

Supervisory

Committees' Report

Dear Shareholders,

During the Period, in accordance with the relevant provisions of the Company Law of the People's Republic of China (the "Company Law") and Articles of Association of the Company and in compliance with the principles of integrity, all members of the Supervisory Committee of the Company (the "Supervisory Committee") performed their duties of supervision with a view to protecting shareholders' interests in line with their accountability to all shareholders. They monitored the operations and financial position as well as the performance of the senior management of the Company during the Period. On behalf of the Supervisory Committee, I hereby present our report as follows:

Overview of the Work of the Supervisory Committee

In 2006, as required by the relevant rules and procedures of meetings of the Supervisory Committee and based on its actual work, the Supervisory Committee conducted inspections of the operations and financial position of the Company, and reviewed the financial statements regularly. In 2006, the Supervisory Committee held two meetings, details of the time, attendance and contents of the meetings are as follows:

1. On 19th April, 2006, a meeting of the Supervisory Committee was convened. All Supervisors were present. The meeting considered and approved the resolutions of i) the report of the Supervisory Committee for 2005; ii) the financial statements prepared according to the relevant accounting standards of Hong Kong and PRC; and iii) the profit distribution proposal for 2005 and the connected transactions which occurred in 2005.
2. On 31st August, 2006, a meeting of the Supervisory Committee was convened. All supervisors were present. The meeting considered and approved the interim financial report of the Company for 2006.

The convening of the two meetings were in compliance with the relevant provisions of the Company Law and the Articles of Association of the Company.

In 2006, the supervisors had attended the shareholders' general meeting for 2005 and were present at all the board meetings of the Company for 2006. At those meetings, the supervisors had duly monitored whether the Company had operated in accordance with the law.

Independent Opinion of the Supervisory Committee on Relevant Matters of the Company in 2006

Compliance of the Company's operations with Legal Requirements

Pursuant to the laws and regulations of the place of listing, the Supervisory Committee has duly supervised and examined the procedures for convening Board meetings, resolutions, execution of resolutions of shareholders' general meetings by the Board, performance of duties by the senior management of the Company, as well as the establishment and consistent implementation of the Company's internal management system.

The Supervisory Committee is of the view that the Board and the senior management of the Company strictly operated in accordance with the Company Law, the Articles of Association as well as other relevant regulations and rules of the place of listing, with integrity and diligence, they performed their duties, executed all resolutions and authorities of the shareholders' general meetings and conducted all operations in compliance with laws and

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regulations and the Articles of Association. When examining the financial position of the Company and monitoring the performance of the directors and the senior management of the Company, the Supervisory Committee was not aware of any act harmful to the interests of the Company and its shareholders, nor was there any act in breach of the laws, regulations, the Articles of Association and rules of the Company.

Examination of Financial Position of the Company

The Supervisory Committee examined the financial position of the Company twice and duly considered the annual report of the Company for 2006 and the unqualified auditors' report for 2006 audited by the auditors of the Company. The Supervisory Committee is of the view that the financial statements of the Company reflect the financial position and operating results of the Company in all material aspects in an objective, true and fair manner, and the financial statements are true and reliable. The Supervisory Committee has agreed on the audited financial statements issued by the auditors as well as the profit distribution plan of the Company for 2006.

Transactions of the Company for Acquisition of and Merger with 湘火炬汽車集團股份有限公司 (Torch Automobile Group Co., Ltd) ("TAGC")

Acquisition of 濰柴動力 (濰坊) 投資有限公司 Weichai Power (Weifang) Investment Co., Limited ("Weifang Investment")

On 12th May, 2006, the Company entered into conditional sale and purchase agreements to acquire the remaining 55% equity interest in Weifang Investment, as a result of which the Company's equity interest therein was increased from 45% to 100%, for a consideration of RMB684,750,000.

The acquisition of Weifang Investment was approved by the shareholders of the Company at its annual general meeting on 30th June, 2006.

Merger with TAGC

On 12th November, 2006, the Company entered into an agreement (the "Merger Agreement") with TAGC in respect of the merger of the Company and TAGC and the issue of new A shares by the Company (which will be listed on the Shenzhen Stock Exchange upon completion of the Merger) ("Weichai A Shares") to the shareholders of TAGC (other than Weifang Investment) at the ratio of one Weichai A Share to 3.53 shares of TAGC held by such shareholders of TAGC (the "Merger"). The Merger will be accompanied by a cash alternative to the shareholders of TAGC who elected not to receive in whole (or in part) the Weichai A Shares at the rate of RMB5.05 per share of TAGC. The Company itself will not be a provider of such cash alternative, which shall be arranged by the sponsors to the listing of the Weichai A Shares.

After the completion of the Merger, (i) the shares of TAGC will be cancelled; (ii) TAGC's assets will be absorbed into and its liabilities assumed by the Company; (iii) TAGC will be deregistered and will cease to exist; and (iv) the Weichai A Shares will be listed on the Shenzhen Stock Exchange while the H shares of the Company will continue to be listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Merger and the Merger Agreement were approved by the shareholders of the Company and TAGC at the extraordinary general meeting on 29th December, 2006. Further details of the Merger and the Merger Agreement were set out in the section headed "I. The Merger Proposal" in the "Letter from the Board" contained in the circular of the Company dated 12th November, 2006.

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The Supervisory Committee is of view that the acquisition and merger were in compliance with the Company Law, Securities Law of China, the Articles of Association of the Company as well as other relevant regulations and rules of Hong Kong.

Connected Transactions

The Supervisory Committee is of view that the connected transactions of the Company during 2006 were conducted under the principles of fairness and equality. The connected transactions of the Company have been constantly monitored, and the prices for the connected transactions were reasonable and the amounts of the transactions were within the caps as approved by the shareholders. The Supervisory Committee is not aware of any act which is harmful to the interests of the shareholders.

In 2007, the Supervisory Committee will continue perform its duties of supervision diligently for the protection of the interests of shareholders and the Company in accordance with the Company Law and the Articles of Association of the Company.

Sun Chengping

Chairman of the Supervisory Committee

Weifang, Shandong Province
17th April, 2007