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WEICHAI

潍柴动力股份有限公司

WEICHAI POWER CO., LTD.

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

(Stock Code: 2338)

ANNOUNCEMENT CONTINUING CONNECTED TRANSACTIONS

FINANCIAL SERVICES AGREEMENT

On 30 June 2012, the Company entered into the Financial Services Agreement with Shandong Finance. Pursuant to the Financial Services Agreement, Shandong Finance has agreed to provide, inter alia, certain deposit services to the Company in accordance with the terms and conditions set out in the Financial Services Agreement. Shandong Finance is a non-banking financial institution with the approval of the CBRC.

THE LISTING RULES IMPLICATIONS

Shandong Heavy Industry is a substantial shareholder of the Company indirectly holding approximately 16.83% of the issued share capital of the Company. As Shandong Heavy Industry holds 35% equity interest in Shandong Finance, Shandong Finance is an associate of Shandong Heavy Industry and therefore a connected person of the Company under the Listing Rules. Accordingly, the Financial Services Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the relevant percentage ratios calculated in accordance with the Listing Rules for the deposit services under the Financial Services Agreement exceed 0.1% and are less than 5%, the deposit services to be provided by Shandong Finance to the Company are subject to the reporting and announcement requirements under Rules 14A.45 and 14A.47 of the Listing Rules but are exempt from the independent shareholders' approval requirement under Rule 14A.48 of the Listing Rules.

I. INTRODUCTION

On 30 June 2012, the Company entered into the Financial Services Agreement with Shandong Finance. Pursuant to the Financial Services Agreement, Shandong Finance has agreed to provide, inter alia, certain deposit services to the Company in accordance with the terms and conditions set out in the Financial Services Agreement. Shandong Finance is a non-banking financial institution with the approval of the CBRC.

The Group utilizes the services of Shandong Finance on a voluntary, non-exclusive basis and is not under any obligations to engage Shandong Finance for any particular service. Shandong Finance is merely one of a number of financial institutions providing financial services to the Group.

II. FINANCIAL SERVICES AGREEMENT

Date: 30 June 2012

Parties: (1) the Company; and
(2) Shandong Finance

The transactions under the Financial Services Agreement are non-exclusive and the Company has the right to decide whether it requires and accepts the financial services to be provided by Shandong Finance, and to choose the financial institution at its discretion to engage the financial services, with reference to its own business needs.

Effective date and term

The Financial Services Agreement shall become effective on the execution date of the Financial Services Agreement and has a term of one year, which upon expiry, shall be automatically renewed for a term of one year on a mutually agreed basis, unless both parties agree to terminate the same or either party serves a written notice to the other party to terminate the same.

Deposit services

Shandong Finance shall provide certain deposit services to the Company, the principal terms of which are as follows:

- (a) the interest rate for the deposit of the Company's funds with Shandong Finance shall, subject to the compliance of the relevant requirements of the People's Bank of China, be no less than the highest interest rate for the same type of deposit offered by the major commercial banks in the PRC for the same period; and

- (b) the maximum daily balance (including interests) of the Company's account with Shandong Finance shall not exceed RMB1.14 billion throughout the term of the Financial Services Agreement.

Other terms of the Financial Services Agreement

In addition to the abovementioned deposit services, Shandong Finance has also agreed to provide the following financial services to the Company:

(1) Loan services

Shandong Finance shall provide certain loan services to the Company pursuant to the Financial Services Agreement. As the said loan services to be provided by Shandong Finance to the Company are on normal commercial terms similar to or more favourable than those offered by other financial institutions for the provision of comparable services in the PRC and are for the benefit of the Group, and no security over the assets of the Company is granted in respect of such loan services, the loan service to be provided by Shandong Finance to the Company under the Financial Services Agreement are exempt from all reporting, announcement and independent shareholders' approval requirements under Rule 14A.65(4) of the Listing Rules.

For completeness, the major terms of the said loan services to be provided by Shandong Finance to the Company are set out below for shareholders' information:

- (a) the loan services to be provided by Shandong Finance include the provision of loans, discounted notes and bill acceptance services and the grant of credit facilities within the scope allowed by the laws, regulations and policies of the PRC and in accordance with the requirements of the CBRC;
- (b) the interest rate for the loan services to be provided by Shandong Finance to the Company shall, subject to the compliance of the relevant requirements of the People's Bank of China in relation to the interest of loans, not exceed the lowest interest rate for the same type and class of loan provided by other financial institutions in the PRC to the Company for the same period;
- (c) the Company shall not be required to provide any security over its assets for the loan services; and
- (d) Shandong Finance shall provide a credit facility in respect of the loan services of up to RMB5 billion to the Company and the interest that shall accrue thereunder shall not exceed RMB0.3 billion.

(2) *Miscellaneous financial services*

Shandong Finance shall also provide certain other miscellaneous financial services to the Company pursuant to the Financial Services Agreement. In respect of the provision of such financial services by Shandong Finance to the Company, as the Company expects that all the percentage ratios (if applicable) of the relevant annual fees payable by the Company to Shandong Finance in aggregate will be below 0.1%, the provision of such financial services by Shandong Finance to the Company will be exempt from the reporting, announcement and independent shareholders' approval requirements under the Listing Rules according to Rule 14A.33.

For completeness, the major terms of the provision of such financial services by Shandong Finance to the Company are set out below for shareholders' information:

- (a) the miscellaneous financial services include settlement services to be provided by Shandong Finance to the Company, pursuant to which Shandong Finance will provide payment and receipt services as well as other ancillary services related to such settlement services and other financial services within the business scope of Shandong Finance;
- (b) the fees to be charged by Shandong Finance for (i) the provision of the settlement services shall not exceed the lowest rate for the same type of services provided by other financial institutions in the PRC to the Company in the same period; and (ii) the other financial services shall not exceed the fair market price or the standard rates imposed according to the PRC regulations.

III. PROPOSED CAP AND REASONS

Deposit services

The Board, having considered (1) the future business development plan and financial requirements of the Group; and (2) the estimated future cash flow of the Group, proposed that the maximum daily deposit balance (including interests) of the Company's account with Shandong Finance shall not exceed RMB1.14 billion from 30 June 2012 to 29 June 2013.

Loan services and miscellaneous financial services

As disclosed above, the provision of loan services and miscellaneous financial services by Shandong Finance to the Company are exempt from the reporting, announcement and independent shareholders' requirements under the Listing Rules according to Rule 14A.65(4) and Rule 14A.33 of the Listing Rules, respectively. As such, no annual cap is required to be set in such regard.

IV. INTERNAL CONTROL PROCEDURES

To secure the shareholders' interests, Shandong Finance has given certain undertakings under the Financial Services Agreement and the Company has adopted certain internal control procedures, pursuant to which:

1. Shandong Finance shall ensure that it is in strict compliance with the requirements of the relevant PRC financial laws and regulations;
2. the monthly report or financial statements of Shandong Finance for each month will be provided to the Group;
3. the Company shall regularly review and obtain the relevant documents such as account books, financial statements and audit reports of Shandong Finance in order to assess the business of Shandong Finance and its financial risk and position; and
4. the Company shall be notified immediately on the occurrence of circumstances that may cause harm to the security of the Group's deposits or on the occurrence of any other circumstances that may jeopardise the security of the Group's deposits. In the event that the relevant risks cannot be eliminated, the Company shall take relevant actions to withdraw all deposits.

The Board considers that the above undertakings given by Shandong Finance and internal control procedures adopted by the Company in respect of the transactions under the Financial Services Agreement are appropriate and that they will give sufficient assurance to the shareholders that the transactions under the Financial Services Agreement will be appropriately monitored by the Company.

V. GENERAL

The Company approved the Financial Services Agreement and the transactions contemplated thereunder in the Board meeting held on 30 June 2012.

At the aforesaid Board meeting, Mr. Tan Xuguang, Mr. Jiang Kui and Mr. Liu Huisheng have abstained from voting in respect of the resolutions approving such transactions in view of their respective interest and/or position (as the case may be) in Shandong Heavy Industry. Save as disclosed above, none of the Directors has a material interest in such transactions and have abstained from voting.

VI. REASONS AND BENEFITS FOR THE FINANCIAL SERVICES AGREEMENT

The reasons for the Company to enter into the Financial Services Agreement with Shandong Finance are as follows:

1. the rates charged by the Shandong Finance for the deposit services, loan services and miscellaneous financial services to be provided to the Company is equal to or more favourable than those charged by major commercial banks and other financial institutions in the PRC for the same type of financial services provided to the Company;
2. the activities of Shandong Finance are regulated by the CBRC and Shandong Finance provides services within its approved scope in accordance with its operational requirement; and
3. the Company directly holds 20% equity interest of Shandong Finance, which allows it to benefit from the profits of Shandong Finance.

The transactions under the Financial Services Agreement facilitates the Group to increase the efficiency of fund utilisation, and reduce the cost of financing. It will not be detrimental to the interests of the Company and will not affect the independency of the Company.

The Directors (including independent non-executive Directors) consider that the Financial Services Agreement has been negotiated on arm's length basis and is on normal commercial terms. The terms of the Financial Services Agreement, the transactions contemplated thereunder, the proposed cap in respect of the deposit services and the estimated fees payable for the related financial services are fair and reasonable and in the interests of the Company and the shareholders as a whole.

VII. LISTING RULES IMPLICATIONS

Shandong Heavy Industry is a substantial shareholder of the Company holding approximately 16.83% of the issued share capital of the Company. As Shandong Heavy Industry holds 35% equity interest in Shandong Finance, Shandong Finance is an associate of Shandong Heavy Industry and therefore a connected person of the Company under the Listing Rules. Accordingly, the Financial Services Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the relevant percentage ratios calculated in accordance with the Listing Rules for the deposit services under the Financial Services Agreement exceed 0.1% and are less than 5%, the deposit services to be provided by Shandong Finance to the Group are subject to the reporting and announcement requirements under Rules 14A.45 and 14A.47 of the Listing Rules but are exempt from the independent shareholders' approval requirement under Rule 14A.48 of the Listing Rules.

VIII. INFORMATION OF THE PARTIES

The Company

The Company is principally engaged in the research and development, manufacture and sale of high-speed heavy-duty diesel engines and engine parts.

Shandong Finance

The business scope of Shandong Finance includes the following businesses in domestic and foreign currencies: (1) provision of finance services and financing consultancy services to its member companies, provision of credit verification and related consultancy and agency services to its member companies; (2) provision of assistance to its member companies in payment and receipt of transaction proceeds; (3) provision of approved insurance agency services; (4) provision of guarantees to its member companies; (5) dealing with entrusted loans among its member companies; (6) provision of bill acceptance and discounting services to its member companies; (7) provision of intra-group transfer and settlement services to its member companies and planning of clearing and settlement scheme; (8) provision of its deposit services to its member companies; (9) provision of loans and finance leasing services to member companies; (10) provision of interbank loans;

IX. DEFINITIONS

In this announcement, unless the context requires otherwise, the following terms have the meanings set out below:

“associate”	has the meaning ascribed thereto under the Listing Rules;
“Board”	the board of Directors;
“CBRC”	China Banking Regulatory Commission;
“Company”	潍柴动力股份有限公司 (Weichai Power Co., Ltd.), a company established in the PRC with limited liability;
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“Financial Services Agreement”	the financial services agreement entered into between the Company and Shandong Finance on 30 June 2012;
“Group”	the Company and its subsidiaries;

“Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange;
“PRC”	the People’s Republic of China;
“RMB”	Renminbi, the lawful currency of the PRC;
“Shandong Finance”	山東重工集團財務有限公司 (Shandong Heavy Industry Group Finance Co., Ltd.*), a company established in the PRC with limited liability which is owned as to 35%, 20%, 20%, 20% and 5% by Shandong Heavy Industry, the Company, 濰柴重機股份有限公司 (Weichai Heavy-duty Machinery Co., Ltd.*), 山推工程機械股份有限公司 (Shantui Engineering Machinery Co., Ltd.*) and 中國金谷國際信託有限責任公司 (China Jingu International Trust Co., Ltd*), respectively;
“Shandong Heavy Industry”	山東重工集團有限公司 (Shandong Heavy Industry Group Co., Ltd.*), a substantial shareholder and connected person of the Company, the entire capital of which is held by the State-owned Assets Supervision and Administration Commission of Shandong Province;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and
“%”	Percentage.

* For identification purposes only

By order of the Board
Weichai Power Co., Ltd.
Tan Xuguang
Chairman and CEO

The PRC
30 June 2012

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.