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

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

ANNOUNCEMENT
CONTINUING CONNECTED TRANSACTIONS

SUMMARY

The Board announces that on 29 August 2011, the Group has entered into the Supplemental Agreements in respect of the Continuing Connected Transactions as more particularly described herein.

I. INTRODUCTION

Reference is made to the 2009 Announcement and 2010 Announcement in respect of, *inter alia*, certain 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 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 Continuing Connected Transactions, all being Exempt Continuing Connected Transactions, are unconditional.

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:

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 and Weichai Casting (<i>note 2</i>) (as the case may be)	Holder of 16.83% of the equity 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) (as the case may be) (b) 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)
2. Weichai Heavy Machinery	The Company, Weichai Resources and Weichai Casting (<i>note 2</i>) (as the case may be)	Held as to 30.59% by Weichai Holdings	Supply of semi-finished diesel engine parts, diesel engine parts and components, reserve parts and related products and provision of labour services by the Company (and its subsidiaries) to Weichai Heavy Machinery

Notes:

1. The associates of Weichai Holdings include Chongqing Weichai.
2. Weichai Resources and Weichai Casting are wholly-owned subsidiaries of the Company.

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

Connected person and details of relevant Continuing Connected Transactions	New Caps			
	2011 RMB	2012 RMB	2013 RMB	2014 RMB
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)	77,000,000	84,000,000	92,000,000	–
(b) 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)	145,000,000	185,000,000	215,000,000	–
2. Weichai Heavy Machinery				
Supply of semi-finished diesel engine parts, diesel engine parts and components, reserve parts and related products and provision of labour services by the Company (and its subsidiaries) to Weichai Heavy Machinery	–	440,000,000	300,000,000	285,000,000

Notes:

- 1. The proposed New Caps for all the Continuing Connected Transactions do not exceed the 5% Threshold and are exempt from the approval by the independent Shareholders under the Listing Rules.*
- 2. As stated in the 2010 Announcement, for the purposes of ascertaining whether a continuing connected transaction would exceed the then applicable 5% Threshold, (a) the transactions under paragraph 1.(a) above have been aggregated with the Weichai Holdings Supply and they did not exceed the 5% Threshold; (b) the transactions under paragraph 1.(b) above have been aggregated with the Weichai Deutz Purchase and the Weichai Heavy Machinery Purchase, and they did not exceed the 5% Threshold. The Company confirms that the existing caps of each of the Weichai Holdings Supply, Weichai Deutz Purchase and Weichai Heavy Machinery Purchase for the three years ending 31 December 2013 shall continue to apply.*

DETAILS OF THE CONTINUING CONNECTED TRANSACTIONS AND THE RELEVANT SUPPLEMENTAL AGREEMENTS

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

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

Weichai Holdings is a substantial shareholder of the Company, and is accordingly a connected person of the Company. Chongqing Weichai is a wholly-owned subsidiary of Weichai Holdings and is, accordingly, an associate of Weichai Holdings and connected person 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, 27 November 2008 and 23 August 2010); 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 12 January 2004, 2 February 2004, 15 September 2004, 21 September 2005, 12 November 2006, 27 November 2008 and 23 August 2010)

Date: 29 August 2011

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 (and its associates) (as the case may be) has (i) provided certain general services to the Company, Weichai Casting and/or other Group 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 Group Company (and/or its staff, if applicable); and (ii) provided certain labour services in respect of utilities to the Company, Weichai Casting and/or other Group Company, for a term ending 31 December 2013, 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 20% of such costs and settled on a monthly basis.

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 (and its associates) (as the case may be) has provided certain general services to Chongqing Branch and/or other Group Company, 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 and/or other Group Company (and/or its staff, if applicable) for a term ending 31 December 2013, 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.

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

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

The table below summarises the actual transaction amounts involved for the two years ended 31 December 2010 (audited) and the six months ended 30 June 2011 (unaudited) for the Continuing Connected Transaction set out in paragraphs (i) and (ii) in this sub-section II.1.(a):

	Year ended	Six months
	31 December	ended 30 June
	2009	2010
	<i>RMB</i>	<i>RMB</i>
	<i>(audited)</i>	<i>(audited)</i>
		2011
		<i>RMB</i>
		<i>(unaudited)</i>
Actual transaction amount	25,408,000	39,437,000
		29,630,000

The Company estimates that the transaction amounts in respect of the Continuing Connected Transaction set out in this sub-section for the three years ending 31 December 2013 will not exceed RMB77,000,000, RMB84,000,000 and RMB92,000,000, respectively, and such amounts have accordingly been set as the proposed New Caps for this Continuing Connected Transaction.

The New Caps have been estimated by the Company primarily based on (i) the relevant historical costs, (ii) the said service charges by Weichai Holdings and Chongqing Weichai, (iii) an increase in the sales of the Group's products by approximately 30% to 50% per year, (iv) the estimated salary growth rate of approximately 10%, and (v) the assumption that the transaction amount for this Continuing Connected Transaction will increase by approximately 9.09% and 9.52% for each of the years ending 31 December 2012 and 31 December 2013, respectively.

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

	2011 <i>RMB</i>	2012 <i>RMB</i>	2013 <i>RMB</i>
New Cap	77,000,000	84,000,000	92,000,000

As the New Caps for this 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 of the Listing Rules.

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

- (b) *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 (as supplemented by the supplemental agreement dated 23 August 2010)

Date: 29 August 2011

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 (as supplemented by the supplemental agreement dated 23 August 2010) but prior to the entering into of this Supplemental Agreement), Weichai Holdings, Chongqing Weichai and/or other associates of Weichai Holdings (as the case may be) has provided certain parts and components of diesel engines, gas, scrap metal, etc., materials and related products and 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, 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 2013 for the Continuing Connected Transaction set out in this sub-section II.1.(b):

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

The table below summarises the actual transaction amounts involved for the two years ended 31 December 2010 (audited) and the six months ended 30 June 2011 (unaudited) for the Continuing Connected Transaction set out in this sub-section II.1.(b):

	Year ended 31 December 2009 <i>RMB</i> (<i>audited</i>)	Six months ended 30 June 2010 <i>RMB</i> (<i>audited</i>)	2011 <i>RMB</i> (<i>unaudited</i>)
Actual transaction amount	50,967,000	103,309,000	65,653,000

The Company estimates that the transaction amounts in respect of the Continuing Connected Transaction set out in this sub-section for the three years ending 31 December 2013 will not exceed RMB145 million, RMB185 million and RMB215 million, respectively, and such amounts have accordingly been set as the proposed New Caps for this Continuing Connected Transaction.

The above New Caps were prepared by the Company primarily based on (i) the historical costs, (ii) 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, (iii) the estimation that the material and processing costs will increase steadily over the three years ending 31 December 2013, (iv) the estimated increase in salary at an annual rate of approximately 10% in Chongqing Weichai, and (v) the assumption that the transaction amount for this Continuing Connected Transaction will increase by approximately 27.59% and 16.22% for each of the years ending 31 December 2012 and 31 December 2013, respectively.

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

	2011	2012	2013
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
New Cap	145,000,000	185,000,000	215,000,000

Since the New Caps do not exceed the 5% Threshold, this 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 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.

2. Continuing Connected Transactions between the Weichai Heavy Machinery and the Group

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 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 an associate of Weichai Holdings (a substantial shareholder of the Company), and accordingly, it is a connected person of the Company.

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

Agreement: Supplemental Agreement to the semi-finished diesel engine parts supply agreement (“**Weichai Supply Agreement**”) dated 17 November 2003 between the Company and Weichai Holdings (as supplemented by supplemental agreements dated 15 September 2004, 12 November 2006, 9 June 2007 and 9 November 2009, respectively)

Date: 29 August 2011

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

Term: 1 January 2012 to 31 December 2014

Other terms and details:

Pursuant to the Weichai Supply Agreement (as supplemented by the abovesaid supplemental agreements but prior to the entering into of this latest Supplemental Agreement), each of the Company, Weichai Resources and Weichai Casting (and/or their subsidiaries) has sold certain semi-finished diesel engine parts, diesel engine parts and components, reserve parts and related products and provided the relevant labour services (as the case may be) to Weichai Heavy Machinery at market prices and settled on a monthly basis for a term ending 31 December 2011, upon the expiry of which the parties may renew the term for another three years on a mutually agreed basis.

Pursuant to this latest Supplemental Agreement, each of the Company, Weichai Resources and Weichai Casting (and/or their subsidiaries) has agreed to sell the said semi-finished diesel engine parts, diesel engine parts and components, reserve parts and related products and to provide the relevant labour services (as the case may be) to Weichai Heavy Machinery at market prices and settled on a monthly basis for a term ending 31 December 2014, upon the expiry of which the parties may renew the term for another three years on a mutually agreed basis. Save as set out herein, all other terms of the Weichai Supply 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 2011 for the Continuing Connected Transaction set out in this sub-section II.2:

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

The table below summarises the actual transaction amounts involved for the two years ended 31 December 2010 (audited) and the six months ended 30 June 2011 (unaudited) for the Continuing Connected Transaction set out in this sub-section II.2:

	Year ended 31 December 2009 <i>RMB</i>	2010 <i>RMB</i>	Six months ended 30 June 2011 <i>RMB</i>
Actual transaction amount	271,911,000	282,316,000	164,329,000

The Company is a leading manufacturer of diesel engines in the PRC and this evidences the quality and competitiveness of the Company's diesel engines generally. With the proximity between the Company's production facilities and those of Weichai Heavy Machinery, and in view of the high quality and the competitiveness of the Company's products, the Company believes that Weichai Heavy Machinery will continue to purchase the Group's semi-finished diesel engine parts, diesel engine parts and components, reserve parts and related products for the manufacture of its products, including medium-speed diesel engines and power generators. In view of the economic growth in the PRC in recent years and the strong demand for the products of Weichai Heavy Machinery, which shall in turn drive the demand for the Group's said products and labour services by Weichai Heavy Machinery, it is expected that the transaction amount for this Continuing Connected Transaction will continue to increase steadily in 2012. As part of the Group's policy, starting from 2012, the production of semi-finished diesel engine parts for medium-speed diesel engines and related products by Weichai Casting will be gradually taken up by Weichai Heavy Machinery in its new production facilities, accordingly, the demand for the said products by Weichai Heavy Machinery from the Group will decrease and the transaction amount of this Continuing Connected Transaction is expected to drop in 2013 and 2014.

The Company estimates that the sale of the said semi-finished diesel engine parts, diesel engine parts and components, reserve parts and related products and the provision of the relevant labour services by the Group to Weichai Heavy Machinery for the three years ending 31 December 2014 will not exceed RMB440,000,000, RMB300,000,000 and RMB285,000,000, respectively, and such amounts have accordingly been set as the proposed New Caps for this Continuing Connected Transaction.

The proposed New Caps have been prepared by the Company primarily based on (i) the historical costs, (ii) the estimate of the volume of the said semi-finished diesel engine parts, diesel engine parts and components, reserve parts and related products required by Weichai Heavy Machinery, (iii) the average unit prices of the said semi-finished diesel engine parts, diesel engine parts and components, reserve parts and related products, and (iv) the assumption that the transaction amount of the provision of the said products and labour services by the Group to Weichai Heavy Machinery will decrease by approximately 31.82% and 5% for each of the years ending 31 December 2013 and 31 December 2014, respectively.

The table below summarises the New Caps for the Continuing Connected Transaction set out in this sub-section II.2. for the three years ending 31 December 2014:

	2012	2013	2014
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
New Cap	440,000,000	300,000,000	285,000,000

As the New Caps for this Continuing Connected Transaction for the three years ending 31 December 2014 do not exceed the 5% Threshold, the said Continuing Connected Transaction constitutes an Exempt Continuing Connected Transaction of the Company under Chapter 14A of the Listing Rules and will be subject to the reporting and announcement requirements set out in Rules 14A.45, 14A.46 and 14A.47 of the Listing Rules and the annual review requirements of Rules 14A.37 and 14A.38 of the Listing Rules.

This Continuing Connected Transaction for the three years ending 31 December 2014 is an Exempt Continuing Connected Transaction and the relevant New Caps are not subject to the approval of the independent Shareholders under the Listing Rules. This Supplemental Agreement is conditional upon the approval by the board of directors and the shareholders of Weichai Heavy Machinery.

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 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 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 Continuing Connected Transactions with Weichai Holdings were transferred to Weichai Heavy Machinery.

As the Company has conducted these 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 Continuing Connected Transactions in order to ensure and maximize operating efficiency and stability of the operations of the Company.

The Directors (including the independent non-executive Directors) 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 (including the independent non-executive Directors) 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 29 August 2011 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 sub-section II.1. (a) and (b) in this announcement — Tan Xuguang, Xu Xinyu, Sun Shaojun, Zhang Quan, Zhang Fusheng and Liu Huisheng;
2. Continuing Connected Transactions with Weichai Heavy Machinery set out under sub-section II.2. in this announcement — Tan Xuguang, Xu Xinyu, Sun Shaojun, Zhang Quan, Zhang Fusheng, Liu Huisheng and Chen Xuejian.

IV. 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
“5% Threshold”	the thresholds referred to in Rule 14A.34(1) of the Listing Rules
“2009 Announcement”	the announcement of the Company dated 9 November 2009 in respect of certain continuing connected transactions of the Group

“2010 Announcement”	the announcement of the Company dated 23 August 2010 in respect of certain continuing connected transactions of the Group
“business day”	any day on which the Stock Exchange is open for business of dealing in securities
“Chongqing Branch”	the Company’s facility (being its branch office) in Chongqing Municipality, the PRC
“Chongqing Weichai”	重慶濰柴發動機廠 (Chongqing Weichai Diesel Engine Works*), a legal person established in the PRC and wholly owned by Weichai Holdings 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
“Director(s)”	the director(s) of the Company
“Existing Cap(s)”	the existing cap(s) for the Continuing Connected Transaction(s) 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, are only subject to the reporting requirements set out in Rules 14A.45 and 14A.46, the announcement requirement in Rule 14A.47 and the annual review requirements in Rules 14A.37 and 14A.38 of the Listing Rules
“Group”	the Company and its subsidiaries and “Group Company” means any of the same
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“New Cap(s)”	as defined in the section headed “II. Continuing Connected Transactions” in this announcement

“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“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
“Shares”	the ordinary shares in the capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“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 Deutz Purchase”	the purchase of diesel engine parts and components and related products by the Company (and its subsidiaries) (as the case may be) from Weichai Deutz (as defined in the 2010 Announcement) as set out under heading A.3.(c) of the 2010 Announcement
“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 Heavy Machinery Purchase”	the 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 as set out under heading A.4.(b) of the 2010 Announcement
“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 and a connected person of the Company

“Weichai Holdings Juli
Restructuring”

the restructuring of the assets of Weichai Holdings and the group of entities concerning Weichai Heavy Machinery as more particularly set out in the announcement of Weichai Heavy Machinery on the Shenzhen Stock Exchange dated 8 September 2006

“Weichai Holdings Supply”

the 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) as set out under heading A.1.(b) of the 2010 Announcement

“Weichai Resources”

濰柴動力(濰坊)備品資源公司 (Weichai Power (Weifang) Reserves and Resources Company*), a company established in the PRC and a wholly-owned subsidiary of the Company

* *For identification purpose only*

Hong Kong, 29 August 2011

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.