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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)**

**CONNECTED TRANSACTION  
SUBSCRIPTIONS OF REGISTERED CAPITAL IN TARGET CO**

The Board is pleased to announce that, on the date hereof, the Company has entered into the Agreement with Shandong Zhonggong, Weichai Heavy-duty Machinery, Shantui Engineering, and Jingu Trust in relation to the Capital Subscriptions by (i) Shandong Zhonggong, (ii) the Company, (iii) Weichai Heavy-duty Machinery, (iv) Shantui Engineering and (v) Jingu Trust in Target Co.

The relevant Capital Subscriptions constitute a connected transaction of the Company and are subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules.

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**I. THE AGREEMENT**

The details of the salient terms of the Agreement are as follows: –

**Date**

16 January 2012

## Parties

- (1) The Company, the principal business of which is the research and development, manufacture and sale of high speed heavy duty diesel engines and engine parts; and, through its subsidiaries, the manufacture and sale of heavy-duty trucks and motor vehicle parts and accessories for heavy-duty trucks;
- (2) Shandong Zhonggong, a state-owned enterprise the principal business of which is the investment and corporate management, planning and organising the operations of enterprises in its group, and the research and development, production and sale of diesel engines and related products, construction machinery and other equipment and components;
- (3) Weichai Heavy-duty Machinery, the principal business of which is 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;
- (4) Shantui Engineering, the principal business of which is the research and development, production, sale, leasing and repair of and provision of consultation service in regard to construction machinery, hoisting and conveying machinery, mining machinery, farmland construction machinery and harvesting machinery and the components. Shantui Engineering is held as to approximately 21.10% by Shandong Zhonggong; and
- (5) Jingu Trust, a non-banking financial institution the principal business of which is the provision of trust and financial services. To the best of the Directors' knowledge, information and belief having made all reasonably enquiry, Jingu Trust and its ultimate beneficial owner are third parties independent of the Company and its connected persons.

Weichai Heavy-duty Machinery is held as to approximately 30.59% by Weichai Holdings, which is a holder of approximately 16.83% of the issued share capital of the Company and a wholly owned subsidiary of Shandong Zhonggong. Accordingly, Weichai Holdings is a connected person of the Company and therefore, Shandong Zhonggong, being the holding company of Weichai Holdings, and Weichai Heavy-duty Machinery, being an associate of Weichai Holdings, are also connected persons of the Company.

## Capital Subscriptions

Each of Shandong Zhonggong, the Company, Weichai Heavy-duty Machinery, Shantui Engineering and Jingu Trust shall contribute to and subscribe for the registered capital in Target Co (each a “**Capital Subscription**”) in the aggregate amount of RMB1 billion in cash as follows:

| <b>Party</b>                 | <b>Consideration<br/>(RMB)</b> |
|------------------------------|--------------------------------|
| Shandong Zhonggong           | 350,000,000                    |
| The Company                  | 200,000,000                    |
| Weichai Heavy-duty Machinery | 200,000,000                    |
| Shantui Engineering          | 200,000,000                    |
| Jingu Trust                  | 50,000,000                     |

The said considerations for the relevant Capital Subscriptions shall be paid after the written approval of CBRC for the establishment of Target Co, which has been obtained, and before the submission of the formal written application for the commencement of business of Target Co, according to the written request of Shandong Zhonggong.

The said considerations for the relevant Capital Subscriptions were determined after arm’s length negotiation between the Company and the other parties and were determined based on the registered capital of Target Co.

Upon its establishment, Target Co will have an aggregate registered capital in the amount of RMB1 billion, and the equity capital structure of Target Co will be as follows:

| <b>Party</b>                 | <b>Approximate percentage<br/>of equity interest<br/>(%)</b> |
|------------------------------|--|
| Shandong Zhonggong           | 35%  |
| The Company                  | 20%  |
| Weichai Heavy-duty Machinery | 20%  |
| Shantui Engineering          | 20%  |
| Jingu Trust                  | 5%   |

## Other terms

Pursuant to the Agreement, each of Shandong Zhonggong, the Company, Weichai Heavy-duty Machinery, Shantui Engineering and Jingu Trust shall not transfer its equity interest in Target Co within three years after the establishment of Target Co.

## **Information on Target Co**

Target Co shall be an enterprise with limited liability to be established by Shandong Zhonggong in the PRC according to the terms of the Agreement. The principal businesses of Target Co shall include the provision of capital settlement, credit services, services relating to bills, the relevant intermediary services and other services approved by CBRC to the members of the Shandong Zhonggong Group.

## **II. REASONS FOR THE CAPITAL SUBSCRIPTIONS**

The purpose of the Capital Subscriptions and the establishment of Target Co is to set up a financial institution within the Shandong Zhonggong Group to satisfy the various needs for financial services of the Shandong Zhonggong Group, including the Company. It is expected that such arrangement shall provide a capital platform for the development of the businesses of the Group and facilitate the enhancement of the core competitiveness and industrial influence of the Group.

The Board is of the view that the Capital Subscriptions to be made by the Group and the establishment of Target Co are in line with the Group's policy of expansion and will benefit the development of the Group's business as a whole.

The Board (including the independent non-executive Directors) considers that the terms of the Capital Subscriptions to be made by the Group are fair and reasonable, are normal commercial terms and are in the interest of the Company and the Shareholders as a whole.

The following Directors have material interests in the Capital Subscriptions and have abstained from voting at the Board meeting approving the same: Tan Xuguang, Xu Xinyu, Sun Shaojun, Zhang Quan, Zhang Fusheng, Liu Huisheng, Chen Xuejian and Liu Zheng.

## **III. LISTING RULES IMPLICATIONS**

As both the Group and its connected persons are parties to the Agreement, and certain of the applicable percentage ratios (as defined in Chapter 14 of the Listing Rules) for the relevant Capital Subscriptions are more than 0.1% but less than 5% and the consideration involved shall be more than HK\$1,000,000, in accordance with Chapter 14A of the Listing Rules, the relevant Capital Subscriptions are subject to the reporting and announcement requirements under the Chapter 14A of the Listing Rules.

#### IV. DEFINITIONS

In this announcement, the following terms and expressions (unless the context otherwise requires) shall have the following meanings:

|                            |   |
|----------------------------|---|
| “Agreement”                | the capital subscription agreement dated 16 January 2012 as more particularly set out in the section headed “I. The Agreement” in this announcement                                       |
| “Capital Subscription(s)”  | has the meaning ascribed to it under the section headed “I. The Agreement” in this announcement   |
| “CBRC”                     | 中國銀行業監督管理委員會 (China Banking Regulatory Commission)  |
| “Company”                  | 濰柴動力股份有限公司 (Weichai Power Co., Ltd.), a joint stock limited company incorporated in the PRC with limited liability  |
| “Directors”                | the directors of the Company  |
| “Group”                    | the Company and its subsidiaries  |
| “Hong Kong”                | the Hong Kong Special Administrative Region of the People’s Republic of China   |
| “Jingu Trust”              | 中國金谷國際信託有限責任公司 (China Jingu International Trust Co., Ltd.), an enterprise established in the PRC  |
| “Listing Rules”            | the Rules Governing the Listing of Securities on the Stock Exchange   |
| “PRC”                      | the People’s Republic of China  |
| “RMB”                      | Renminbi, the lawful currency of the People’s Republic of China   |
| “Shandong Zhonggong”       | 山東重工集團有限公司 (Shandong Heavy Industry Group Co., Ltd.), a PRC State-owned enterprise and a connected person of the Company  |
| “Shandong Zhonggong Group” | (i) Shandong Zhonggong, (ii) its subsidiaries, and (iii) entities in which Shangdong Zhonggong or its subsidiaries directly or indirectly holds an equity interest, including the Company |

|                                |   |
|--------------------------------|---|
| “Shantui Engineering”          | 山推工程機械股份有限公司 (Shantui Engineering Machinery Co., Ltd.), an enterprise established in the PRC                                |
| “Shareholder(s) ”              | holder(s) of the shares in the Company  |
| “Stock Exchange”               | The Stock Exchange of Hong Kong Limited   |
| “Target Co”                    | 山東重工集團財務有限公司 (Shandong Zhonggong Group Finance Co., Ltd.), an enterprise to be established in the PRC                       |
| “Weichai Heavy-duty Machinery” | 濰柴重機股份有限公司 (Weichai Heavy Duty Machinery Co., Ltd.), 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), a company established in the PRC and a connected person of the Company; and    |
| “%”                            | per cent.   |

By order of the Board  
**Tan Xuguang**  
Chairman and CEO

Hong Kong, 16 January 2012

*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.*