

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



**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 30 August 2012, 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 20 September 2012.

### **I. INTRODUCTION**

Reference is made to the announcements of the Company dated 9 November 2009, 26 April 2010, 12 May 2010 and 23 August 2010, respectively, 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 apply for New Caps. For such purpose, the Group entered into the Supplemental Agreements. The Supplemental Agreements and the relevant New Caps in respect of the Exempt Continuing Connected Transactions are unconditional, 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 and Weichai Casting ( <i>note 2</i> ) (as the case may be)	Holder of 16.83% of the equity of the Company	(a) Lease of Buildings and Equipment by Weichai Holdings to Weichai Casting  (b) Lease of Chongqing Properties by Chongqing Weichai to the Company
2. Weichai Deutz	The Company	Held as to 50% by Weichai Holdings	Purchase of diesel engines and related products by the Company from Weichai Deutz
3. Weichai Heavy Machinery (and its subsidiary) ( <i>note 3</i> )	The Company, Weichai Reproduction and Weichai Yangzhou ( <i>note 2</i> ) (as the case may be)	Held as to 30.59% by Weichai Holdings	Sale of diesel engines and related products by the Company (and its subsidiaries) (as the case may be) to Weichai Heavy Machinery

## 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 4</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>
2. Shaanxi Automotive (and its associates) ( <i>note 10</i> )	Shaanxi Zhongqi ( <i>note 5</i> ), Hande Axle ( <i>note 6</i> ), Jinding ( <i>note 7</i> ), Shaanxi Import and Export ( <i>note 8</i> ) and Tiangua ( <i>note 9</i> )	Holder of 49% of the equity of Shaanxi Zhongqi	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)

### Notes:

- The associate of Weichai Holdings is Chongqing Weichai, a wholly-owned subsidiary of Weichai Holdings.
- Weichai Casting and Weichai Reproduction are wholly-owned subsidiaries of the Company. Weichai Yangzhou is indirectly owned as to approximately 80% by the Company.
- The subsidiary is Weichai Heavy Equipment, a wholly-owned subsidiary of Weichai Heavy Machinery.
- 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.
- These are more particularly described in the section headed “II.B.2. Continuing Connected Transaction 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**

<b>Connected person and details of relevant Continuing Connected Transactions</b>		<b>2013</b> <i>RMB</i>	<b>New Caps</b> <b>2014</b> <i>RMB</i>	<b>2015</b> <i>RMB</i>
<b>1. Weichai Holdings (and its associates)</b>				
(a)	Lease of Buildings and Equipment by Weichai Holdings to Weichai Casting	43,000,000*	21,500,000*	5,000,000*
(b)	Lease of Chongqing Properties by Chongqing Weichai to the Company	4,000,000*	4,000,000*	4,000,000*
<b>2. Weichai Deutz</b>				
	Purchase of diesel engines and related products by the Company from Weichai Deutz	150,000,000*	180,000,000*	230,000,000*
<b>3. Weichai Heavy Machinery</b>				
	Sale of diesel engines and related products by the Company (and its subsidiaries) to Weichai Heavy Machinery (and its subsidiary)	360,000,000*	390,000,000*	420,000,000*

## B. TAGC Continuing Connected Transactions

Connected person and details of the relevant Continuing Connected Transaction		New Caps		
		2013	2014	2015
		<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
1. Fast Transmission				
(a)	Sale of parts and components of transmissions and related products by SFGC to Fast Transmission	3,000,000,000 <sup>#</sup>	4,100,000,000 <sup>#</sup>	4,800,000,000 <sup>#</sup>
(b)	Purchase of parts and components of transmissions and related products by SFGC from Fast Transmission	3,200,000,000 <sup>#</sup>	4,300,000,000 <sup>#</sup>	5,000,000,000 <sup>#</sup>
2. Shaanxi Automotive (and its associates)				
	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)	2,530,000,000 <sup>#</sup>	2,783,000,000 <sup>#</sup>	3,162,500,000 <sup>#</sup>

### 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.
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 paragraphs A.1.(a) and (b) above have been aggregated.

## ***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.

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

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

Weichai Yangzhou is indirectly owned as to approximately 80% by the Company and is principally engaged in the design, development, manufacture, sale and maintenance of diesel engines.

##### *Weichai Holdings and its associates*

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 a connected person of the Company.

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

Agreement:	Supplemental Agreement to the asset lease agreement (“ <b>Weichai Holdings Asset Lease Agreement</b> ”) dated 21 October 2003 (as supplemented by the supplemental agreements dated 12 November 2006 and 9 November 2009, respectively)
------------	---

Date:	30 August 2012
-------	----------------

Parties:	<ol style="list-style-type: none"><li>1. Weichai Casting</li><li>2. Weichai Holdings</li><li>3. The Company</li></ol>
----------	---

Term:	1 January 2013 to 31 December 2015
-------	------------------------------------

Other terms and details:

Pursuant to the Weichai Holdings Asset Lease Agreement (as supplemented by the supplemental agreements dated 12 November 2006 and 9 November 2009, respectively, but prior to the entering into of this latest Supplemental Agreement), Weichai Holdings has agreed to lease to Weichai Casting certain buildings (including factories and warehouses with a total gross floor area of 63,245 square metres) situated at Weichai Holdings (the “**Buildings**”) and all the equipment in relation to the manufacture of certain semi-finished diesel engine parts (collectively referred to as “**Equipment**”) located in the Buildings (and such Buildings and Equipment are commonly known as the “**casting and forging workshop**”) for a term ending 31 December 2012, at an annual rental of RMB42,814,310, settled within 30 days before the end of the relevant accounting year.

Pursuant to this latest Supplemental Agreement, Weichai Holdings has agreed to lease to Weichai Casting (and/or the Company and/or other subsidiaries of the Company) the Buildings and Equipment for each of the years ending 31 December 2013, settled on a monthly basis, for a term ending 31 December 2015, upon the expiry of which the parties may renew the term for another three years on a mutually agreed basis. It is expected that the amount of the Buildings and Equipment to be leased to Weichai Casting (and/or the Company and/or other subsidiaries of the Company) will gradually decrease and the amount of rental will depend on the actual amount of the Buildings and Equipment leased. Save as set out herein, all other terms of the Weichai Holdings Asset Lease Agreement (as supplemented by the supplemental agreements dated 12 November 2006 and 9 November 2009, respectively, but prior to the entering into of this latest Supplemental Agreement) remain unchanged.

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

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

The table below summarises the actual transaction amounts involved for the two years ended 31 December 2011 (audited) and the six months ended 30 June 2012 (audited) for the Weichai Continuing Connected Transaction set out in this sub-section 1.(a):

	<b>Year ended 31 December</b>		<b>Six months ended 30 June</b>
	<b>2010</b>	<b>2011</b>	<b>2012</b>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Actual transaction amount	42,841,000	42,840,000	21,420,000

The annual rental for the entire Buildings and Equipment shall remain at RMB42,814,310. The Company expects that starting from 2014, Weichai Casting will begin to use the production facilities of the Group instead of the Buildings and Equipment in its operations. Accordingly, the Company expects that the amount of the Buildings and Equipment to be leased by Weichai Casting (and/or the Company or other subsidiaries of the Company) and, therefore, the annual rental for the same, will gradually decrease in 2014 and 2015. The Company estimates that the transaction amount for each of the three years ending 31 December 2015 shall not exceed RMB43,000,000, RMB21,500,000 and RMB5,000,000, respectively, and the same have accordingly been set as the proposed New Caps for the said Weichai Continuing Connected Transaction.

The table below summarises the New Caps for the Weichai Continuing Connected Transaction set out in this sub-section 1.(a) for the three years ending 31 December 2015:

	<b>2013</b>	<b>2014</b>	<b>2015</b>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
New Cap	43,000,000	21,500,000	5,000,000

As the New Cap for this Weichai Continuing Connected Transaction for the year ending 31 December 2013 (when aggregated with the New Cap for the same period under section 1.(b) below) does not exceed the 5% Threshold, they constitute Exempt Continuing Connected Transactions of the Company under Chapter 14A of the Listing Rules and will be subject to the reporting and announcement requirements set out in Rules 14A.45, 14A.46 and 14A.47 of the Listing Rules and the annual review requirements of Rules 14A.37 and 14A.38 of the Listing Rules. As the New Caps for this Weichai Continuing Connected Transaction for the two years ending 31 December 2015 (when aggregated with those New Caps for the same period under section 1.(b) below) do not exceed the 0.1% Threshold, pursuant to Rule 14A.33 of the Listing Rules, they will be exempt from the reporting, annual review, announcement and Independent Shareholders' approval requirements of Chapter 14A of the Listing Rules.



Since this Weichai Continuing Connected Transaction for the three years ending 31 December 2015 is an Exempt Continuing Connected Transaction and the New Caps are not subject to the approval of the Independent Shareholders, this Supplemental Agreement is unconditional.

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

Agreement: Supplemental Agreement to the lease agreement (“**Chongqing Weichai Lease Agreement**”) dated 1 July 2003 (as supplemented by the supplemental agreements dated 12 November 2006 and 9 November 2009, respectively)

Date: 30 August 2012

Parties: 1. The Company  
2. Chongqing Weichai

Term: 1 January 2013 to 31 December 2015

Other terms and details:

Pursuant to the Chongqing Weichai Lease Agreement (as supplemented by the supplemental agreements dated 12 November 2006 and 9 November 2009, respectively, but prior to the entering into of this latest Supplemental Agreement), Chongqing Weichai has agreed to lease to the Company certain land and building situated thereon at which the Chongqing production line (being the Company’s production line located at its premises in Chongqing Municipality, the PRC, for the manufacture of diesel engines) is situated (the “**Chongqing Properties**”) for a term ending 31 December 2012, at an annual rental of RMB3,404,000, settled within 30 days before the end of the relevant year of the lease.

Pursuant to this latest Supplemental Agreement, Chongqing Weichai has agreed to lease to the Company the Chongqing Properties at the same rental, settled on a monthly basis, for a term ending 31 December 2015, 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 Chongqing Weichai Lease Agreement (as supplemented by the supplemental agreement dated 12 November 2006 and 9 November 2009, respectively, but prior to the entering into of this latest Supplemental Agreement) remain unchanged.

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

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

The table below summarises the actual transaction amounts involved for the two years ended 31 December 2011 (audited) and the six months ended 30 June 2012 (audited) for the Weichai Continuing Connected Transaction set out in this sub-section 1.(b):

	<b>Year ended 31 December</b>		<b>Six months ended 30 June</b>
	<b>2010</b> <i>RMB</i>	<b>2011</b> <i>RMB</i>	<b>2012</b> <i>RMB</i>
Actual transaction amount	4,000,000	4,000,000	2,000,000

Since the annual rental for the Chongqing Properties shall remain at RMB3,404,000, the Company estimates that the transaction amount for each of the three years ending 31 December 2015 shall not exceed RMB4,000,000, RMB4,000,000 and RMB4,000,000, respectively, and the same have accordingly been set as the proposed New Caps for the said Weichai Continuing Connected Transaction.

The table below summarises the New Caps for the Weichai Continuing Connected Transaction set out in this sub-section 1.(b) for the three years ending 31 December 2015:

	<b>2013</b> <i>RMB</i>	<b>2014</b> <i>RMB</i>	<b>2015</b> <i>RMB</i>
New Cap	4,000,000	4,000,000	4,000,000

As the New Cap for this Weichai Continuing Connected Transaction for the year ending 31 December 2013 (when aggregated with the New Cap for the same period under section 1.(a) above) does not exceed the 5% Threshold, they constitute Exempt Continuing Connected Transactions of the Company under Chapter 14A of the Listing Rules and will be subject to the reporting and announcement requirements set out in Rules 14A.45, 14A.46 and 14A.47 of the Listing Rules and the annual review requirements of Rules 14A.37 and 14A.38 of the Listing Rules. As the New Caps for this Weichai Continuing Connected Transaction for the two years ending 31 December 2015 (when aggregated with those New Caps for the same period under section 1.(a) above) do not exceed the 0.1% Threshold, pursuant to Rule 14A.33 of

the Listing Rules, they will be exempt from the reporting, annual review, announcement and Independent Shareholders' approval requirements of Chapter 14A of the Listing Rules.

Since this Weichai Continuing Connected Transaction for the three years ending 31 December 2015 is an Exempt Continuing Connected Transaction and the New Caps are not subject to the approval of the Independent Shareholders, this Supplemental Agreement is unconditional.

## **2. *Continuing Connected Transaction 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.

### *Purchase of diesel engines and related products by the Company from Weichai Deutz*

Agreement:                      Supplemented Agreement to diesel engines purchase agreement ("**Weichai Deutz Purchase Agreement**") dated 27 November 2008 (as supplemented by the supplemental agreement dated 26 April 2010)

Date:                              30 August 2012

Parties:                          1.     The Company  
                                        2.     Weichai Deutz

Term:                              1 January 2013 to 31 December 2015

Pursuant to the Weichai Deutz Purchase Agreement (as supplemented by the supplemental agreement dated 26 April 2010 but prior to the entering into of this Supplemental Agreement), the Company has agreed to purchase certain diesel engines and related products from Weichai Deutz for onward sales to its customers, at market prices and settled on a quarterly basis for a term ending 31 December 2012.

Pursuant to this Supplemental Agreement, the Company has agreed to purchase the said diesel engines and related products from Weichai Deutz on the same terms for a term ending 31 December 2015, upon the expiry of which the Company shall have an option to extend the term for another three years on a mutually agreed basis. Save as set out herein, all other terms of the Weichai Deutz Purchase Agreement remain unchanged.

The table below summarises the Existing Caps for the three years ending 31 December 2012 for the Weichai Continuing Connected Transaction set out in this sub-section 2:

	<b>2010</b> <i>RMB</i>	<b>2011</b> <i>RMB</i>	<b>2012</b> <i>RMB</i>
Existing Cap	180,000,000	235,000,000	305,000,000

The table below summarises the actual transaction amounts involved for the two years ended 31 December 2011 (audited) and the six months ended 30 June 2012 (audited), the actual transaction amount for the Weichai Continuing Connected Transaction set out in this sub-section 2:

	<b>Year ended 31 December</b> <b>2010</b> <i>RMB</i>	<b>2011</b> <i>RMB</i>	<b>Six months</b> <b>ended 30 June</b> <b>2012</b> <i>RMB</i>
Actual transaction amount	72,026,000	40,267,000	14,119,000

The Company estimates that the transaction amounts involved in the Weichai Continuing Connected Transaction set out in this sub-section 2 will not exceed RMB150,000,000, RMB180,000,000 and RMB230,000,000, respectively, for each of the three years ending 31 December 2015 and such amounts have accordingly been set as the New Caps for this Weichai Continuing Connected Transaction.

The Company purchases diesel engines and related products from Weichai Deutz for its onward sale to external customers. Starting from the second half of 2012, the sale of such diesel engines to customers of the Group will be centralised and conducted through the Company. Accordingly, the Company expects that the orders for the diesel engines from Weichai Deutz will increase in the second half of 2012 and the transaction amounts of this Weichai Continuing Connected Transaction are expected to main a relatively steady growth thereafter.

The proposed New Caps have been prepared by the Company primarily based on the relevant historical costs and the assumption that transaction amount of the purchase of diesel engines and related products by the Company from Weichai Deutz will increase by approximately 20% and 28% for the years ending 31 December 2014 and 2015, respectively.

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 2015:

	<b>2013</b> <i>RMB</i>	<b>2014</b> <i>RMB</i>	<b>2015</b> <i>RMB</i>
New Cap	150,000,000	180,000,000	230,000,000

As the New Caps for this Weichai Continuing Connected Transaction for the three years ending 31 December 2015 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 and announcement requirements set out in Rules 14A.45 and 14A.46 and 14A.47 of the Listing Rules and the annual review requirements of Rules 14A.37 and 14A.38 of the Listing Rules.

Since this Weichai Continuing Connected Transaction for the three years ending 31 December 2015 is an Exempt Continuing Connected Transaction and the New Caps are not subject to the approval of Independent Shareholders, this Supplemental Agreement is unconditional.

As stated in the 2008 Circular and the announcement of the Company dated 26 April 2010, for the purposes of ascertaining whether a continuing connected transaction would exceed the then applicable 2.5% Threshold (as defined in the 2008 Circular), the Weichai Continuing Connected Transaction set out in this sub-section 2 had been aggregated with the following continuing connected transactions and, on an aggregated basis, they exceeded the 2.5% Threshold and were subject to the approval of the independent shareholders of the Company:

- (i) purchase of diesel engine parts and components, gas, scrap metals, etc., raw materials and related products and processing services by the Company from Weichai Holdings (and its associates) (as the case may be) (as set out under heading A.1.(c) in the 2008 Circular);
- (ii) purchase of diesel engine parts and components and related products by Weichai Resources from Weichai Deutz (as set out under heading A.4.(b) in the 2008 Circular); and
- (iii) purchase of diesel engine parts and components, materials, steel and scrap metal, etc. and related products and processing services by the Company and Weichai Resources (as the case may be) from Weichai Heavy Machinery (formerly known as 山東巨力股份有限公司 (Shandong Juli Company Limited) (as set out under heading A.5.(b) in the 2008 Circular).

The Company confirms that the existing caps for each of the continuing connected transactions under paragraphs (i), (ii) and (iii) above as set out in the announcement of the Company dated 23 August 2010 shall continue to apply.

3. *Continuing Connected Transaction between Weichai Heavy Machinery (and its subsidiary) 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 Equipment is principally engaged in the research and development, manufacture, sale, lease and maintenance of generator sets and related products.

Weichai Heavy Machinery is an associate of Weichai Holdings (a substantial shareholder of the Company), and accordingly, Weichai Heavy Machinery and Weichai Heavy Equipment, being its wholly-owned subsidiary, are connected persons of the Company.

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

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, 13 August 2009 and 23 August 2010, respectively)

Date: 30 August 2012

Parties:

1. (a) The Company  
(b) Weichai Reproduction  
(c) Weichai Yangzhou
2. (a) Weichai Heavy Machinery  
(b) Weichai Heavy Equipment

Term: 1 January 2013 to 31 December 2015

Other terms and details:

Pursuant to the Weichai Heavy Machinery Sale Agreement (as supplemented by the abovementioned supplemental agreements but prior to the entering into of this latest Supplemental Agreement), the Company, Weichai Reproduction and/or other Group Company (as the case may be) 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 2012, 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 Weichai Yangzhou (and/or other Group Company) (as the case may be) shall sell to Weichai Heavy Machinery and Weichai Heavy Equipment (and/or other subsidiaries of Weichai Heavy Machinery) (as the case may be) 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 2015, 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 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 2012 for the Weichai Continuing Connected Transaction set out in this sub-section 3:

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

The table below summarises the actual transaction amounts involved for two years ended 31 December 2011 (audited) and the six months ended 30 June 2012 (audited) for the Weichai Continuing Connected Transaction set out in this sub-section 3:

	<b>Year ended 31 December</b>		<b>Six months ended 30 June</b>
	<b>2010</b> <i>RMB</i>	<b>2011</b> <i>RMB</i>	<b>2012</b> <i>RMB</i>
Actual transaction amount	303,440,000	287,005,000	142,889,000

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 and its subsidiaries.

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 Group has also sold certain diesel engines to Weichai Heavy Equipment for its manufacture of generator sets.



In line with the current market conditions in respect of the said diesel engines, the Company estimates that the transaction amounts for the Weichai Continuing Connected Transaction set out in this sub-section 3 for the three years ending 31 December 2015 will not exceed RMB360,000,000, RMB390,000,000 and RMB420,000,000, 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 and Weichai Heavy Machinery by approximately 8% per year for the three years ending 31 December 2015.

The table below summarises the New Caps for the Weichai Continuing Connected Transaction set out in this sub-section 3 for the three years ending 31 December 2015:

	<b>2013</b>	<b>2014</b>	<b>2015</b>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
New Cap	360,000,000	390,000,000	420,000,000

As the New Caps for this Weichai Continuing Connected Transaction for the three years ending 31 December 2015 does 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 2015 is an Exempt Continuing Connected Transaction, the New Caps are not subject to the approval of the Independent Shareholders under the Listing Rules and this Supplemental Agreement is unconditional.

As stated in announcement of the Company dated 23 August 2010, for the purpose of ascertaining whether a continuing connected transaction would exceed the 5% Threshold, the Weichai Continuing Connected Transaction set out in this sub-section 3 had been aggregated with the following continuing connected transactions:

- (i) 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) (as set out under heading A.1.(d) in the said announcement); and
- (ii) sale of semi-finished diesel engine parts and related products by the Company (and its subsidiaries) (as the case may be) to Weichai Deutz (as set out under heading A.3.(a) in the said announcement),



and they did not exceed the 5% Threshold. The Company confirms that the existing caps of the each of the continuing connected transactions under paragraphs (i) and (ii) above as set out in the announcement of the Company dated 23 August 2010 shall continue to apply.

## **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 manufacture and sale of transmission products and 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, 9 November 2009 and 23 August 2010, respectively)

Date: 30 August 2012

Parties: 1. SFGC  
2. Fast Transmission

Term: 1 January 2013 to 31 December 2015

Other terms and details:

Pursuant to the Fast Transmission Sale Agreement (as supplemented by the abovementioned supplemental agreements 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 generally every two to three months, for a term ending 31 December 2012, 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 2015, 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 Fast Transmission Sale Agreement remain unchanged.

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

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

The table below summarises the actual transaction amounts involved for the two years ended 31 December 2011 (audited) and the six months ended 30 June 2012 (audited) for the TAGC Continuing Connected Transaction set out in this sub-section 1.(a):

	<b>Year ended 31 December</b>		<b>Six months ended 30 June</b>
	<b>2010</b>	<b>2011</b>	<b>2012</b>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Actual transaction amount	1,235,452,000	1,084,282,000	585,762,000

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 2015 will not exceed RMB3,000,000,000, RMB4,100,000,000 and RMB4,800,000,000, respectively and such amounts have accordingly been set as the proposed New Caps for this TAGC Continuing Connected Transaction.

The parts and components sold by SFGC to Fast Transmission pursuant to this TAGC Continuing Connected Transaction are used by Fast Transmission in its manufacture of transmission products and parts and components of vehicles. During the first half of 2012, in line with the global economy and adjustments in the market, the demand for the said products from SFGC by Fast Transmission has decreased. With the expected increase in the production of heavy duty hydraulic automatic transmissions of SFGC and the expected improvement in the market, the Company expects that the sales of SFGC will increase by approximately 30% for the year ending 31 December 2013, and approximately 15% for each of the years ending 31 December 2014 and 31 December 2015. 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 transaction amounts, (ii) the estimate of the volume and amount of the said parts and components of transmissions to be sold by SFGC to Fast Transmission, (iii) the assumption that the overall transaction amount of the sale of the said parts and components will increase by approximately 37% and 17% for each of the years ending 31 December 2014 and 31 December 2015, 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 2015:

	<b>2013</b>	<b>2014</b>	<b>2015</b>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
New Cap	3,000,000,000	4,100,000,000	4,800,000,000

As all of the New Caps for this TAGC Continuing Connected Transaction for the three years ending 31 December 2015 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 2015 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, 9 November 2009 and 23 August 2010, respectively)

Date: 30 August 2012



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 2015 will not exceed RMB3,200,000,000, RMB4,300,000,000 and RMB5,000,000,000 respectively and such amounts have accordingly been set as the proposed New Caps for this TAGC Continuing Connected Transaction.

The 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 2012, in line with the global economy and adjustments in the market, the demand for the said products by SFGC from Fast Transmission has decreased. With the expected increase in the production of heavy duty hydraulic automatic transmissions of SFGC and the expected improvement in the market, the Company expects that the sales of SFGC will increase by approximately 30% for the year ending 31 December 2013 and approximately 15% for each of the years ending 31 December 2014 and 31 December 2015. 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 transaction amounts, (ii) the estimate of the volume and amount of the said parts and components of transmissions to be purchased by SFGC from Fast Transmission, (iii) the assumption that the overall transaction amount of the purchase of the said parts and components by SFGC will increase by approximately 34% and 16% for each of the years ending 31 December 2014 and 31 December 2015, 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 2015:

	<b>2013</b>	<b>2014</b>	<b>2015</b>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
New Cap	3,200,000,000	4,300,000,000	5,000,000,000

As all the New Caps for this TAGC Continuing Connected Transaction for the three years ending 31 December 2015 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 transaction 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 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.

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.

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.

Xunyang Baotong is held as to approximately 51% by Shaanxi Automotive and is principally engaged in the manufacture and sale of parts and components of vehicles.

Dongfeng Axle is held as to approximately 45.24% by Shaanxi Automotive and is principally engaged in the sale of parts and components of vehicles.

Yanan Vehicle is held as to approximately 51% by Shaanxi Automotive and is principally engaged in the manufacture, research and development, and sale of special purpose vehicles.

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

*Note:*

\* *Shaanxi Automotive transferred 21% of equity interest in Wenzhou Yunding to an independent third party in August 2012, subject to the completion of the relevant procedures under the PRC laws and regulations.*



*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 agreements dated 27 November 2008 and 23 August 2010, respectively)

Date: 30 August 2012

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 Lantong  
(e) Shaanxi Tongchuang  
(f) Shaanxi Tongli  
(g) Baoji Huashan  
(h) Wenzhou Yunding  
(i) Changsha Huantong  
(j) Xunyang Baotong  
(k) Dongfeng Axle  
(l) Yanan Vehicle  
(m) Shaanxi Fangyuan

Term: 1 January 2013 to 31 December 2015

Other terms and details:

Pursuant to Shaanxi Zhongqi Sale Agreement (as supplemented by the abovementioned supplemental agreements but prior to the entering into of this latest Supplemental Agreement), Shaanxi Zhongqi and certain of its subsidiaries 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 certain of its associates (as the case may be), at market prices and settled by the relevant parties generally every one to three months, for a term ending 31 December 2012, 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 (as set out above) (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 (as set out above) (and/or other associates of Shaanxi Automotive) (as the case may be) on the same terms for a term of three years ending 31 December 2015, 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 Shaanxi Zhongqi Sale Agreement remain unchanged.

The table below summaries the Existing Caps for the three years ending 31 December 2012 for the TAGC Continuing Connected Transaction set out in this sub-section 2:

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

The table below summarises the actual transaction amounts involved for the two years ended 31 December 2011 (audited) and the six months ended 30 June 2012 (audited) for the TAGC Continuing Connected Transactions set out in this sub-section 2:

	<b>Year ended 31 December</b>		<b>Six Months ended 30 June</b>
	<b>2010</b>	<b>2011</b>	<b>2012</b>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Actual transaction amount	1,117,793,000	1,011,066,000	340,939,000

Since 2011, in line with the austerity measures imposed by the PRC Government, the transaction amount of this TAGC Continuing Connected Transaction has decreased.

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 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 Company estimates that the transaction amount in respect of the TAGC Continuing Connected Transaction set out in this sub-section 2 will not exceed RMB2,530,000,000, RMB2,783,000,000 and RMB3,162,500,000, respectively, for each of the three years ending 31 December 2015 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 transaction amounts; (ii) the estimate of the volume and amount 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; (iv) the expected growth in production capacity of Shaanxi Zhongqi and its subsidiaries; and (v) the assumption that the overall transaction amount of the said sale and provision of service will increase by approximately 10% and 14% for each of the years ending 31 December 2014 and 31 December 2015, respectively.

The table below summarises the proposed New Caps for the TAGC Continuing Connected Transaction set out in this sub-section 2 for the three years ending 31 December 2015:

	<b>2013</b>	<b>2014</b>	<b>2015</b>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
New Cap	2,530,000,000	2,783,000,000	3,162,500,000

As all of the New Caps for this TAGC Continuing Connected Transaction for the year ending 31 December 2015 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.

### **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 30 August 2012 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. Weichai Continuing Connected Transactions with Weichai Holdings (and its associates) set out under sections II.A.1.(a) and (b) in this announcement — Tan Xuguang, Jiang Kui, Xu Xinyu, Sun Shaojun, Zhang Quan, Liu Huisheng;
2. Weichai Continuing Connected Transactions with Weichai Deutz set out under section II.A.2 in this announcement — Tan Xuguang, Jiang Kui, Xu Xinyu, Sun Shaojun, Zhang Quan, Liu Huisheng;
3. Weichai Continuing Connected Transactions with Weichai Heavy Machinery (and its subsidiary) set out under section II.A.3 in this announcement — Tan Xuguang, Jiang Kui, Xu Xinyu, Sun Shaojun, Zhang Quan, Liu Huisheng;
4. TAGC Continuing Connected Transactions with Fast Transmission set out under section II.B.1.(a) and (b) – Li Dakai; and
5. TAGC Continuing Connected Transactions with Shaanxi Automotive (and its associates) set out under section II.B.2 – Fang Hongwei.

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. Liu Zheng, Mr. Li Shihao, Mr. Loh Yih, Mr. Chu, Howard Ho Hwa, Mr. Zhang Zhenhua and Mr. Li Luwen) 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 20 September 2012.

## 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 Circular”	the circular of the Company dated 18 December 2008 in respect of certain non-exempt continuing connected transactions of the Company
“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
“Buildings”	has the meaning ascribed to it under the section headed “II.A.1(a) Lease of Buildings and Equipment by Weichai Holdings to Weichai Casting” in this announcement
“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
“Chongqing Properties”	has the meaning ascribed to it under the section headed “II.A.1(b) Lease of Chongqing Properties by Chongqing Weichai to the Company” in this announcement
“Chongqing Weichai”	重慶濰柴發動機廠 (Chongqing Weichai Diesel Engine Works), a legal person established in the PRC and wholly owned by Weichai Holdings

“Company”	濰柴動力股份有限公司 (Weichai Power Co., Ltd.), a company established in the PRC with limited liability
“Continuing Connected Transaction(s)”	the continuing connected transaction(s) of the Group set out in the section headed “II. Continuing Connected Transactions” in this announcement, comprising the Weichai Continuing Connected Transaction(s) and the TAGC Continuing Connected Transaction(s)
“Director(s)”	the director(s) of the Company
“Dongfeng Axle”	陝西東風車橋傳動軸系統股份有限公司 (Shaanxi Dongfeng Axle Transmission Axle System Co., Ltd.), a company established in the PRC and a connected person of the Company
“EGM”	the extraordinary general meeting of the Company to be held to consider and, if thought fit, approve, <i>inter alia</i> , the New Caps and the Supplemental Agreements
“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
“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
“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
“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. Liu Zheng, Mr. Li Shihao, Mr. Loh Yih, Mr. Chu, Howard Ho Hwa, Mr. Zhang Zhenhua and Mr. Li Luwen, 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
“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
“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 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
“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 Heavy Equipment”	濰柴重機(濰坊)發電設備有限公司 (Weichai Heavy-duty Machinery (Weifang) Generator Equipment Co., Ltd., a company established in the PRC and a connected person of the Company
“Weichai Heavy Machinery”	濰柴重機股份有限公司 (Weichai Heavy-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, 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 Reproduction”	濰柴動力(濰坊)再製造有限公司 (Weichai Power (Weifang) Reproduction Company Limited), a company established in the PRC and a wholly-owned subsidiary of the Company; and

“Weichai Yangzhou”	濰柴動力揚州柴油機有限責任公司 (Weichai Power Yangzhou Diesel Engine Co., Ltd.), a company established in the PRC and an indirect subsidiary of the Company
“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
“Xunyang Baotong”	陝西汽車集團旬陽寶通專用車有限公司 (Shaanxi Vehicle Group Xunyang Baotong Special Purpose Vehicle Co., Ltd.), a company established in the PRC and a connected person of the Company
“Yanan Vehicle”	陝西汽車集團延安專用車有限公司 (Shaanxi Vehicle Group Yanan Special Purpose Vehicle Co., Ltd.), a company established in the PRC and a connected person of the Company

Hong Kong, 30 August 2012

By order of the Board  
**Weichai Power Co., Ltd.**  
**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. Li Dakai, Mr. Fang Hongwei, Mr. Sun Shaojun and Mr. Zhang Quan; the non-executive Directors of the Company are Mr. Chen Xuejian, Mr. Yeung Sai Hong, Mr. Julius G. Kiss, Ms. Han Xiaoqun, Mr. Jiang Kui and Mr. Liu Huisheng; and the independent non-executive Directors of the Company are Mr. Liu Zheng, Mr. Li Shihao, Mr. Loh Yih, Mr. Chu, Howard Ho Hwa, Mr. Zhang Zhenhua and Mr. Li Luwen.*