independent non-executive Directors, consider it beneficial to the Company to continue to conduct the Weichai Continuing Connected Transactions in order to ensure and maximise the operating efficiency and stability of the operations of the Company.

As prior to completion of the Merger, SFGC has conducted the TAGC Continuing Connected Transactions with Fast Transmission for many years and the Company has taken up such TAGC Continuing Connected Transactions after completion of the Merger, the Directors (excluding the independent non-executive Directors in respect of the TAGC Continuing Connected Transactions which constitute Non-exempt Continuing Connected Transactions), consider it to be beneficial to the Company to continue to conduct the TAGC Continuing Connected Transactions in order to ensure and maximise operating efficiency and stability of the operations of the Group.

The Directors (excluding the independent non-executive Directors in respect of the Non-exempt Continuing Connected Transactions) have confirmed that the 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 (excluding the independent non-executive Directors in respect of the Non-exempt Continuing Connected Transactions) are of the view that the Exempt Continuing Connected Transactions, and the relevant proposed New Caps, are fair and reasonable and in the interests of the Shareholders as a whole.

Since the New Caps of the Weichai Continuing Connected Transactions and a TAGC Continuing Connected Transaction referred to in the section headed “II. Continuing Connected Transactions” in this announcement do not exceed the 2.5% Threshold, they constitute Exempt Continuing Connected Transactions of the Company under Chapter 14A of the Listing Rules and their respective 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.

Since the New Caps of certain TAGC Continuing Connected Transactions referred to in the section headed “II. Continuing Connected Transactions” in this announcement exceed the 2.5% Threshold, they constitute Non-exempt Continuing Connected Transactions of the Company under Chapter 14A of the Listing Rules and their respective 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, 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 and the approval by Independent Shareholders.

#### **IV. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER**

An Independent Board Committee comprising the independent non-executive Directors (namely, Mr. Zhang Xiaoyu, Mr. Koo Fook Sun, Louis and Mr. Fang Zhong Chang) will be appointed to consider the Non-exempt Continuing Connected Transactions and their respective New Caps. An Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of the Non-exempt Continuing Connected Transactions and their respective New Caps.

#### **V. DESPATCH OF CIRCULAR**

A circular containing, *inter alia*, (i) further details of the Non-exempt Continuing Connected Transactions; (ii) a letter from the Independent Board Committee to the Independent Shareholders in relation to the Non-exempt Continuing Connected Transactions; and (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Non-exempt Continuing Connected Transactions, will be despatched to the Shareholders in due course.

## VI. DEFINITIONS

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
“2006 Announcement”	the announcement of the Company dated 12 November 2006 in respect of, <i>inter alia</i> , the Merger and certain Weichai Continuing Connected Transactions
“2006 Circular”	the circular of the Company dated 12 November 2006 in respect of, <i>inter alia</i> , the Merger and certain Weichai Continuing Connected Transactions
“2008 Announcement”	the announcement of the Company dated 27 November 2008 in respect of certain continuing connected transactions of the Company
“2008 Circular”	the circular of the Company dated 18 December 2008 in respect of certain non-exempt continuing connected transactions of the Company
“2009 Announcement”	the announcement of the Company dated 27 April 2009 in respect of certain continuing connected transaction between the Company and Weichai Gas
“Buildings”	has the meaning ascribed to it under the section headed “II.A.1(a) Lease of Buildings and Equipment by Weichai Holdings to the Company” in this announcement
“Chongqing Properties”	has the meaning ascribed to it under the section headed “II.A.1(b) Lease of Chongqing Properties by Chongqing Weichai to the Company” in this announcement
“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 Transaction(s)”	the continuing connected transaction(s) of the Group set out in the section headed “II. Continuing Connected Transactions” in this announcement, comprising the Weichai Continuing Connected Transactions and the TAGC Continuing Connected Transactions
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held to consider and, if thought fit, approve, inter alia, the New Caps and the Supplemental Agreements
“Equipment”	has the meaning ascribed to it under the section headed “II.A.1(a) Lease of Buildings and Equipment by Weichai Holdings to the Company” in this announcement
“Existing Cap(s)”	the existing cap(s) for the Continuing Connected Transaction set out in the section headed “II. Continuing Connected Transactions” in this announcement
“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
“Fast Transmission”	陝西法士特汽車傳動集團有限責任公司 (Shaanxi Fast Gear Automotive Transmission Co. Ltd.), a company established in the PRC and a connected person of the Company
“Fast Transmission Group”	Fast Transmission and its subsidiaries
“Group”	the Company and its subsidiaries
“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”	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
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Merger”	the Merger on 24 April 2007 (as announced in the announcement of the Company dated 25 April 2007), as a result of which the original subsidiaries of TAGC, together with other the assets and liabilities of TAGC, were absorbed by the Company
“New Cap(s)”	as defined in the section headed “II. Continuing Connected Transactions” in this announcement
“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
“Promoter(s)”	the promoter(s) of the Company
“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
“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)”	holder(s) of the shares of the Company

“Supplemental Agreements”	the supplemental agreements relating to the Weichai Continuing Connected Transactions and the TAGC Continuing Connected Transactions entered into between the Group and the relevant connected persons as more particularly set out in the section headed “II. Continuing Connected Transactions” in this announcement and “Supplemental Agreement” means any of them
“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 set out under the section headed “II.B TAGC Continuing Connected Transactions” in this announcement
“WD 615 Engines”	the water-cooled, linear, 6-cylinder, turbo-charging, direct-injection high-speed diesel engine(s) with a displacement of 9.726 litres, manufactured by the Company
“Weichai Casting”	濰柴動力(濰坊)鑄鍛有限公司 (Weichai Power (Weifang) Casting Company Limited), a company established in the PRC and a wholly-owned subsidiary of the Company
“Weichai Continuing Connected Transactions”	the Continuing Connected Transactions set out under the section headed “II.A Weichai Continuing Connected Transactions” in this announcement
“Weichai Gas”	濰坊濰柴培新氣體發動機有限公司 (Weifang Weichai Peterson Gas Diesel Engines Company Limited), a company established in the PRC and a connected person of the Company
“Weichai Heavy Machinery”	濰柴重機股份有限公司 (Weichai Heavy Machinery Co., Ltd.) (formerly known as “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
“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, a substantial Shareholder of the Company, a Promoter, and a connected person of the Company
“Weichai Holdings Juli Restructuring”	the restructuring of the assets of Weichai Holdings and the group of entities concerning Weichai Heavy Machinery as more particularly set out in the announcement of Weichai Heavy Machinery on the Shenzhen Stock Exchange dated 8 September 2006

- “Weichai  
Reproduction” 濰柴動力（濰坊）再製造有限公司 (Weichai Power (Weifang) Reproduction Company Limited), a company established in the PRC and a wholly-owned subsidiary of the Company; and
- “Weichai Resources” 濰柴動力（濰坊）備品資源有限公司 (Weichai Power Reserves and Resources Company Limited), a company established in the PRC and a wholly-owned subsidiary of the Company.

Hong Kong, 9 November 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.*