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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 23 August 2010, 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 on or before 13 September 2010.

I. INTRODUCTION

Reference is made to the 2008 Announcement 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 these Continuing Connected Transactions, the Company proposes to revise their respective Existing Caps and/or apply for New Caps (as the case may be). For such purposes, the Group entered into the Supplemental Agreements. The Supplemental Agreements and the relevant New Caps in respect of the Exempt Continuing Connected Transactions are conditional upon the approval of the Shareholders at the EGM (for the reason that they constitute PRC Continuing Connected Transactions), and those in respect of the Non-exempt Continuing Connected Transactions are conditional on the approval by the Independent Shareholders at the EGM.

A summary of the Continuing Connected Transactions, the Supplemental Agreements, the Existing Caps, the actual transaction amounts of the Continuing Connected Transactions for the relevant periods and the New Caps (and their bases) is set out in the section headed “II. Continuing Connected Transactions” 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

Name of connected person	Name of Group Company	Connected person's relationship with the Group	Nature of the connected transaction with the Group
1. Weichai Holdings (and its associates) (<i>note 1</i>) (as the case may be)	The Company, Weichai Resources and Weichai Casting (<i>note 2</i>) (as the case may be)	Holder of 16.83% of the equity of the Company	<p>(a) Provision of general services and labour services by Weichai Holdings (and its associates) (as the case may be) to the Company (and its subsidiaries) (as the case may be)</p> <p>(b) Supply and/or connection of utilities by Weichai Holdings (and its associates) (as the case may be) to the Company (and its subsidiaries) (as the case may be)</p> <p>(c) Purchase of diesel engine parts and components, gas and scrap metals, etc., materials and related products and processing services by the Company (and its subsidiaries) (as the case may be) from Weichai Holdings (and its associates) (as the case may be)</p>

Name of connected person	Name of Group Company	Connected person's relationship with the Group	Nature of the connected transaction with the Group
			(d) Sale of diesel engines, diesel engine parts and components, materials and related products and provision of processing services by the Company (and its subsidiaries) (as the case may be) to Weichai Holdings (and its associates) (as the case may be)
2. Fujian Longgong and Shanghai Longgong Machinery	The Company	Fujian Longgong and Shanghai Longgong Machinery are respectively indirectly wholly-owned and controlled by Li San Yim (a non-executive Director) and his spouse	Sale of diesel engines and diesel engine parts by the Company to Fujian Longgong and Shanghai Longgong Machinery (and their respective associates) (as the case may be)
3. Weichai Deutz	The Company, Weichai Resources, Weichai Casting and Weichai Reproduction (<i>note 2</i>) (as the case may be)	Held as to 50% by Weichai Holdings	<p>(a) Sale of semi-finished diesel engine parts and related products by the Company (and its subsidiaries) (as the case may be) to Weichai Deutz</p> <p>(b) Provision of sales and warranty period repair services by the Company to Weichai Deutz</p> <p>(c) Purchase of diesel engine parts and components and related products by the Company (and its subsidiaries) (as the case may be) from Weichai Deutz</p>

Name of connected person	Name of Group Company	Connected person's relationship with the Group	Nature of the connected transaction with the Group
4. Weichai Heavy Machinery	The Company, Weichai Resources, Weichai Casting and Weichai Reproduction (<i>note 2</i>) (as the case may be)	Held as to 30.59% by Weichai Holdings	<p>(a) Sale of diesel engines and related products by the Company (and its subsidiaries) (as the case may be) to Weichai Heavy Machinery</p> <p>(b) Purchase of diesel engine parts and components, materials, steel and scrap metal, etc., used diesel engines and related products and processing services by the Company (and its subsidiaries) (as the case may be) from Weichai Heavy Machinery</p>

B. TAGC Continuing Connected Transactions

Name of connected person	Name of Group Company	Connected person's relationship with the Group	Nature of the connected transaction with the Group
1. Fast Transmission	SFGC (<i>note 3</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>

Name of connected person	Name of Group Company	Connected person's relationship with the Group	Nature of the connected transaction with the Group
2. Shaanxi Automotive (and its associates) (note 9)	Shaanxi Zhongqi (note 4), Hande Axle (note 5), Jinding (note 6), Shaanxi Import and Export (note 7) and Tiangua (note 8)	Holder of 49% of the equity of Shaanxi Zhongqi	<p>(a) Sale of vehicles, parts and components of vehicles, raw materials and related products and provision of the relevant services by Shaanxi Zhongqi (and its subsidiaries) (as the case may be) to Shaanxi Automotive (and its associates) (as the case may be)</p> <p>(b) Purchase of parts and components of vehicles and related products by Shaanxi Zhongqi (and its subsidiaries) (as the case may be) from Shaanxi Automotive (and its associates) (as the case may be)</p>

Notes:

- The associates of Weichai Holdings are Chongqing Weichai, Chongqing Casting and Weichai Import and Export.*
- Each of Weichai Resources, Weichai Casting and Weichai Reproduction is a wholly-owned subsidiary of the Company.*
- SFGC is a 51% subsidiary of the Company.*
- Shaanxi Zhongqi is a 51% subsidiary of the Company.*
- Hande Axle is held as to approximately 3.06% by the Company and as to approximately 94% by Shaanxi Zhongqi.*
- Jinding is held as to approximately 95.76% by Shaanxi Zhongqi and as to approximately 4.24% by Hande Axle.*
- Shaanxi Import and Export is a wholly-owned subsidiary of Shaanxi Zhongqi.*
- Tiangua is held as to approximately 51% by Shaanxi Zhongqi.*
- As more particularly described in the section headed "II.B.2. Continuing Connected Transactions between Shaanxi Zhongqi (and its subsidiaries) and Shaanxi Automotive (and its associates)" in this announcement.*

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

A. Weichai Continuing Connected Transactions

Connected person and details of relevant Continuing Connected Transactions	New Caps			
	2010 <i>RMB</i>	2011 <i>RMB</i>	2012 <i>RMB</i>	2013 <i>RMB</i>
1. Weichai Holdings (and its associates)				
(a) Provision of general services and labour services by Weichai Holdings (and its associates) (as the case may be) to the Company (and its subsidiaries) (as the case may be)	—	62,000,000*	67,000,000*	73,000,000*
(b) Supply and/or connection of utilities by Weichai Holdings (and its associates) (as the case may be) to the Company (and its subsidiaries) (as the case may be)	—	276,000,000*	281,000,000*	286,000,000*
(c) Purchase of diesel engine parts and components, gas and scrap metals, etc., raw materials and related products and processing services by the Company (and its subsidiaries) (as the case may be) from Weichai Holdings (and its associates) (as the case may be)	—	126,000,000*	158,000,000*	189,000,000*

Connected person and details of relevant Continuing Connected Transactions	New Caps			
	2010 RMB	2011 RMB	2012 RMB	2013 RMB
(d) Sale of diesel engines, diesel engine parts and components, materials and related products and provision of processing services by the Company (and its subsidiaries) (as the case may be) to Weichai Holdings (and its associates) (as the case may be)	—	329,000,000*	411,000,000*	487,000,000*
2. Fujian Longgong and Shanghai Longgong				
Sale of diesel engines and diesel engine parts by the Company to Fujian Longgong and Shanghai Longgong Machinery (and their respective associates) (as the case may be)	—	1,500,000,000*	1,680,000,000*	1,750,000,000*
3. Weichai Deutz				
(a) Sale of semi-finished diesel engine parts and related products by the Company (and its subsidiaries) (as the case may be) to Weichai Deutz	—	166,000,000*	230,000,000*	315,000,000*
(b) Provision of sales and warranty period repair services by the Company to Weichai Deutz	—	40,000,000*	47,000,000*	54,000,000*

Connected person and details of relevant Continuing Connected Transactions	New Caps			
	2010 RMB	2011 RMB	2012 RMB	2013 RMB
(c) Purchase of diesel engine parts and components and related products by the Company (and its subsidiaries) (as the case may be) from Weichai Deutz	—	63,000,000*	78,000,000*	100,000,000*
4. Weichai Heavy Machinery				
(a) Sale of diesel engines and related products by the Company (and its subsidiaries) to Weichai Heavy Machinery	400,000,000*	480,000,000*	600,000,000*	—
(b) Purchase of diesel engine parts and components, materials, steel and scrap metal, etc., used diesel engines and related products and processing services by the Company (and its subsidiaries) (as the case may be) from Weichai Heavy Machinery	—	680,000,000*	830,000,000*	1,000,000,000*

B. TAGC Continuing Connected Transactions

Connected person and details of the relevant Continuing Connected Transaction	New Caps			
	2010 RMB	2011 RMB	2012 RMB	2013 RMB
1. Fast Transmission				
(a) Sale of parts and components of transmissions and related products by SFGC to Fast Transmission	1,500,000,000 [*]	2,300,000,000 [#]	3,500,000,000 [#]	—
(b) Purchase of parts and components of transmissions and related products by SFGC from Fast Transmission	2,250,000,000 [#]	3,350,000,000 [#]	5,000,000,000 [#]	—
2. Shaanxi Automotive (and its associates)				
(a) Sale of vehicles, parts and components of vehicles, raw materials and related products and provision of relevant services by Shaanxi Zhongqi (and its subsidiaries) (as the case may be) to Shaanxi Automotive (and its associates) (as the case may be)	1,700,000,000 [*]	2,750,000,000 [#]	3,450,000,000 [#]	—
(b) Purchase of parts and components of vehicles and related products by Shaanxi Zhongqi (and its subsidiaries) (as the case may be) from Shaanxi Automotive (and its associates) (as the case may be)	—	3,650,000,000 [#]	4,550,000,000 [#]	4,800,000,000 [#]

Notes:

1. Where a New Cap is marked “*”, that means the proposed New Caps for the relevant Continuing Connected Transactions do not exceed the 5% Threshold and are exempt from the approval by the Independent Shareholders under the Listing Rules. However, since the relevant Continuing Connected Transactions constitute PRC Continuing Connected Transactions, they are subject to the approval by the Shareholders at the EGM.
2. Where a New Cap is marked “#”, that means the relevant Continuing Connected Transactions are Non-exempt Continuing Connected Transactions, because they exceed the 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 5% Threshold, the transactions within the following paragraphs have been aggregated:
 - (i) transactions under paragraphs A.1.(a) and (b);
 - (ii) transactions under paragraphs A.1.(c), A.3.(c) and A.4.(b); and
 - (iii) transactions under paragraphs A.1.(d), A.3.(a) and A.4.(a).

As stated in the 2008 Announcement, for the purposes of ascertaining whether a continuing connected transaction would exceed the then applicable 2.5% Threshold (as defined in the 2008 Announcement), the transactions under paragraph (ii) above have also been aggregated with the Weichai Deutz Purchase and they exceeded the 2.5% Threshold and were then subject to the approval of the Independent Shareholders. The Company confirms that the existing caps of the Weichai Deutz Purchase for the three years ending 31 December 2012 (as revised in the announcement of the Company dated 26 April 2010) shall continue to apply.

DETAILS OF THE CONTINUING CONNECTED TRANSACTIONS AND THE RELEVANT SUPPLEMENTAL AGREEMENTS

A. Weichai Continuing Connected Transactions

1. Continuing Connected Transactions between Weichai Holdings (and its associates) and the Group

The Company and its subsidiaries

The Company is principally engaged in the research and development, manufacture and sale of high-speed heavy-duty diesel engines and engine parts. Chongqing Branch is the Company's facility (being its branch office) in Chongqing Municipality.

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

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

Weichai Holdings and its associates

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

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

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

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

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

Agreement: Supplemental Agreement to:

- (i) the general services agreement between the Company and Weichai Holdings dated 17 November 2003 (“**Weichai Holdings General Services Agreement**”) (as amended and supplemented by the supplemental agreements dated 12 January 2004, 2 February 2004, 15 September 2004, 21 September 2005, 12 November 2006 and 27 November 2008); and
- (ii) the general services agreement between the Company and Chongqing Weichai dated 17 November 2003 (“**Chongqing Weichai General Services Agreement**”) (as amended and supplemented by the supplemental agreements dated 15 September 2004, 21 September 2005, 12 November 2006 and 27 November 2008)

Date: 23 August 2010

Parties: 1. (a) The Company
 (b) Weichai Casting
 2. (a) Weichai Holdings
 (b) Chongqing Weichai

Term: 1 January 2011 to 31 December 2013

Other terms and details:

(i) *Provision of general services and labour services by Weichai Holdings to the Company (and its subsidiaries)*

Pursuant to the Weichai Holdings General Services Agreement (as amended and supplemented by the abovesaid supplemental agreements but prior to the entering into of this latest Supplemental Agreement), Weichai Holdings has (i) provided certain general services to the Company, namely, environmental protection, security, fire, repair, maintenance and other general services and the payment of certain town land use right tax in relation to the property occupied and/or used by the Company (and/or its staff, if applicable); and (ii) provided certain labour services in respect of utilities to the Company, for a term ending 31 December 2010, 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.

Pursuant to this latest Supplemental Agreement, Weichai Holdings (and its associates) (as the case may be) shall provide the said general services and labour services in respect of utilities to the Company, Weichai Casting and/or other Group Company for a term of three years ending 31 December 2013. Save as set out herein, all other terms of the Weichai Holdings General Services Agreement (as amended and supplemented by the abovesaid supplemental agreements but prior to the entering into of this latest Supplemental Agreement) remain unchanged.

The fees payable by the Company, Weichai Casting and/or other Group Company (as the case may be) to Weichai Holdings (and its associates) (as the case may be) with respect to the provision of the said general services are determined based on the actual costs incurred by Weichai Holdings (and its associates) (as the case may be) and apportioned on a pro-rata basis according to the area of the relevant property occupied and/or used by the Company, Weichai Casting and/or other Group Company (as the case may be) plus a service charge representing not more than 5% of such costs and settled on a monthly basis.

Weichai Holdings has been charging the Company a service charge of 5% of the actual costs incurred by it for the provision of the above general services and the Company expects that the same rate will be charged by Weichai Holdings for the three years ending 31 December 2013.

With respect to the said labour services, the relevant fees are determined on the basis of the remunerations and expenses in respect of the employment of the relevant employees of Weichai Holdings providing such services and settled on a monthly basis.

(ii) *Provision of general services by Chongqing Weichai to the Company (and its subsidiaries)*

Pursuant to the Chongqing Weichai General Services Agreement (as amended and supplemented by the abovesaid supplemental agreements but prior to the entering into of this latest Supplemental Agreement), Chongqing Weichai has provided certain general services to Chongqing Branch, namely, environmental protection, security, fire and other general services and the payment of certain town land use right tax in relation to the property used by Chongqing Branch for a term ending 31 December 2010, 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.

Pursuant to this latest Supplemental Agreement, Chongqing Weichai (and its associates) (as the case may be) shall provide the said general services to the Chongqing Branch and/or other Group Company (as the case may be) for a term of three years ending 31 December 2013. Save as set out herein, all other terms of the Chongqing Weichai General Services Agreement (as amended and supplemented by the abovesaid supplemental agreements but prior to the entering into of this latest Supplemental Agreement) remain unchanged.

The fees payable by the Chongqing Branch and/or other Group Company (as the case may be) to Chongqing Weichai (and its associates) (as the case may be) are determined based on the actual costs incurred by the same and apportioned on a pro-rata basis according to the area of the relevant property occupied and/or used by Chongqing Branch and/or the Group Company (as the case may be) (and/or its staff, if applicable) plus a service charge not exceeding 20% of such costs (save that the town land use right tax paid by Chongqing Weichai (and its associates) (as the case may be) on behalf of Chongqing Branch and/or other Group Company (as the case may be) and its staff, if applicable, will not be subject to the said 20% service charge) and are settled by the parties on a monthly basis. With respect to certain public utilities provided by Chongqing Weichai

(and its associates) (as the case may be) to certain common areas used by both Chongqing Weichai (and its associates) (as the case may be) and Chongqing Branch and/or other Group Company (as the case may be), the costs with respect to such public utilities incurred by Chongqing Weichai (and its associates) (as the case may be) would be shared between Chongqing Weichai and Chongqing Branch and/or other Group Company (as the case may be) pro-rated according to their respective annual sales.

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

Chongqing Weichai has been charging the Company a service charge of 20% of the actual costs incurred by it for the provision of the above general services and the Company expects that the same rate will be charged by Chongqing Weichai for the three years ending 31 December 2013.

The table below summarises the Existing Caps for the three years ending 31 December 2010 for the Weichai Continuing Connected Transaction set out in paragraphs (i) and (ii) in this sub-section 1.(a):

	2008	2009	2010
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Existing Cap	29,500,000	36,500,000	47,500,000

The table below summarises the actual transaction amounts involved for the two years ended 31 December 2009 (audited) and the six months ended 30 June 2010 (unaudited) for the Weichai Continuing Connected Transaction set out in paragraphs (i) and (ii) in this sub-section 1.(a):

	Year ended		Six months
	31 December		ended
	2008	2009	30 June
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>
Actual transaction amount	28,758,000	25,408,000	17,550,000

The Company estimates that the transaction amounts in respect of the Weichai Continuing Connected Transaction set out in this sub-section for the three years ending 31 December 2013 will not exceed RMB62,000,000, RMB67,000,000 and RMB73,000,000, respectively, and such amounts have accordingly been set as the proposed New Caps for this Weichai Continuing Connected Transaction.

The New Caps have been estimated by the Company primarily based on the relevant historical costs plus a service charge by Weichai Holdings and Chongqing Weichai representing 5% and 20% of such costs, respectively. The estimate has taken into account an increase in the sales of the Group's products by approximately 30% to 50% per year. The New Caps have also taken into account the estimated salary growth rate of approximately 10%.

The table below summarises the proposed New Caps for the Weichai Continuing Connected Transaction set out in this sub-section 1.(a) for the three years ending 31 December 2013:

	2011	2012	2013
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
New Cap	62,000,000	67,000,000	73,000,000

As the New Caps for this Weichai Continuing Connected Transaction for the three years ending 31 December 2013 (when aggregated with those New Caps for the same period under sections A.1.(b) below) do not exceed the 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 requirements set out in Rules 14A.45 and 14A.46 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 2013 is an Exempt Continuing Connected Transaction, the New Caps are not subject to the approval of Independent Shareholders under the Listing Rules.

However, since this Weichai Continuing Connected Transaction constitutes a PRC Continuing Connected Transaction, the relevant New Caps and the Supplemental Agreement are subject to the approval by the Shareholders at the EGM.

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

Agreement:

Supplemental Agreement to:

- (i) the utility services agreement between the Company and Weichai Holdings dated 17 November 2003 (“**Weichai Holdings Utilities Services Agreement**”) (as supplemented by the supplemental agreements dated 15 September 2004, 21 September 2005, 12 November 2006 and 27 November 2008); and
- (ii) the utility services agreement between the Company and Chongqing Weichai dated 17 November 2003 (“**Chongqing Weichai Utilities Services Agreement**”) (as supplemented by the supplemental agreements dated 15 September 2004, 21 September 2005, 12 November 2006 and 27 November 2008)

Date:

23 August 2010

Parties:

- 1. (a) The Company
- (b) Weichai Casting
- 2. (a) Weichai Holdings
- (b) Chongqing Weichai

Term:

1 January 2011 to 31 December 2013

Other terms and details:

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

Pursuant to the Weichai Holdings Utilities Services Agreement (as supplemented by the abovesaid supplemental agreements but prior to the entering into of this latest Supplemental Agreement), Weichai Holdings has provided or provided the connection of (as the case may be) certain utility and energy services to the Company, namely, water, electricity, gas, steam, oxygen, nitrogen, compressed air, waste water treatment and supply of treated waste water, etc., for a term ending 31 December 2010, upon the expiry of which the parties shall have an option to renew the same for a term of three years on a mutually agreed basis.

Pursuant to this latest Supplemental Agreement, Weichai Holdings (and its associates) (as the case may be) shall provide or provide the connection of (as the case may be) the said services to the Company, Weichai Casting and/or other Group Company (as the case may be) for a period of three years ending 31 December 2013. Save as set out herein, all other terms of the Weichai Holdings Utilities Services Agreement (as supplemented by the abovesaid supplemental agreements but prior to the entering into of this latest Supplemental Agreement) remain unchanged.

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

Since 2010, Weichai Holdings has been charging the Company a service charge of 15% of the actual costs incurred by it for the provision of the above utility and energy services and the Company expects that the same rate will be charged by Weichai Holdings for the three years ending 31 December 2013.

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

Pursuant to the Chongqing Weichai Utilities Services Agreement (as supplemented by the abovesaid supplemental agreements but prior to the entering into of this latest Supplemental Agreement), Chongqing Weichai has provided or provided the connection of (as the case may be) certain utility and energy services to the Chongqing Branch, namely, water, electricity, natural gas, steam, oxygen, nitrogen and compressed air, etc. for a term ending 31 December 2010, upon the expiry of which the parties shall have an option to renew the same for a term of three years on a mutually agreed basis.

Pursuant to this latest Supplemental Agreement, Chongqing Weichai (and its associates) (as the case may be) shall provide or provide the connection of (as the case may be) the said services to the Chongqing Branch and/or other Group Company (as the case may be) for a period of three years ending 31 December 2013. Save as set out herein, all other terms of the Chongqing Weichai Utilities Services Agreement (as supplemented by the abovesaid supplemental agreements but prior to the entering into of this latest Supplemental Agreement) remain unchanged.

The fees payable by the Company and/or other Group Company (as the case may) to Chongqing Weichai (and its associates) (as the case may be) in respect of the relevant utility and energy services are determined based on the usage thereof by the Chongqing Branch and/or other Group Company (as the case may be) or, if it is not possible to measure such usage, pro-rated according to the respective sales of Chongqing Weichai and the Chongqing Branch and/or other Group Company (as the case may be) and by reference to the market prices of such utilities. If only government published rates are available with respect to certain utilities, the fees payable will be determined by reference to the government published rates plus the wastage, depreciation and repair expenses incurred by Chongqing Weichai (and its associates) (as the case may be) in relation to the provision of the relevant utilities. If no market prices or government published rates with respect to any of the above utilities are available, the Company and/or other Group Company (as the case may be) will pay the costs incurred by Chongqing Weichai (and its associates) (as the case may

be) in relation to the provision of the above utility and energy services plus a service charge representing not more than 20% of such costs. The fees are settled on a monthly basis.

Chongqing Weichai has been charging the Company a service charge of 20% of the actual costs incurred by it for the provision of the above utility and energy services and the Company expects that the same rate will be charged by Chongqing Weichai for the three years ending 31 December 2013.

The table below summarises the Existing Caps for the three years ending 31 December 2010 for the Weichai Continuing Connected Transaction set out in paragraphs (i) and (ii) in this sub-section 1.(b):

	2008	2009	2010
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Existing Cap	178,000,000	223,000,000	290,000,000

The table below summarises the actual transaction amounts involved for the two years ended 31 December 2009 (audited) and the six months ended 30 June 2010 (unaudited) for the Weichai Continuing Connected Transaction set out in paragraphs (i) and (ii) in this sub-section 1.(b):

	Year ended	Six months
	31 December	ended
	2008	2009
	<i>RMB</i>	<i>RMB</i>
	<i>(audited)</i>	<i>(audited)</i>
		30 June
		2010
		<i>RMB</i>
		<i>(unaudited)</i>
Actual transaction amount	152,882,000	139,194,000
		103,966,000

The Company estimates that the transaction amounts in respect of the Weichai Continuing Connected Transaction set out in paragraphs (i) and (ii) this sub-section 1.(b) for the three years ending 31 December 2013 will not exceed RMB276,000,000, RMB281,000,000 and RMB286,000,000, respectively, and such amounts have accordingly been set as the proposed New Caps for this Weichai Continuing Connected Transaction.

The New Caps have been estimated by the Company by reference to the historical costs incurred plus a service charge by Weichai Holdings and Chongqing Weichai representing 15% and 20% of such costs, respectively.

The estimate has taken into account an increase in the sales of the Group's products by approximately 30% to 50% per year. The New Caps have also taken into account the estimated salary growth rate of approximately 10% and the increase of the costs for such utility and energy services at a rate of approximately 5%.

The table below summarises the proposed New Caps for the Weichai Continuing Connected Transaction set out in paragraphs (i) and (ii) in this sub-section 1.(b) for the three years ending 31 December 2013:

	2011	2012	2013
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
New Cap	276,000,000	281,000,000	286,000,000

As the New Caps for this Weichai Continuing Connected Transaction for the three years ending 31 December 2013 (when aggregated with those New Caps for the same period under sections A.1.(a) above) do not exceed the 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 requirements set out in Rules 14A.45 and 14A.46 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 2013 is an Exempt Continuing Connected Transaction, the New Caps are not subject to the approval of Independent Shareholders under the Listing Rules.

However, since this Weichai Continuing Connected Transaction constitutes a PRC Continuing Connected Transaction, the relevant New Caps and the Supplemental Agreement are subject to the approval by the Shareholders at the EGM.

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

Agreement: Supplemental Agreement to the diesel engine parts and components, gas, scrap metal, etc., materials and related products purchase and processing services agreement between (i) the Company and (ii) Weichai Holdings and Chongqing Weichai (“**Weichai Purchase and Processing Services Agreement**”) dated 27 November 2008

Date: 23 August 2010

Parties: 1. The Company
2. (a) Weichai Holdings
(b) Chongqing Weichai

Term: 1 January 2011 to 31 December 2013

Other terms and details:

Pursuant to the Weichai Purchase and Processing Services Agreement (but prior to the entering into of this Supplemental Agreement):

- (i) the Company has purchased certain parts and components of diesel engines, gas, scrap metal, etc., and related products from Weichai Holdings, at market prices and settled on a monthly basis;
- (ii) Chongqing Branch has purchased certain materials and related products from Chongqing Weichai for the manufacture of diesel engines, at market prices and settled on a monthly basis; and
- (iii) Chongqing Weichai has provided certain processing services to the Company with respect to certain semi-finished diesel engine parts, at market price and settled on a monthly basis,

for a term ending 31 December 2010, upon the expiry of which the parties shall have an option to renew the same for a period of three years on a mutually agreed basis.

Pursuant to this Supplemental Agreement, Weichai Holdings, Chongqing Weichai and/or other associates of Weichai Holdings (as the case may be) shall provide the said parts and components of diesel engines, gas, scrap metal, etc., materials and related products and the said processing services (as the case may be) to the Company and/or its subsidiaries (as the case may be) at market prices

and settled on a monthly basis, for a term of three years ending 31 December 2013. Save as set out herein, all other terms of the Weichai Purchase and Processing Services 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 1.(c):

	2008	2009	2010
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Existing Cap	86,500,000	102,000,000	112,500,000

The table below summarises the actual transaction amounts involved for the two years ended 31 December 2009 (audited) and the six months ended 30 June 2010 (unaudited) for the Weichai Continuing Connected Transaction set out in this sub-section 1.(c):

	Year ended	Six months
	31 December	ended
	2008	2009
	<i>RMB</i>	<i>RMB</i>
	<i>(audited)</i>	<i>(audited)</i>
		30 June
		2010
		<i>RMB</i>
		<i>(unaudited)</i>
Actual transaction amount	80,679,000	50,967,000
		47,267,000

The Company estimates that the transaction amounts in respect of the Weichai Continuing Connected Transaction set out in this sub-section for the three years ending 31 December 2013 will not exceed RMB126 million, RMB158 million and RMB189 million, respectively, and such amounts have accordingly been set as the proposed New Caps for this Weichai Continuing Connected Transaction.

The above New Caps were prepared by the Company primarily based on the historical costs and its estimate of the transaction volume of the said purchases and processing services, which in turn are based on the production volume, material cost, processing cost and the volume of STR diesel engines to be sold for the three years ending 31 December 2013. The Company estimates that the material and processing costs will increase steadily over the three years ending 31 December 2013, taking into account the estimated increase in salary at an annual rate of approximately 10% in Chongqing Weichai.

The table below summarises the proposed New Caps for the Weichai Continuing Connected Transaction set out in this sub-section 1.(c) for the three years ending 31 December 2013:

	2011	2012	2013
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
New Cap	126,000,000	158,000,000	189,000,000

Since the New Caps, when aggregated with those under sections A.3.(c) and A.4.(b), do not exceed the 5% Threshold, this 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 requirements set out in Rules 14A.45 and 14A.46 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 2013 is an Exempt Continuing Connected Transaction, the relevant New Caps are not subject to the approval of Independent Shareholders under the Listing Rules.

However, since this Weichai Continuing Connected Transaction constitutes a PRC Continuing Connected Transaction, the relevant New Caps and the Supplemental Agreement are subject to the approval by the Shareholders at the EGM.

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

Agreement: Supplemental Agreement to the diesel engines, diesel engine parts and components, materials and related products sale and provision of processing services agreement between (i) the Company, Weichai Resources and (ii) Weichai Holdings, Chongqing Casting, Weichai Import and Export and Chongqing Weichai (“**Weichai Sale and Processing Services Agreement**”) dated 27 November 2008

Date: 23 August 2010

- Parties:
1. (a) The Company
(b) Weichai Resources
(c) Weichai Casting
 2. (a) Weichai Holdings
(b) Weichai Import and Export
(c) Chongqing Weichai
(d) Chongqing Casting

Term: 1 January 2011 to 31 December 2013

Other terms and details:

Pursuant to the Weichai Sale and Processing Services Agreement:

- (i) the Company has sold certain diesel engine parts and components and materials for the repair services of diesel engines and related products to Weichai Holdings (and its associates (as the case may be) at market prices and settled on a monthly basis;
- (ii) Chongqing Branch has sold certain materials for the manufacture of diesel engines and related products to Chongqing Weichai at market prices and settled on a monthly basis;
- (iii) Chongqing Branch has sold certain materials and related products to Chongqing Casting at market prices and settled on a monthly basis; and
- (iv) Chongqing Branch has provided certain processing service in relation to the production of diesel engines to Chongqing Weichai at market price and settled on a monthly basis;
- (v) the Company has sold certain diesel engines to be used in ships and diesel engine parts and components and related products to Weichai Import and Export at market prices and settled on a monthly basis; and
- (vi) Weichai Resources has sold certain diesel engine parts and components and related products to Weichai Import and Export at market prices and settled on a monthly basis,

for a term ending 31 December 2010, upon the expiry of which the parties shall have an option to renew the same for a period of three years on a mutually agreed basis.

Pursuant to this Supplemental Agreement, the Company, Chongqing Branch, Weichai Resources, Weichai Casting and/or other Group Company (as the case may be) shall sell the said diesel engines, diesel engine parts and components, materials and related products and to provide the said processing services (as the case may be) to Weichai Holdings, Chongqing Weichai, Weichai Import and Export, Chongqing Casting and/or other associates of Weichai Holdings (as the case may be) at market prices and settled on a monthly basis. Further, Weichai Casting (and/or other Group Company) (as the case may be) shall sell certain semi-finished products to Weichai Import and Export (and/or other associates of Weichai Holdings) (as the case may be) at market prices and settled on a monthly basis. The said Supplemental Agreement shall be effective for a term of three years ending 31 December 2013. Save as set out herein, all other terms of the Weichai Sale and Processing Services Agreement remain unchanged.

The table below summarises the Existing Caps for the Weichai Continuing Connected Transaction set out in this sub-section 1.(d) for the three years ending 31 December 2010:

	2008	2009	2010
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Existing Caps	200,000,000	265,000,000	315,000,000

The table below summarises the actual transaction amounts involved for the two years ended 31 December 2009 (audited) and the six months ended 30 June 2010 (unaudited) for the Weichai Continuing Connected Transaction set out in this section 1.(d):

	Year ended		Six months
	31 December		ended
	2008	2009	2010
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>
Actual transaction amount	165,349,000	153,279,000	104,629,000

The Company estimates that the transaction amounts for the Weichai Continuing Connected Transaction set out in this sub-section for the three years ending 31 December 2013 will not exceed RMB329 million, RMB411 million and RMB487 million, respectively, and such amounts have accordingly been set as the proposed New Caps for this Weichai Continuing Connected Transaction.

The above proposed New Caps have been prepared by the Company primarily based on historical costs and the estimate of the number of diesel engines, diesel engine parts and components and materials required by Weichai Holdings, Chongqing Weichai and Weichai Import and Export (as the case may be), the average unit prices of the same, and the costs of the processing services to be provided, and on the assumption that the sales of the Company will grow by approximately 30% to 50% each year for the three years ending 31 December 2013.

The table below summarises the proposed New Caps for the Weichai Continuing Connected Transaction set out in this sub-section 1.(d) for the three years ending 31 December 2013:

	2011	2012	2013
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
New Cap	329,000,000	411,000,000	487,000,000

As the New Caps for this Weichai Continuing Connected Transaction for the three years ending 31 December 2013, when aggregated with those under sections A.3.(a) and A.4.(a), do not exceed the 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 requirements set out in Rules 14A.45 and 14A.46 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 2013 is an Exempt Continuing Connected Transaction, the New Caps are not subject to the approval of the Independent Shareholders under the Listing Rules.

However, since this Weichai Continuing Connected Transaction constitutes a PRC Continuing Connected Transaction, the relevant New Caps and the Supplemental Agreement are subject to the approval by the Shareholders at the EGM.

2. Continuing Connected Transactions between Fujian Longgong and Shanghai Longgong Machinery (and their respective associates) (as the case may be) and the Group

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

Shanghai Longgong Machinery is engaged in the manufacture and distribution of, *inter alia*, wheel-loaders, certain of which require the diesel engines and parts manufactured by the Company. Shanghai Longgong Machinery is indirectly controlled by Li San Yim (a non-executive Director) and Ngai Ngan Ying (Li San Yim's wife) and, accordingly, an associate of Li San Yim and a connected person of the Company.

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

Agreement: Supplemental Agreement to:

- (i) the framework agreement dated 21 October 2003 between the Company and Fujian Longgong (“**Fujian Longgong Agreement**”) (as supplemented by the supplemental agreements dated 15 September 2004, 12 November 2006 and 27 November 2008, respectively); and
- (ii) the framework agreement dated 21 October 2003 between the Company and Shanghai Longgong (“**Shanghai Longgong Agreement**”) (as supplemented by the supplemental agreements dated 15 September 2004, 12 November 2006 and 27 November 2008, respectively)

Date: 23 August 2010

Parties:

- 1. The Company
- 2. (a) Fujian Longgong
- (b) Shanghai Longgong Machinery

Term: 1 January 2011 to 31 December 2013

Other terms and details:

Pursuant to the Fujian Longgong Agreement (as supplemented by the abovesaid supplemental agreements but prior to the entering into of this latest Supplemental Agreement), the Company has sold certain diesel engines and parts to Fujian Longgong (and its associates) at market prices and settled in the month following delivery, for a term ending 31 December 2010, upon the expiry of which the parties shall have an option to renew the same for a term of three years on a mutually agreed basis.

Pursuant to the Shanghai Longgong Agreement (as supplemented by the abovesaid supplemental agreements but prior to the entering into of this latest Supplemental Agreement), the Company has sold certain diesel engines and parts to Shanghai Longgong (and its associates) at market prices and settled in the month following delivery, for a term ending 31 December 2010, upon the expiry of which the parties shall have an option to renew the same for a term of three years on a mutually agreed basis.

Pursuant to this latest Supplemental Agreement, the Company shall sell to each of Fujian Longgong (and its associates) and Shanghai Longgong Machinery, being an associate of Shanghai Longgong which carries on the business of the manufacture and distribution of wheel loaders, (and its associates) (as the case may be) the said diesel engines and parts at market prices and settled in the month following delivery, for a term of three years ending 31 December 2013. Save as set out herein, all other terms of the Fujian Longgong Agreement (as supplemented by the abovesaid supplemental agreements but prior to the entering into of this latest Supplemental Agreement) and the Shanghai Longgong Agreement (as supplemented by the abovesaid supplemental agreements but prior to the entering into of this latest Supplemental Agreement) shall remain the same.

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 2:

	2008	2009	2010
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Existing Cap	1,000,000,000	1,300,000,000	1,500,000,000

The table below summarises the actual transaction amounts involved for the two years ended 31 December 2009 (audited) and the six months ended 30 June 2010 (unaudited) for the Weichai Continuing Connected Transaction set out in this sub-section 2:

	Year ended	Six months
	31 December	ended
	2008	2009
	<i>RMB</i>	<i>RMB</i>
	<i>(audited)</i>	<i>(audited)</i>
		30 June
		2010
		<i>RMB</i>
		<i>(unaudited)</i>
Actual transaction amount	789,848,000	612,317,000
		469,295,000

In recent years, the PRC has maintained a strong economic growth and the construction machinery market showed a strong performance.

Fujian Longgong and Shanghai Longgong Machinery (and their respective associates) are leading manufacturers in construction machinery in the PRC, the demand for their products has increased and accordingly, the Company anticipates that Fujian Longgong and Shanghai Longgong Machinery (and their respective associates) will increase their purchases for diesel engines and parts from the Company for the three years ending 31 December 2013.

The Company estimates that the transaction amounts in respect of the Weichai Continuing Connected Transaction set out in this sub-section 2 for the three years ending 31 December 2013 will not exceed RMB1.5 billion, RMB1.68 billion and RMB1.75 billion, respectively, and such amounts have accordingly been set as the proposed New Caps for this Weichai Continuing Connected Transaction.

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

The table below summarises the proposed New Caps for the Weichai Continuing Connected Transaction set out in this sub-section 2 for the three years ending 31 December 2013:

	2011	2012	2013
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
New Cap	1,500,000,000	1,680,000,000	1,750,000,000

As the New Caps for this Weichai Continuing Connected Transaction for the three years ending 31 December 2013 do not exceed the 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 requirements set out in Rules 14A.45 and 14A.46 of the Listing Rules, and the annual review requirements of Rules 14A.37 and 14A.38.

Since this Weichai Continuing Connected Transaction is an Exempt Continuing Connected Transaction, the New Caps are not subject to the approval of the Independent Shareholders under the Listing Rules.

However, since this Weichai Continuing Connected Transaction constitutes a PRC Continuing Connected Transaction, the relevant New Caps and the Supplemental Agreement are subject to the approval by the Shareholders at the EGM.

3. *Continuing Connected Transactions between Weichai Deutz and the Group*

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

(a) *Sale of semi-finished diesel engine parts and related products by the Company (and its subsidiaries) (as the case may be) to Weichai Deutz*

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

Date: 23 August 2010

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

Term: 1 January 2011 to 31 December 2013

Other terms and details:

Pursuant to the Weichai Deutz Sale Agreement (as supplemented by the abovesaid supplemental agreements but prior to the entering into of this latest Supplemental Agreement), the Company has supplied certain semi-finished diesel engines parts and related products to Weichai Deutz for its 226B series of diesel engines for a term ending 31 December 2010, upon the expiry of which the parties shall have an option to extend the term for another three years on a mutually agreed basis.

Pursuant to this Supplemented Agreement, Weichai Resources, Weichai Casting and/or other Group Company (as the case may be) shall sell the said semi-finished diesel engine parts and related products to Weichai Deutz at market prices and settled on a monthly basis, for a term of three years ending 31 December 2013. Save as set out herein, all other terms of the Weichai Deutz Sale Agreement (as supplemented by the abovesaid supplemental agreements 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 3.(a):

	2008	2009	2010
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Existing Cap	100,000,000	130,000,000	170,000,000

The table below summarises the actual transaction amounts involved for the two years ended 31 December 2009 (audited) and the six months ended 30 June 2010 (unaudited) for the Weichai Continuing Connected Transaction set out in this sub-section 3.(a):

	Year ended		Six months
	31 December		ended
	2008	2009	2010
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>
Actual transaction amount	71,197,000	53,920,000	39,473,000

The Company estimates that the transaction amounts for the Weichai Continuing Connected Transaction set out in this sub-section 3.(a) for the three years ending 31 December 2013 will not exceed RMB166 million, RMB230 million and RMB315 million, respectively, and such amounts have accordingly been set as the proposed New Caps for this Weichai Continuing Connected Transaction.

The above proposed New Caps have been prepared by the Company primarily based on the estimate of the production volume of Weichai Deutz's 226B series diesel engines, which in turn is based on the estimate of the increase in demand for 226B series diesel engines estimated by Weichai Deutz, and of the average selling prices of those semi-finished diesel engine parts to be charged by the Company. The Company estimates that the sales of semi-finished diesel engine parts will increase at a steady rate of approximately 30% to 50% per annum for the three years ending 31 December 2010.

The table below summarises the proposed New Caps for the Weichai Continuing Connected Transaction set out in this sub-section 3.(a) for the three years ending 31 December 2013:

	2011	2012	2013
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
New Cap	166,000,000	230,000,000	315,000,000

As the New Caps for this Weichai Continuing Connected Transaction for the three years ending 31 December 2013, when aggregated with those under sections A.1.(d) and A.4.(a), do not exceed the 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 requirements set out in Rules 14A.45 and 14A.46 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 2013 is an Exempt Continuing Connected Transaction, the New Caps are not subject to the approval of the Independent Shareholders under the Listing Rules.

However, since this Weichai Continuing Connected Transaction constitutes a PRC Continuing Connected Transaction, the relevant New Caps and the Supplemental Agreement are subject to the approval by the Shareholders at the EGM.

(b) *Provision of sales and warranty period repair services by the Company to Weichai Deutz*

Agreement: Supplement Agreement to the sales and warranty agreement (“**Weichai Deutz Repair Services Agreement**”) dated 21 September 2005 (as supplemented by the supplemental agreements dated 12 November 2006 and 27 November 2008)

Date: 23 August 2010

Parties: 1. The Company
2. Weichai Deutz

Term: 1 January 2011 to 31 December 2013

Other terms and details:

Pursuant to the Weichai Deutz Repair Services Agreement (as supplemented by the abovesaid supplemental agreements but prior to the entering into of this latest Supplemental Agreement), the Company has provided the sales and warranty period repair and maintenance services to Weichai Deutz for a period ended 31 December 2010, upon the expiry of which the parties shall have an option to extend the term for another three years on a mutually agreed basis.

Pursuant to this Supplemental Agreement, the Company has agreed to provide the said services to Weichai Deutz at market prices and settled on a quarterly basis, for a term of three years ending 31 December 2013. Save as set out herein, all other terms of the Weichai Deutz Repair Services Agreement (as supplemented by the abovesaid supplemental agreements 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 3.(b):

	2008	2009	2010
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Existing Cap	15,000,000	20,000,000	26,000,000

The table below summarises the actual transaction amounts involved for the two years ended 31 December 2009 (audited) and the six months ended 30 June 2010 (unaudited) for the Weichai Continuing Connected Transaction set out in this sub-section 3.(b):

	Year ended		Six months
	31 December		ended
	2008	2009	30 June
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>
Actual transaction amount	14,938,000	13,253,000	10,400,000

The annual service fees charged by the Company have been fixed at 3% of the sales of diesel engines and parts by Weichai Deutz to its customers. Accordingly, such fees will depend on the total amount of sales of diesel engines and parts by Weichai Deutz to its customers. The Company estimates that the sales of Weichai Deutz will increase steadily at the rate of approximately 30% to 50% on average per year for the three years ending 31 December 2013. The Company estimates that the total service fees payable by Weichai Deutz to the Company for the three years ending 31 December 2013 will not exceed RMB40 million, RMB47 million and RMB54 million, respectively and such amounts have accordingly been set as the proposed New Caps for this Weichai Continuing Connected Transaction.

The table below summaries the proposed New Caps for the Weichai Continuing Connected Transaction set out in this sub-section 3.(b) for the three years ending 31 December 2013:

	2011	2012	2013
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
New Cap	40,000,000	47,000,000	54,000,000

As the New Caps for this Weichai Continuing Connected Transaction for the three years ending 31 December 2013 do not exceed the 5% Threshold, it constitutes an Exempt Continuing Connected Transactions of the Company under Chapter 14A of the Listing Rules and will be subject to the reporting requirements set out in Rules 14A.45 and 14A.46 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 2013 is an Exempt Continuing Connected Transaction, the New Caps are not subject to the approval of the Independent Shareholders under the Listing Rules.

However, since this Weichai Continuing Connected Transaction constitutes a PRC Continuing Connected Transaction, the relevant New Caps and the Supplemental Agreement are subject to the approval by the Shareholders at the EGM.

- (c) *Purchase of diesel engine parts and components and related products by the Company (and its subsidiaries) (as the case may be) from Weichai Deutz*

Agreement: Supplemental Agreement to the diesel engine parts and components and related products purchase agreement between Weichai Resources and Weichai Deutz dated 27 November 2008 (“**Weichai Deutz Parts and Components Purchase Agreement**”)

Date: 23 August 2010

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

Term: 1 January 2011 to 31 December 2013

Other terms and details:

Pursuant to the Weichai Deutz Parts and Components Purchase Agreement (prior to the entering into of this Supplemental Agreement), Weichai Resources has purchased certain parts and components for the manufacture of diesel engines and related products from Weichai Deutz, at market prices and settled on a monthly basis, for a term ending 31 December 2010, upon the expiry of which the parties shall have an option to renew the same for a term of three years on a mutually agreed basis.

Pursuant to this Supplemental Agreement, Weichai Resources, Weichai Casting, Weichai Reproduction and/or other Group Company (as the case may be) shall purchase the said parts and components and related products from Weichai Deutz at market prices and settled on a monthly basis, for a term of three years

ending 31 December 2013. Save as set out herein, all the other terms of the Weichai Deutz Parts and Components Purchase Agreement shall remain the same.

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 3.(c):

	2008	2009	2010
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Existing Cap	15,000,000	47,000,000	60,000,000

The table below summarises the actual transaction amounts involved for the two years ended 31 December 2009 (audited) and the six months ended 30 June 2010 (unaudited) for the Weichai Continuing Connected Transaction set out in this sub-section 3.(c):

	Year ended	Six months
	31 December	ended
	2008	2009
	<i>RMB</i>	<i>RMB</i>
	<i>(audited)</i>	<i>(audited)</i>
		30 June
		2010
		<i>RMB</i>
		<i>(unaudited)</i>
Actual transaction amount	6,028,000	21,793,000
		14,638,000

The Company estimates that the transaction amounts in respect of the Weichai Continuing Connected Transaction set out in this sub-section 3.(c) for the three years ending 31 December 2013 will not exceed RMB63 million, RMB78 million and RMB100 million, 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 diesel engine parts and components to be purchased by the relevant subsidiaries of the Company from Weichai Deutz, (iii) the average unit prices of the said diesel engine parts and components, and (iv) the assumption that the transaction amount of the said purchases will increase by approximately 30% to 50% for each of the years ending 31 December 2012 and 31 December 2013, respectively.

The table below summarises the proposed New Caps for the Weichai Continuing Connected Transaction set out in this sub-section 3.(c) for the three years ending 31 December 2013:

	2011	2012	2013
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
New Cap	63,000,000	78,000,000	100,000,000

As the New Caps for this Weichai Continuing Connected Transaction for the three years ending 31 December 2013, when aggregated with those under sections A.1.(c) and A.4.(b) do not exceed the 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 requirements set out in Rules 14A.45 and 14A.46 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 2013 is an Exempt Continuing Connected Transaction, the New Caps are not subject to the approval of the Independent Shareholders under the Listing Rules.

However, since this Weichai Continuing Connected Transaction constitutes a PRC Continuing Connected Transaction, the relevant New Caps and the Supplemental Agreement are subject to the approval by the Shareholders at the EGM.

4. *Continuing Connected Transactions between the Weichai Heavy Machinery and the Group*

Weichai Heavy Machinery is principally 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 accordingly, it is an associate of Weichai Holdings and a connected person of the Company.

(a) *Sale of diesel engines and related products by the Company (and its subsidiaries) to Weichai Heavy Machinery*

Agreement: Supplemental Agreement to the framework agreement between the Company and Weichai Holdings dated 17 November 2003 (“Weichai Heavy Machinery Sale Agreement”) (as supplemented by the supplemental agreements dated 15 September 2004, 12 November 2006, 9 June 2007, 27 November 2008 and 13 August 2009, respectively)

Date: 23 August 2010

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

Term: 1 January 2010 to 31 December 2012

Other terms and details:

Pursuant to the Weichai Heavy Machinery Sale Agreement (as supplemented by the abovesaid supplemental agreements but prior to the entering into of this latest Supplemental Agreement), the Company has sold certain diesel engines and related products 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.

Pursuant to this latest Supplemental Agreement, the Company, Weichai Reproduction and/or other Group Company (as the case may be) shall sell to Weichai Heavy Machinery the said diesel engines and related products at market prices and settled on a monthly basis, for a term of three years ending 31 December 2012. Save as set out herein, all other terms of the Weichai Heavy Machinery Sale Agreement (as supplemented by the abovesaid supplemental agreements but prior to the entering into of this latest Supplemental Agreement) shall 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 subsection 4.(a):

	2009	2010	2011
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Existing Cap	260,000,000	312,000,000	375,000,000

The table below summarises the actual transaction amounts involved for two years ended 31 December 2009 (audited) and the six months ended 30 June 2010 (unaudited) for the Weichai Continuing Connected Transaction set out in this sub-section 4.(a):

	Year ended	Six months
	31 December	ended
	2008	2009
	<i>RMB</i>	<i>RMB</i>
	(audited)	(audited)
		2010
		<i>RMB</i>
		(unaudited)
Actual transaction amount	66,499,000	258,051,000
		134,369,000

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

The PRC has maintained a strong economic growth in recent years, and the Company estimates that the demand for power generators in the PRC will remain steady for the three years ending 31 December 2012.

Since 2009, in addition to the WD615 Engines which the Company has been selling to Weichai Heavy Machinery, the Company also sold diesel engines used in vessels to Weichai Heavy Machinery for its onward sale to the third party customers pursuant to the Group's policy of centralisation of the sale and development of the key products in the Company leading to the more efficient management of the sale of the Group's various products. Since 2010, Weichai Reproduction has also sold certain diesel engines to Weichai Heavy Machinery.

The Company is a leading manufacturer of diesel engines in the PRC and this evidences the quality and competitiveness of the Group'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 engines, the Company believes that Weichai Heavy Machinery will continue to purchase the Group's diesel engines for the manufacture of power generators. In addition, increase in demand for the vessels sold by Weichai Heavy Machinery will also in turn lead to an increase in the sales of the vessel engines by the Group to Weichai Heavy Machinery.

The Company estimates that the transaction amounts for the Weichai Continuing Connected Transaction set out in this sub-section 4.(a) for the three years ending 31 December 2012 will not exceed RMB400,000,000, RMB480,000,000 and RMB600,000,000, respectively, and such amounts have accordingly been set as the proposed New Caps for this Weichai Continuing Connected Transaction. These estimates have also taken into account a stable increase in the average unit prices of WD615 Engines and engines used in vessels by reference to the estimated salary growth rate and an increase in the sales of the said diesel engines by the Company to Weichai Heavy Machinery by approximately 30% to 50% per year for the three years ending 31 December 2012.

The table below summarises the New Caps for the Weichai Continuing Connected Transaction set out in this sub-section 4.(a) for the three years ending 31 December 2012:

	2010	2011	2012
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
New Cap	400,000,000	480,000,000	600,000,000

As the New Caps for this Weichai Continuing Connected Transaction for the three years ending 31 December 2012, when aggregated with those under sections A. 1.(d) and A.3.(a), do not exceed the 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 requirements set out in Rules 14A.45 and 14A.46 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, the New Caps are not subject to the approval of the Independent Shareholders under the Listing Rules.

However, since this Weichai Continuing Connected Transaction constitutes a PRC Continuing Connected Transaction, the relevant New Caps and the Supplemental Agreement are subject to the approval by the Shareholders at the EGM.

- (b) *Purchase of diesel engine parts and components, materials, steel and scrap metal, etc., used diesel engines and related products and the processing services by the Company (and its subsidiaries) (as the case may be) from Weichai Heavy Machinery*

Agreement: Supplemental Agreement to the diesel engine parts and components, materials, steel and scrap metal, etc. and related products purchase and processing services agreement between (i) the Company and Weichai Resources and (ii) Weichai Heavy Machinery dated 27 November 2008 (**“Weichai Heavy Machinery Purchase and Processing Services Agreement”**)

Date: 23 August 2010

Parties:

1. (a) The Company
(b) Weichai Resources
(c) Weichai Casting
(d) Weichai Reproduction
2. Weichai Heavy Machinery

Term: 1 January 2011 to 31 December 2013

Other terms and details:

Pursuant to the Weichai Heavy Machinery Purchase and Processing Services Agreement (but prior to the entering into of this Supplemental Agreement):

- (i) the Company has purchased from Weichai Heavy Machinery certain parts for WD615 Engines and related products, at market prices and settled on a monthly basis;
- (ii) the Company has purchased from Weichai Heavy Machinery certain materials for the manufacture of diesel engines and related products, at market prices and settled on a monthly basis;

- (iii) the Company has purchased from Weichai Heavy Machinery certain parts and components, steel and scrap metal, etc. for the manufacture of diesel engines and related products at market prices and settled on a monthly basis;
- (iv) Weichai Resources has purchased from Weichai Heavy Machinery certain parts and components, steel and scrap metal, etc. and related products at market prices and settled on a monthly basis; and
- (v) Weichai Heavy Machinery has provided certain processing services with respect to diesel engine parts and components to the Chongqing Branch at market prices,

for a term ending 31 December 2010, upon the expiry of which the parties shall have an option to renew the term for another three years on a mutually agreed basis.

Pursuant to this Supplemental Agreement, the Company, Weichai Resources, Weichai Casting, Weichai Reproduction and/or other Group Company (as the case may be) shall purchase the said parts and components, steel and scarp metal, etc., materials and processing services from Weichai Heavy Machinery at market prices and settled on a monthly basis. In addition, Weichai Reproduction and/or other Group Company (as the case may be) shall purchase certain used diesel engines from Weichai Heavy Machinery at market prices and settled on a monthly basis. This Supplemental Agreement shall be effective for a term of three years ending 31 December 2013. Save as set out herein, all other terms of the Weichai Heavy Machinery Purchase and Processing Services Agreement shall remain unchanged.

The table below summarises the Existing Caps for the three years ending 31 December 2010 the Weichai Continuing Connected Transaction set out in this sub-section 4.(b):

	2008	2009	2010
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Existing Cap	315,000,000	410,000,000	525,000,000

The table below summarises the aggregate actual transaction amounts involved for the purchases and processing services for the two years ended 31 December 2009 (audited) and the six months ended 30 June 2010 (unaudited) for the Weichai Continuing Connected Transaction set out in this sub-section 4.(b):

	Year ended		Six months
	31 December		ended
	2008	2009	30 June
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>
Actual transaction amount	253,433,000	269,778,000	213,524,000

The Company estimates that the aggregate transaction amounts in respect of the Weichai Continuing Connected Transaction set out in this sub-section 4.(b) will not exceed RMB680 million, RMB830 million and RMB1,000 million for each of the three years ending 31 December 2013 and therefore such amount has accordingly been set as the proposed New Caps for this Weichai Continuing Connected Transaction.

The above New Caps were prepared by the Company primarily based on historical costs and its estimate of its production volume, having taken into account the development of the heavy-duty truck and construction machinery markets, the average unit prices of finished diesel engine parts, the market prices of the relevant raw materials, steel, scrap metal, used diesel engines and related products and the costs of processing services to be purchased by the Group, and based on the assumption that the sales of the Company's products will increase by approximately 30% to 50% each year for the three years ending 31 December 2013.

The table below summarises the proposed New Caps for the Weichai Continuing Connected Transaction set out in this sub-section 4.(b) for the three years ending 31 December 2013:

	2011	2012	2013
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
New Cap	680,000,000	830,000,000	1,000,000,000

As the New Caps for this Weichai Continuing Connected Transaction, when aggregated with those under sections A. 1.(c) and A.3.(c), for the three years ending 31 December 2013 do not exceed the 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 requirements set out in Rules 14A.45 and 14A.46 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 is an Exempt Continuing Connected Transaction, the New Caps are not subject to the approval of the Independent Shareholders under the Listing Rules.

However, since this Weichai Continuing Connected Transaction constitutes a PRC Continuing Connected Transaction, the relevant New Caps and the Supplemental Agreement are subject to the approval by the Shareholders at the EGM.

B. TAGC Continuing Connected Transactions

1. *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 the supplemental agreements dated 27 November 2008 and 9 November 2009, respectively)

Date: 23 August 2010

Parties: 1. SFGC
2. Fast Transmission

Term: 1 January 2010 to 31 December 2012

Other terms and details:

Pursuant to the Fast Transmission Sale Agreement (as supplemented by the supplemental agreements dated 27 November 2008 and 9 November 2009, respectively, 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 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.

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 2012. 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 2011 for the Continuing Connected Transaction set out in this sub-section 1.(a):

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

The table below summarises the actual transaction amounts involved for the two years ended 31 December 2009 (audited) and the six months ended 30 June 2010 (unaudited) for the TAGC Continuing Connected Transaction set out in this sub-section 1.(a):

	Year ended	Six months
	31 December	ended
	2008	2009
	<i>RMB</i>	<i>RMB</i>
Actual transaction amount	599,380,000	775,485,000
		624,230,000

The Company estimates that the transaction amount for the TAGC Continuing Connected Transaction set out in this sub-section 1.(a) for the three years ending 31 December 2012 will not exceed RMB1,500,000,000, RMB2,300,000,000 and RMB3,500,000,000, 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 first half of 2010, in line with the growth of the PRC economy and the heavy-duty vehicles market, the demand for the said products from SFGC by Fast Transmission has increased substantially. 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 20% for each of the years ending 31 December 2011 and 31 December 2012. 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.

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 53% and 52% for each of the years ending 31 December 2011 and 31 December 2012, respectively.

The table below summarises the New Caps for the TAGC Continuing Connected Transaction set out in this sub-section 1.(a) for the three years ending 31 December 2012:

	2010	2011	2012
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
New Cap	1,500,000,000	2,300,000,000	3,500,000,000

As certain of the New Caps for this TAGC Continuing Connected Transaction for the three years ending 31 December 2012 exceed the 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 2012 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 the supplemental agreements dated 27 November 2008 and 9 November 2009, respectively)

Date: 23 August 2010

Parties: 1. SFGC
2. Fast Transmission

Term: 1 January 2010 to 31 December 2012

Other terms and details:

Pursuant to the Fast Transmission Purchase Agreement (as supplemented by the supplemental agreements dated 27 November 2008 and 9 November 2009, respectively, 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 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.

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 2012. 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 1.(b):

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

The table below summarises the actual transaction amounts involved for the two years ended 31 December 2009 (audited) and the six months ended 30 June 2010 (unaudited) for the TAGC Continuing Connected Transaction set out in this sub-section 1.(b):

	Year ended		Six months
	31 December		ended
	2008	2009	30 June
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Actual Transaction Amount	819,180,000	1,141,571,000	894,330,000

The Company estimates that the transaction amount for the TAGC Continuing Connected Transaction set out in this sub-section 1.(b) for the three years ending 31 December 2012 will not exceed RMB2,250,000,000, RMB3,350,000,000 and RMB5,000,000,000 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 first half of 2010, in line with the growth of the PRC economy and the heavy-duty vehicles market, the demand for the said products by SFGC from Fast Transmission have increased substantially. The Company expects that the volume of parts and components of transmissions to be purchased from the Fast Transmission Group will increase by approximately 20% for each of the years ending 31 December 2011 and 31 December 2012. 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.

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 49% and 49% for each of the years ending 31 December 2011 and 31 December 2012, respectively.

The table below summarises the New Caps for the TAGC Continuing Connected Transaction set out in this sub-section 1.(b) for the three years ending 31 December 2012:

	2010	2011	2012
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
New Cap	2,250,000,000	3,350,000,000	5,000,000,000

As all the New Caps for this TAGC Continuing Connected Transaction for the three years ending 31 December 2012 exceed the 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 2012 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.

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

Shaanxi Zhongqi and its subsidiaries

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

Hande Axle is held as to approximately 3.06% by the Company and as to approximately 94% by Shaanxi Zhongqi. Hande Axle is principally engaged in the research and development, production, sale and services of vehicle axles and their parts and components.

Jinding is held as to approximately 95.76% by Shaanxi Zhongqi and as to approximately 4.24% by Hande Axle and is principally engaged in the research and development, production and processing of casting products.

Shaanxi Import and Export is a wholly-owned subsidiary of Shaanxi Zhongqi and is principally engaged in the import and export of vehicles and their parts and components.

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

Shaanxi Automotive and its associates

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

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

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

Shaanxi Heavy-duty Coach is held as to approximately 45.35% by Shaanxi Automotive and is accordingly an associate of Shaanxi Automotive and a connected person of the Company. Shaanxi Heavy-duty Coach is principally engaged in the sale of parts and components of vehicles.

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

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

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

Shaanxi Tongli is held as to approximately 51% by Shaanxi Automotive and is accordingly an associate of Shaanxi Automotive and a connected person of the Company. Shaanxi Tongli is principally engaged in the sale of special-purpose vehicles and parts and components of vehicles.

Boaji Huashan is held as to approximately 58.42% by Shaanxi Automotive and is principally engaged in the manufacture and sale of special purpose vehicles and their parts and components.

Shaanxi Fangyuan is held as to approximately 49% by Shaanxi Automotive and is principally engaged in the manufacture and sale of hoop parts of vehicles.

Wenzhou Yunding is held as to approximately 51% by Shaanxi Automotive and is principally engaged in the research and development, manufacture, sale and services of parts and components of vehicles.

Changsha Huantong is held as to approximately 51% by Shaanxi Automotive and is principally engaged in the development and sale of vehicles, automobile chassis and parts and components of vehicles.

(a) *Sale of vehicles, parts and components of vehicles, raw materials and related products and provision of the relevant services by Shaanxi Zhongqi (and its subsidiaries) (as the case may be) to Shaanxi Automotive (and its associates) (as the case may be)*

Agreement: Supplemental Agreement to vehicles, parts and components and raw materials sale and heat processing services agreement (“**Shaanxi Zhongqi Sale Agreement**”) dated 1 August 2007 (as supplemented by the supplemental agreement dated 27 November 2008)

Date: 23 August 2010

Parties:

1. (a) Shaanxi Zhongqi
(b) Hande Axle
(c) Jinding
(d) Shaanxi Import and Export
(e) Tiangua
2. (a) Shaanxi Automotive
(b) Shaanxi Wangfang
(c) Shaanxi Huazhen
(d) Shaanxi Heavy-duty Coach
(e) Shaanxi Lantong
(f) Beijing Shaanqi Sale Centre
(g) Shaanxi Tongchuang
(h) Shaanxi Tongli
(i) Baoji Huashan
(j) Wenzhou Yunding
(k) Changsha Huantong

Term: 1 January 2010 to 31 December 2012

Other terms and details:

Pursuant to Shaanxi Zhongqi Sale Agreement (as supplemented by the supplemental agreement dated 27 November 2008 but prior to the entering into of this latest Supplemental Agreement), each of Shaanxi Zhongqi and its subsidiaries (namely, Hande Axle, Jinding and Tiangua) has sold certain vehicles, parts and components of vehicles, raw materials, and provided heat processing services (as the case may be) to Shaanxi Automotive and its associates (namely, Shaanxi Wanfang, Shaanxi Huazhen, Shaanxi Heavy-duty Coach, Shaanxi Lantong, Beijing Shaanqi Sale Centre, Shaanxi Tongchuang and Shaanxi Tongli) (as the case may be), at market prices and settled by the relevant parties every one to three months, for a term ending 31 December 2010, upon the expiry of the same, the parties shall have an option to renew the agreement for a term of three years on a mutually agreed basis.

Pursuant to this latest Supplemental Agreement, Shaanxi Zhongqi and its subsidiaries (namely, Hande Axle, Jinding, Shaanxi Import and Export and Tiangua) (and/or other subsidiaries of Shaanxi Zhongqi) (as the case may be) shall sell certain vehicles, parts and components of vehicles (namely, flip shafts, spring pads, castings, etc.), raw materials and related products and to provide the relevant services (as the case may be) to Shaanxi Automotive and its associates (namely, Shaanxi Wanfang, Shaanxi Huazhen, Shaanxi Heavy-duty Coach, Shaanxi Lantong, Beijing Shaanqi Sale Centre, Shaanxi Tongchuang, Shaanxi Tongli, Baoji Huashan, Wenzhou Yunding and Changsha Huantong) (and/or other associates of Shaanxi Automotive) (as the case may be) for a term of three years ending 31 December 2012 at market prices and settled by the relevant parties every one to three months. Save as set out herein, all other terms of the Shaanxi Zhongqi Sale Agreement remain unchanged.

The table below summaries the Existing Caps for the three years ending 31 December 2010 for the TAGC Continuing Connected Transaction set out in this sub-section 2.(a):

	2008	2009	2010
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Existing Cap	650,000,000	850,000,000	1,100,000,000

The table below summarises the actual transaction amounts involved for the two years ended 31 December 2009 (audited) and the six months ended 30 June 2010 (unaudited) for the TAGC Continuing Connected Transactions set out in this sub-section 2.(a):

	Year ended		Six Months
	31 December		ended
	2008	2009	2010
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>
Actual transaction amount	401,657,000	366,105,000	526,255,000

In recent years, the State's macroeconomic policies and the rapid growth of fixed assets and infrastructure investments in the PRC have stimulated the development of the heavy-duty vehicles industry in the PRC.

Since Shaanxi Zhongqi and its subsidiaries set out above are engaged in the business of the production of heavy-duty vehicles and related products, the Directors believe that the demand for high-speed, heavy-duty vehicles, vehicle parts and components and heat processing services produced and provided by these Group companies will increase substantially and the volume of such products to be purchased by Shaanxi Automotive and/or its associates (as the case may be) for onward sale to third parties will increase correspondingly. The Directors estimate that the amount of such transactions will continue to increase substantially.

The Company estimates that the transaction amount in respect of the TAGC Continuing Connected Transaction set out in this sub-section 2.(a) will not exceed RMB1,700,000,000, RMB2,750,000,000 and RMB3,450,000,000, respectively, for each of the three years ending 31 December 2012 and such amounts have accordingly been set as the New Caps for this TAGC Continuing Connected Transaction.

The proposed New Caps have been prepared by the Company primarily based on (i) the relevant historical costs; (ii) the estimate of the volume of the said vehicles and parts and components of vehicles to be sold and the amount of the relevant services to provided by Shaanxi Zhongqi and its subsidiaries (as the case may be); (iii) the average unit price of the said vehicles and parts and components and the charges for the said services; (iv) the production plan and expected growth in production capacity of Shaanxi Zhongqi and its subsidiaries; and (v) the assumption that the transaction amount of the said sale and provision of service will increase by approximately 62% and 25% for each of the years ending 31 December 2011 and 31 December 2012, respectively.

The table below summarises the proposed New Caps for the TAGC Continuing Connected Transaction set out in this sub-section 2.(a) for the three years ending 31 December 2012:

	2010	2011	2012
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
New Cap	1,700,000,000	2,750,000,000	3,450,000,000

As certain of the New Caps for this TAGC Continuing Connected Transaction for the year ending 31 December 2012 exceed the 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 requirements set out in Rules 14A.45 and 14A.46 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.

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

- (b) *Purchase of parts and components of vehicles and related products by Shaanxi Zhongqi (and its subsidiaries) (as the case may be) from Shaanxi Automotive (and its associates) (as the case may be)*

Agreement: Supplemental agreement to the parts and components and scrap steel purchase agreement ("**Shaanxi Zhongqi Purchase Agreement**") dated 1 August 2007 (as supplemented by the supplemental agreement dated 27 November 2008)

Date: 23 August 2010

Parties: 1. (a) Shaanxi Zhongqi
(b) Hande Axle
(c) Jinding
(d) Shaanxi Import and Export
(e) Tiangua

2. (a) Shaanxi Automotive
- (b) Shaanxi Wanfang
- (c) Shaanxi Huazhen
- (d) Shaanxi Heavy-duty Coach
- (e) Shaanxi Lantong
- (f) Shaanxi Tongli
- (g) Shaanxi Tongchuang
- (h) Beijing Shaanqi Sale Centre
- (i) Shaanxi Fangyuan
- (j) Changsha Huantong

Term: 1 January 2011 to 31 December 2013

Other terms and details:

Pursuant to the Shaanxi Zhongqi Purchase Agreement dated 1 August 2007 (as supplemented by the supplemental agreement dated 27 November 2008 but prior to the entering into of this latest Supplemental Agreement), each of Shaanxi Zhongqi and its subsidiaries (namely, Hande Axle, Jinding, Shaanxi Import and Export and Tiangua) has purchased certain parts and components of vehicles and scrap steel (as the case may be) from certain associates of Shaanxi Automotive (namely, Shaanxi Wanfang, Shaanxi Huazhen, Shaanxi Heavy-duty Coach, Shaanxi Lantong, Shaanxi Tongli, Shaanxi Tongchuang and Beijing Shaanqi Sale Centre (as the case may be), at market prices and settled by the relevant parties every one to three months, for a term ending 31 December 2010, upon the expiry of the same, the parties shall have an option to renew the agreement for a term of three years on a mutually agreed basis.

Pursuant to this latest Supplemental Agreement, each of Shaanxi Zhongqi and its subsidiaries (namely, Hande Axle, Jinding, Shaanxi Import and Export and Tiangua) (and/or other subsidiaries of Shaanqi Zhongqi) (as the case may be) shall purchase certain parts and components of vehicles (namely, pipes and hoop parts, etc.) and related products (as the case may be) from Shaanxi Automotive and its associates (namely, Shaanxi Wanfang, Shaanxi Huazhen, Shaanxi Heavy-duty Coach, Shaanxi Lantong, Shaanxi Tongli, Shaanxi Tongchuang, Beijing Shaanqi Sale Centre, Shaanxi Fangyuan and Changsha Huantong (and/or other associates of Shaanxi Automotive) (as the case may be), at market prices and settled by the relevant parties every one to three months, for a term of three years ending 31 December 2013.

The table below summaries the Existing Caps for the three years ending 31 December 2010 for the TAGC Continuing Connected Transaction set out in this sub-section 2.(b):

	2008	2009	2010
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Existing Cap	1,500,000,000	2,200,000,000	2,700,000,000

The table below summarises the actual aggregate transaction amounts involved for the two years ended 31 December 2009 (audited) and the six months ended 30 June 2010 (unaudited) for the TAGC Continuing Connected Transaction set out in this sub-section 2.(b):

	Year ended	Six Months
	31 December	ended
	2008	2009
	<i>RMB</i>	<i>RMB</i>
	<i>(audited)</i>	<i>(audited)</i>
		30 June
		2010
		<i>RMB</i>
		<i>(unaudited)</i>
Actual transaction amount	1,298,192,000	916,158,000
		923,608,000

In recent years, the State's macroeconomic policies and the rapid growth of fixed assets and infrastructure investments in the PRC have stimulated the development of the heavy-duty vehicles industry in the PRC.

Since Shaanxi Zhongqi and its subsidiaries set out above are principally engaged in the manufacture and sale of heavy-duty vehicles and related products, the Directors believe that such businesses will be benefited by the above. The Directors believe that the demand for the products of Shaanxi Zhongqi and its subsidiaries and, accordingly, the volume of parts and components required from Shaanxi Automotive and/or its associates for the production of such products, will increase substantially for the three years ending 31 December 2013.

The Company estimates that the transaction amounts in respect of the TAGC Continuing Connected Transaction set out in this sub-section 2.(b) will not exceed RMB3,650,000,000, RMB4,550,000,000 and RMB4,800,000,000, respectively, for each of the three years ending 31 December 2013 and such amounts have accordingly been set as the New Caps for this TAGC Continuing Connected Transaction.

The proposed New Caps have been prepared by the Company primarily based on (i) the relevant historical costs; (ii) the estimate of the volume of the said parts and components of vehicles to be purchased by Shaanxi Zhongqi and its subsidiaries (as the case may be); (iii) the average unit price of the said parts and components of vehicles to be purchased by Shaanxi Zhongqi and its subsidiaries (as the case may be); (iv) the production plan and expected growth of production capacity of Shaanxi Zhongqi and its subsidiaries; and (v) the assumption that the transaction amount of the said purchase of parts and components of vehicles and related products will increase by approximately 25% and 5% for each of the years ending 31 December 2012 and 2013.

The table below summarises the proposed New Caps for the TAGC Continuing Connected Transaction set out in this sub-section 2.(b) for the three years ending 31 December 2013:

	2011	2012	2013
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
New Cap	3,650,000,000	4,550,000,000	4,800,000,000

As all the New Caps for this TAGC Continuing Connected Transaction for the three years ending 31 December 2013 exceed the 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 2013 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.

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 Stock Exchange, the Company has 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 Stock Exchange. After the completion of the Weichai Holdings Juli Restructuring in 2007, certain of these Weichai Continuing Connected Transactions with Weichai Holdings were transferred to Weichai Heavy Machinery.

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

As prior to completion of the Merger, each of SFGC and Shaanxi Zhongqi has conducted the relevant TAGC Continuing Connected Transactions with Fast Transmission and Shaanxi Automotive (and its associates) (as the case may be) 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), 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 Continuing Connected Transactions, and the relevant proposed New Caps, are fair and reasonable and in the interests of the Shareholders as a whole.

At the meeting of the Board on 23 August 2010 approving, *inter alia*, the Continuing Connected Transactions, the following Directors have abstained from voting on the resolutions in respect of certain Continuing Connected Transactions as follows, for the reasons of their respective interest and/or position (as the case may be) in the relevant connected persons:

1. Continuing Connected Transactions with Weichai Holdings (and its associates) set out under sections II.A. 1.(a), (b), (c) and (d) in this announcement — Tan Xuguang and Zhang Fusheng;
2. Continuing Connected Transaction with Fujian Longgong and Shanghai Longgong (and their respective associates) set out under sections II.A. 2. in this announcement — Li San Yim;
3. Continuing Connected Transactions with Weichai Deutz set out under sections II.A. 3.(a), (b) and (c) in this announcement — Tan Xuguang, Zhang Quan and Zhang Fusheng; and
4. Continuing Connected Transactions with Weichai Heavy Machinery set out under sections II.A. 4.(a) and (b) in this announcement — Tan Xuguang, Zhang Fusheng, Liu Huisheng, Chen Xuejian and Liu Zheng.

Since the New Caps of certain Continuing Connected Transactions referred to in the section headed “II. Continuing Connected Transactions” in this announcement exceed the 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 on or before 13 September 2010.

VI. FULLY EXEMPT CONTINUING CONNECTED TRANSACTIONS

A. Revision of the existing caps of certain continuing connected transactions

Reference is made to the 2008 Announcement where the existing caps for the following continuing connected transactions of the Group between Shaanxi Zhongqi (and its subsidiaries) (as the case may be) and Shaanxi Automotive (and its associates) were set:

- (a) Lease of land and premises by Shaanxi Automotive to Shaanxi Zhongqi (and its subsidiaries) (as the case may be) (under section II.2.(c) of the 2008 Announcement); and
- (b) Payment of utility (such as water and electricity) charges by Shaanxi Automotive to Shaanxi Zhongqi for onward payment to utility providers (under section II.2.(d) of the 2008 Announcement).

In respect of the continuing connected transaction under paragraph (a) above, the Group has revised the existing cap for the year ending 31 December 2010 in the amount of RMB17,800,000 to RMB37,500,000.

In respect of the continuing connected transaction under paragraph (b) above, the Group has revised the existing cap for the year ending 31 December 2010 in the amount of RMB20,000,000 to RMB22,000,000.

Since (i) each of the said transactions under paragraphs VI.A.(a) and (b) above is on normal commercial terms; (ii) each of the said transactions is a continuing connected transaction only because it involves a person who is a connected person of the Company (i.e. Shaanxi Automotive) by virtue of its relationship with a subsidiary of the Company (i.e. Shaanxi Zhongqi); and (iii) each of the said revised caps does not exceed the 1% Threshold, it 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 Rules 14A.37 and 14A.38 of the Listing Rules, nor the Independent Shareholders approval requirements under the Listing Rules.

B. Other existing continuing connected transactions

Reference is made to the 2008 Announcement and the MAT Announcement, both in respect of certain continuing connected transactions of the Company. Unless otherwise defined or the context requires otherwise, terms and expressions defined in the 2008 Announcement and the MAT Announcement shall have the same meanings when used in this section VI.B of this announcement.

With the amendments to the Listing Rules having come into effect on 3 June 2010, certain existing continuing connected transactions of the Group as set out below have become fully exempt from the reporting, annual review, announcement and independent shareholders' approval requirements of under Chapter 14A of the Listing Rules on the same date.

(i) *Continuing connected transactions with insignificant subsidiaries*

As set out in the 2008 Announcement and the MAT Announcement, the Company has entered into the following continuing connected transactions:

1. *Continuing connected transactions with Dong Feng Automotive (and its associates):*
 - (a) Sale of off-road vehicles by DFOVCL to Dong Feng Automotive (under section II.3.(a) of the 2008 Announcement)
 - (b) Purchase of parts and components of off-road vehicles and related products and technical support services by DFOVCL from Dong Feng Automotive (and its associates) (as the case may be) (under section II.3.(b) of 2008 Announcement)
2. *Continuing connected transactions with Huatong:*

Provision of processing services by Huatong to Futong (under the section II.4. of the 2008 Announcement)
3. *Continuing connected transactions with Mr. Wang's associates:*
 - (a) Sale of automotive parts and components and related products by Weichai MAT to Mr. Wang's associates (under section B.1 of the MAT Announcement)
 - (b) Purchase of automotive parts and components and related products by Weichai MAT from Mr. Wang's associates (under section B.2 of the MAT Announcement)

For the reasons that (i) each of the continuing connected transactions under paragraphs VI.B.(i)1 to 3 above is on normal commercial terms; (ii) each of the said transactions is a continuing connected transaction only because it involves a person who is a connected person of the Company (i.e. Dong Feng Automotive (and its associates (*as set out in the 2008 Announcement, namely, Dong Feng Cummings, Dong Feng Import and Export, Dong Feng Equipment, Dong Feng Measuring, Dong Feng Fastener, Dong Feng Moulding, Dong Feng Wheel and Dong Feng Casting*)), Huatong and Mr. Wang's associates (*as set out in the MAT Announcement, namely, GRI, Shenyang Honbase, Shinning Gold and Laizhou Hongyuan Bench Vise*)) by virtue of its relationship with a subsidiary of the Company (i.e. DFOVCL, Futong and Weichai MAT); (iii) the value of the total assets, profits and revenue of each of DFOVCL, Futong and Weichai MAT falls below 5% under the relevant percentage ratios for the year ended 31 December 2009, being the latest financial year of the Company; and (iv) each of the said transactions is of a revenue nature in the Group's ordinary and usual course of business, under Rule 14A.33(4) of the Listing Rules, each of the said continuing connected transaction set out in paragraphs VI.B.(i)1 to 3 above is exempt from the reporting, annual review, announcement and independent shareholders' approval requirements of under Chapter 14A of the Listing Rules upon the amended Listing Rules coming into effect on 3 June 2010.

(ii) *De minimis continuing connected transactions with connected persons at the subsidiary level*

Reference is made to the 2008 Announcement where, inter alia, the following continuing connected transactions were also set out:

1. *Continuing connected transactions with SFGC:*
 - (a) Provision of general services by Fast Transmission to SFGC (under section II.1.(c) of the 2008 Announcement)
 - (b) Lease of land and premises by Fast Transmission to SFGC (under section II.1.(d) of the 2008 Announcement)
2. *Continuing connected transactions with Shaanxi Automotive:*
 - (a) Lease of land and premises by Shaanxi Automotive to Shaanxi Zhongqi (and its subsidiaries) (as the case may be) (under section II.2.(c) of the 2008 Announcement)
 - (b) Payment of utility (such as water and electricity) charges by Shaanxi Automotive to Shaanxi Zhongqi for onward payment to utility providers (under section II.2.(d) of the 2008 Announcement)

- (c) Provision of general services by Shaanxi Automotive to Shaanxi Zhongqi (and its subsidiaries) (under section II.2.(e) of the 2008 Announcement)

For the reasons that (i) each of the continuing connected transactions set out under paragraphs VI.B.(ii)1 and 2 above is on normal commercial terms; (ii) each of the percentage ratios (other than the profits ratio) of each of the said transactions falls below the 1% Threshold; and (iii) each of the said transactions is a continuing connected transaction only because it involves a person who is a connected person of the Company (i.e. Fast Transmission and Shaanxi Automotive) by virtue of its relationship with the Company's subsidiary (i.e. SFGC and Shaanxi Zhongqi), according to Rule 14A.33(3)(b) of the Listing Rules, each of the said transactions set out in paragraphs VI.B.(ii)1 and 2 above is exempt from the reporting, annual review, announcement and independent shareholders' approval requirements of under Chapter 14A of the Listing Rules upon the amended Listing Rules coming into effect on 3 June 2010.

(iii) *Continuing connected transaction with the associate of a promoter*

Reference is made to the 2008 Announcement where, *inter alia*, there was a continuing connected transaction with Guangxi Liugong Machinery relating to the sale of diesel engines and diesel engine parts by the Company to Guangxi Liugong Machinery (under section A.I.3 of the 2008 Announcement).

Guangxi Liugong Machinery was a connected person of the Company for the reason that it was an associate of Guangxi Liugong (being held as to 63% by Guangxi Liugong), which is a promoter of the Company. Under the amended amended Rule 14A.11(3) of the Listing Rules, "promoter" of a PRC issuer has been removed from the definition of "connected person". Accordingly, Guangxi Liugong and Guangxi Liugong Machinery are no longer connected persons of the Company, and the transaction set out in this paragraph VI.B.(iii) is no longer a continuing connected transaction of the Company under Chapter 14A of the Listing Rules upon the amended Listing Rules coming into effect on 3 June 2010.

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)(a) of the Listing Rules
“1% Threshold”	the thresholds referred to in Rule 14A.33(3)(b) of the Listing Rules
“5% Threshold”	the thresholds referred to in Rule 14A.34 of the Listing Rules
“2008 Announcement”	the announcement of the Company dated 27 November 2008 in respect of certain continuing connected transactions of the Group
“2009 Announcement”	the announcement of the Company dated 9 November 2009 in respect of certain continuing connected transactions of the Group
“Baoji Huashan”	寶雞華山工程車輛有限責任公司 (Baoji Huashan Engineering Vehicles Co. Ltd.), a company established in the PRC and a connected person of the Company
“Beijing Shaanqi Sale Centre”	北京陝重汽汽銷售中心(Beijing Shaanzhongqi Vehicle Sale Centre), a company established in the PRC and a connected person of the Company
“business day”	any day on which the Stock Exchange is open for business of dealing in securities
“Changsha Huantong”	陝西汽車集團長沙環通汽車製造有限公司 (Shaanxi Automobile Group Changsha Huantong Automobile Manufacturing Co. Ltd.), a company established in the PRC and a connected person of the Company
“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 Transaction(s) and the TAGC Continuing Connected Transaction(s)
“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 and the PRC Continuing Connected Transactions
“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 5% Threshold and, accordingly, are not subject to the approval by the Independent Shareholders under the Listing Rules, and, where such New Caps exceed the 0.1% Threshold or the 1% Threshold (as the case may be), 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
“Fujian Longgong”	福建龍岩工程機械(集團)有限公司 (Fujian Longyan Construction Machinery (Group) Company Limited), a company incorporated in the PRC and a connected person of the Company
“Group”	the Company and its subsidiaries and “Group Company” means any of the same
“Hande Axle”	陝西漢德車橋有限公司(Shaanxi Hande Axle Co., Ltd.), a company established in the PRC and is held as to approximately 3.06% by the Company and as to approximately 94% by Shaanxi Zhongqi
“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
“Jinding”	陝西金鼎鑄造有限公司(Shaanxi Jinding Foundry Co., Ltd.), a company established in the PRC and is held as to approximately 95.76% by Shaanxi Zhongqi and as to approximately 4.24% by Hande Axle
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“MAT Announcement”	the announcement of the Company dated 13 August 2009 in respect of certain continuing connected transactions of the Company
“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 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
“PRC”	the People’s Republic of China

“PRC Continuing Connected Transactions”	the Continuing Connected Transactions set out under the sections headed “II.A.1.(a), (b), (c) and (d), 2., 3.(a), (b) and (c), and 4.(a) and (b)” in this announcement, which constitute continuing connected transactions of the Company under the relevant laws and regulations of the PRC and 《股票上市規則》 (“listing rules”) of the Shenzhen Stock Exchange and are subject to the approval by the Shareholders at the EGM. For details, please refer to the announcement of the Company entitled 《濰柴動力股份有限公司日常持續性關聯交易公告》 (“Announcement of Weichai Power Co., Ltd. in respect of its Continuing Connected Transactions in the Ordinary Course of Business”) dated 23 August 2010 on the Shenzhen Stock Exchange
“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 Automotive”	陝西汽車集團有限責任公司(Shaanxi Automobile Group Co. Ltd.), a company established in the PRC and a connected person of the Company
“Shaanxi Fangyuan”	陝西方圓汽車標準件有限公司 (Shaanxi Fangyuan Automobile Standard Components Co. Ltd.), a company established in the PRC and a connected person of the Company
“Shaanxi Heavy-duty Coach”	陝西重型客車工業聯營公司(Shaanxi Heavy-duty Coach Industry Joint Venture Company), a company established in the PRC and a connected person of the Company
“Shaanxi Huazhen”	陝西華臻三產工貿有限責任公司(Shaanxi Huazhen Sancang Industry and Trading Co. Ltd.), a company established in the PRC and a connected person of the Company
“Shaanxi Import and Export”	陝西重型汽車進出口有限公司(Shaanxi Heavy-duty Vehicle Import and Export Company Limited), a company established in the PRC and a wholly-owned subsidiary of Shaanxi Zhongqi
“Shaanxi Lantong”	陝西藍通傳動軸有限公司(Shaanxi Lantong Transmission Axle Co. Ltd.), a company established in the PRC and a connected person of the Company

“Shaanxi Tongchuang”	陝西同創華亨汽散熱有限責任公司(Shaanxi Tongchuang Huaheng Vehicle Radiator Co. Ltd.), a company established in the PRC and a connected person of the Company
“Shaanxi Tongli”	陝西通力專用汽車有限責任公司(Shaanxi Tongli Specialpurpose Vehicle Co. Ltd.), a company established in the PRC and a connected person of the Company
“Shaanxi Wanfang”	陝西萬方汽車零部件有限公司(Shaanxi Wanfang Vehicle Parts and Components Co. Ltd.), a company established in the PRC and a connected person of the Company
“Shaanxi Zhongqi”	陝西重型汽車有限公司(Shaanxi Heavy Duty Motor Company Limited), a company established in the PRC and a 51% subsidiary of the Company
“Shandong Trust”	山東省企業託管經營股份有限公司(Shandong Enterprise Trust Operation Company Limited), a company established in the PRC and a Promoter
“Shanghai Longgong”	上海龍工機械有限公司 (Shanghai Longgong Machinery Company Limited), a limited liability company established in the PRC
“Shanghai Longgong Machinery”	龍工(上海)機械制造有限公司 (Longgong (Shanghai) Machinery Co., Ltd.), a company established in the PRC and a connected person of the Company
“Shareholder(s)”	holder(s) of the shares of the Company
“Supplemental Agreements”	the supplemental agreements relating to the 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 Transaction(s)”	the Continuing Connected Transaction(s) under section II.B of this announcement
“Tiangua”	天津市天掛車輛有限公司(Tianjin City Tiangua Vehicles Company Limited), a company established in the PRC and is held as to approximately 51% by Shaanxi Zhongqi

“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 Transaction(s)”	the Continuing Connected Transaction(s) under section II.A of this announcement
“Weichai Deutz”	濰坊濰柴道依茨柴油機有限公司 (Weifang Weichai Deutz Diesel Engine Co., Ltd.), a company established in the PRC and a connected person of the Company
“Weichai Deutz Purchase”	the existing continuing connected transaction in respect of the purchase of diesel engines and related products by the Company from Weichai Deutz (as more particularly set out under the section headed II.2 of the announcement of the Company dated 26 April 2010), the relevant existing caps of which for the three years ending 31 December 2012 shall continue to apply
“Weichai Heavy Machinery”	濰柴重機股份有限公司 (Weichai Heavy-duty 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 Holding 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 Import and Export”	山東濰柴進出口有限公司 (Shandong Weichai Import and Export Co., Ltd.), a company established in the PRC wholly-owned by Weichai Holdings and a connected person of the Company
“Weichai Resources”	濰柴動力備品資源公司 (Weichai Power Reserves and Resources Company), a company established in the PRC and a wholly-owned subsidiary of the Company; and

- “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
- “Wenzhou Yunding” 陝西汽車集團溫州雲頂汽車有限公司 (Shaanxi Automobile Group Wenzhou Yunding Automobile Co. Ltd.), a company established in the PRC and a connected person of the Company

Hong Kong, 23 August 2010

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.