

## Perkins Engines in China

A number of instances have occurred recently where engines built by our ex licensee in China, Perkins Engines Tianjin Ltd, have been offered for sale to customers in Asia, Europe, Africa and the Americas.

Any party considering buying these engines should be aware that Perkins Engines Tianjin Ltd is no longer a licensee of Perkins and is not authorised to use the Perkins brand. Perkins is taking steps to enforce its rights.

The engines are not approved by Perkins and include components sourced from suppliers who are not approved by Perkins and as a result the engines are not covered by the usual Perkins warranty and will not be supported by the Perkins Distribution network.

The following letter was sent to all potential customers in Asia last year alerting them to these engines and explaining the background to this particular issue:-

Dear Sir

### **Re: Perkins Engines (Tianjin) Limited (PETL) - 1000 Series and Phaser engines**

Perkins Engines Company Limited is writing to inform you that it is initiating proceedings for the liquidation of its joint venture company in China, Perkins Engines (Tianjin) Limited, (PETL). The company has taken this decision after discovering serious irregularities within the business, relating to the management of the company and the products that it makes.

As you may be aware, the partnership between Perkins and Tianjin Engine Works was created in 1997 to sell and service the 1000 Series and Phaser engines under license in the Peoples Republic of China.

The nature of the management related irregularities is that we have reason to believe that one or more of the Chinese partners were involved in the forgery of the signature of representatives of Perkins on documents that they have submitted to the local authorities to secure approval to the unauthorised and illegal transfer of shares to third party investors. This has occurred on two occasions - in 2001 and 2002. When Perkins became aware of the irregularities, it notified the Chinese partners, third party investors, and the governmental authorities.

The product related irregularities result from breaches of the license agreement both in terms of corporate governance and physical manufacture of engines and parts, including unapproved localisation of parts and rating of engines beyond their Perkins approved capability.

Perkins has learned that PETL is continuing to produce engines under its new management. These engines made from January 2003 to present and sold in China by PETL contain components that have not been approved by Perkins Engines Company. As, these are not Perkins approved products, they should not be carrying the Perkins trademark, and, correspondingly, they will not be covered by Perkins' warranties.

After repeated demands and after careful consideration, Perkins has terminated its licensing and joint venture agreements with PETL. Perkins' application to liquidate the joint venture company by way of special liquidation has been rejected, but Perkins is continuing to take all appropriate steps under the laws of the Peoples Republic of China to push its demand for liquidation.

To protect our customers and the Perkins brand name we believe we must act quickly and firmly.

Perkins continues to be committed to China and we very much want to discuss with you how we can supply you with Perkins branded engines. If you would like to discuss any aspect of this letter or our future business relationship please contact Nigel Lewis, general sales manager, Asia Pacific, Industrial Power Systems, 14 Tractor Road, Singapore 627973, tel 00 65 6867 8452.

We have addressed this letter to you as a senior representative of your company but if you feel more people in your organisation should be aware of the situation then please forward this letter to them.

For your ease of use, we also include a Chinese translation of this letter.

Yours faithfully

Richard Case  
Managing Director  
Industrial Power Systems

**Cc:**     **PETL**  
          Beijing Foton  
          TEDA