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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**

SUMMARY

The Board announces that on 26 October 2012, the Group entered into the Supply Framework Agreements with Yangzhou Yaxing in respect of the sale of certain diesel engines, transmissions, axles and related products by the Group to Yangzhou Yaxing as more particularly described herein.

As at the date this announcement, Weichai Holdings is a substantial shareholder and a connected person of the Company. Since Yangzhou Yaxing is a subsidiary of Weichai Holdings, Yangzhou Yaxing is an associate of Weichai Holdings and a connected person of the Company under Chapter 14A of the Listing Rules. The entering into the Supply Framework Agreements and the transactions contemplated thereunder constitute continuing connected transactions of the Company.

As certain of the relevant percentage ratios calculated in accordance with the Listing Rules for the Continuing Connected Transactions under the Supply Framework Agreements in aggregate exceed the 0.1% Threshold but do not exceed the 5% Threshold, the Continuing Connected Transactions are 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 but are exempt from the independent shareholders' approval requirement under Rule 14A.48 of the Listing Rules.

I. INTRODUCTION

On 26 October 2012, the Group entered into the Supply Framework Agreements with Yangzhou Yaxing in respect of the sale of certain diesel engines, transmissions, axles and related products by the Group to Yangzhou Yaxing as more particularly described herein.

A summary of the Continuing Connected Transactions, the Supply Framework Agreements and the New Caps (and their bases of determination) 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:

Name of connected person	Name of Group Company	Connected person's relationship with the Group	Nature of the connected transaction with the Group
1. Yangzhou Yaxing	The Company	Indirectly held as to 51% by Weichai Holdings	Sale of diesel engines and related products by the Company to Yangzhou Yaxing
2. Yangzhou Yaxing	SFGC (<i>note 1</i>)	Indirectly held as to 51% by Weichai Holdings	Sale of transmissions by SFGC to Yangzhou Yaxing
3. Yangzhou Yaxing	Hande Axle (<i>note 2</i>)	Indirectly held as to 51% by Weichai Holdings	Sale of axles by Hande Axle to Yangzhou Yaxing
4. Yangzhou Yaxing	Weichai Yangzhou (<i>note 3</i>)	Indirectly held as to 51% by Weichai Holdings	Sale of diesel engines by Weichai Yangzhou to Yangzhou Yaxing

Notes:

1. SFGC is a 51% subsidiary of the Company.
2. Hande Axle is held as to approximately 3.06% by the Company and as to 94% by Shaanxi Zhongqi, which is a 51% subsidiary of the Company.
3. Weichai Yangzhou is a 80% subsidiary of Weichai Technology, which is in turn wholly-owned by the Company.

A summary of the New Cap for each of the Continuing Connected Transactions is set out below:

Details of relevant Continuing Connected Transaction between Yangzhou Yaxing and the Group	New Caps 2012 RMB
1. Sale of diesel engines and related products by the Company to Yangzhou Yaxing	75,000,000
2. Sale of transmissions by SFGC to Yangzhou Yaxing	4,300,000
3. Sale of axles by Hande Axle to Yangzhou Yaxing	6,200,000
4. Sale of diesel engines by Weichai Yangzhou to Yangzhou Yaxing	3,000,000

Summary of the Continuing Connected Transactions and the Supply Framework Agreements

1. Continuing Connected Transaction between the Company and Yangzhou Yaxing

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.

Yangzhou Yaxing

Yangzhou Yaxing is principally engaged in the development, manufacture and sale of passenger vehicles. Yangzhou Yaxing is indirectly held as to 51% by Weichai Holdings, a substantial shareholder of the Company. Accordingly, Yangzhou Yaxing is an associate of Weichai Holdings, and a connected person of the Company.

Sale of diesel engines and related products by the Company to Yangzhou Yaxing

Agreement	:	Diesel engines supply framework agreement (the “ Weichai Power Diesel Engines Supply Framework Agreement ”)
Date	:	26 October 2012
Parties	:	1. The Company 2. Yangzhou Yaxing
Term	:	1 January 2012 to 31 December 2012

The Weichai Power Diesel Engines Supply Framework Agreement sets out the general terms and conditions for the sale of diesel engines and related products by the Company to Yangzhou Yaxing for a term from 1 January 2012 to 31 December 2012, upon the expiry of which the parties may renew the agreement on a mutually agreed basis. The said diesel engines and related products shall be sold by the Company to Yangzhou Yaxing from time to time with reference to market prices and settled on a monthly basis. The transactions shall be subject to normal commercial terms and terms no less favourable to the Company than those available to the Company from independent third parties.

The Company estimates that the transaction amount involved in this Continuing Connected Transaction as set out in this sub-section 1 will not exceed RMB75,000,000 for the year ending 31 December 2012 and such amount has accordingly been set as the New Cap for this Continuing Connected Transaction.

The table below summarises the actual transaction amounts involved for the two years ended 31 December 2010 and 31 December 2011 (audited) and the nine months ended 30 September 2012 (unaudited) for the Continuing Connected Transaction as set out in this sub-section 1:

	Year ended 31 December		Nine months ended 30 September
	2010	2011	2012
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Actual transaction amount	6,180,137	24,802,350	48,570,530

Yangzhou Yaxing purchases the said diesel engines and related products from the Company as one of the components for the production of passenger vehicles. In view of the expected increase in Yangzhou Yaxing's production volume of passenger vehicles, positive market outlook for Yangzhou Yaxing's passenger vehicles and increasing demand for diesel engines and related products from Yangzhou Yaxing, the Company expects the transaction amount to increase for the year 2012.

The New Cap has been prepared by the Company primarily based on the relevant historical transaction amounts and the abovementioned expectations.

As the New Cap for this Continuing Connected Transaction for the year ending 31 December 2012 (when aggregated with the New Caps for the same period under sub-sections 2, 3 and 4) exceeds the 0.1% Threshold but 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 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.

Since this Continuing Connected Transaction for the year ending 31 December 2012 is an Exempt Continuing Connected Transaction, the New Cap is not subject to the approval of the Independent Shareholders under the Listing Rules.

2. *Continuing Connected Transaction between SFGC and Yangzhou Yaxing*

SFGC is principally engaged in the manufacture, sale, design and development of transmissions and other motor vehicle parts and components such as gears. SFGC is a 51% subsidiary of the Company.

Sale of transmissions by SFGC to Yangzhou Yaxing

Agreement	:	Transmissions supply framework agreement (the “ Transmissions Supply Framework Agreement ”)
Date	:	26 October 2012
Parties	:	1. SFGC 2. Yangzhou Yaxing
Term	:	1 January 2012 to 31 December 2012

The Transmissions Supply Framework Agreement sets out the general terms and conditions for the sale of transmissions by SFGC to Yangzhou Yaxing for a term from 1 January 2012 to 31 December 2012, upon the expiry of which the parties may renew the agreement on a mutually agreed basis. The said transmissions shall be sold by SFGC to Yangzhou Yaxing from time to time with reference to market prices and settled on a monthly basis. The transactions shall be subject to normal commercial terms and terms no less favourable to SFGC than those available to SFGC from independent third parties.

The Company estimates that the transaction amount involved in this Continuing Connected Transaction as set out in this sub-section 2 will not exceed RMB4,300,000 for the year ending 31 December 2012 and such amount has accordingly been set as the New Caps for this Continuing Connected Transaction.

The table below summarises the actual transaction amounts involved for the two years ended 31 December 2010 and 31 December 2011 (audited) and the nine months ended 30 September 2012 (unaudited) for the Continuing Connected Transaction as set out in this sub-section 2:

	Year ended 31 December		Nine months ended 30 September
	2010	2011	2012
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Actual transaction amount	10,600	597,436	1,197,094

Yangzhou Yaxing purchases the said transmissions from SFGC as one of the components for the production of passenger vehicles. In view of the expected increase in Yangzhou Yaxing's production volume of passenger vehicles, positive market outlook for Yangzhou Yaxing's passenger vehicles and Yangzhou Yaxing's increasing demand for transmissions from SFGC, the Company expects the transaction amount to increase for the year 2012.

The New Cap has been prepared by the Company primarily based on the relevant historical transaction amounts and the abovementioned expectations.

As the New Cap for this Continuing Connected Transaction for the year ending 31 December 2012 (when aggregated with the New Caps for the same period under sub-sections 1, 3 and 4) exceeds the 0.1% Threshold but 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 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.

Since this Continuing Connected Transaction for the year ending 31 December 2012 is an Exempt Continuing Connected Transaction, the New Cap is not subject to the approval of the Independent Shareholders under the Listing Rules.

3. *Continuing Connected Transaction between Hande Axle and Yangzhou Yaxing*

Hande Axle is principally engaged in the research and development, production, sale and services of vehicle axles and their parts and components. Hande Axle is held to approximately 3.06% by the Company and as to 94% by Shaanxi Zhongqi, which is a 51% subsidiary of the Company.

Sale of axles by Hande Axle to Yangzhou Yaxing

Agreement	:	Axles supply framework agreement (the “ Axles Supply Framework Agreement ”)
Date	:	26 October 2012
Parties	:	1. Hande Axle 2. Yangzhou Yaxing
Term	:	1 January 2012 to 31 December 2012

The Axles Supply Framework Agreement sets out the general terms and conditions for the sale of axles by Hande Axle to Yangzhou Yaxing for a term from 1 January 2012 to 31 December 2012, upon the expiry of which the parties may renew the agreement on a mutually agreed basis. The said axles shall be sold by Hande Axle to Yangzhou Yaxing from time to time with reference to market prices and with a payment term of two months. The transactions shall be subject to normal commercial terms and terms no less favourable to Hande Axle than those available to Hande Axle from independent third parties.

The Company estimates that the transaction amount involved in this Continuing Connected Transaction as set out in this sub-section 3 will not exceed RMB6,200,000 for the year ending 31 December 2012 and such amount has accordingly been set as the New Cap for this Continuing Connected Transaction.

The table below summarises the actual transaction amounts involved for the year ended 31 December 2011 (audited) and the nine months ended 30 September 2012 (unaudited) for the Continuing Connected Transaction as set out in this sub-section 3:

	Year ended 31 December 2011 RMB	Nine months ended 30 September 2012 RMB
Actual transaction amount	1,043,590	1,604,581

Yangzhou Yaxing purchases the said axles from Hande Axle as one of the components for the production of passenger vehicles. Hande Axle completed its product testing phase in 2011 and it is expected that the demand for the said axles will increase rapidly. In view of expected increase in Yangzhou Yaxing’s production volume of passenger vehicles, positive market outlook for Yangzhou Yaxing’s passenger vehicles and rapidly increasing demand for axles from Yangzhou Yaxing, the Company expects the transaction amount to increase substantially for the year 2012.

The New Cap has been prepared by the Company primarily based on the relevant historical transaction amounts and the abovementioned expectations.

As the New Cap for this Continuing Connected Transaction for the year ending 31 December 2012 (when aggregated with the New Caps for the same period under sub-sections 1, 2 and 4) exceeds the 0.1% Threshold but 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 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.

Since this Continuing Connected Transaction for the year ending 31 December 2012 is an Exempt Continuing Connected Transaction, the New Cap is not subject to the approval of the Independent Shareholders under the Listing Rules.

4. *Continuing Connected Transaction between Weichai Yangzhou and Yangzhou Yaxing*

Weichai Yangzhou is principally engaged in the design, development, manufacture, sale and maintenance of diesel engines. Weichai Yangzhou is a 80% subsidiary of Weichai Technology, which is in turn wholly-owned by the Company.

Sale of diesel engines by Weichai Yangzhou to Yangzhou Yaxing

Agreement	:	Diesel engines supply framework agreement (the “Weichai Yangzhou Diesel Engines Supply Framework Agreement”)
Date	:	26 October 2012
Parties	:	1. Weichai Yangzhou 2. Yangzhou Yaxing
Term	:	1 January 2012 to 31 December 2012

The Weichai Yangzhou Diesel Engines Supply Framework Agreement sets out the general terms and conditions for the sale of diesel engines by Weichai Yangzhou to Yangzhou Yaxing for a term from 1 January 2012 to 31 December 2012, upon the expiry of which the parties may renew the agreement on a mutually agreed basis. The said diesel engines shall be sold by Weichai Yangzhou to Yangzhou Yaxing from time to time with reference to market prices and settled on a monthly basis. The transactions shall be subject to normal commercial terms and terms no less favourable to Weichai Yangzhou than those available to Weichai Yangzhou from independent third parties.

The Company estimates that the transaction amount involved in this Continuing Connected Transaction as set out in this sub-section 4 will not exceed RMB3,000,000 for the year ending 31 December 2012 and such amount has accordingly been set as the New Cap for this Continuing Connected Transaction.

The table below summarises the actual transaction amounts involved for the two years ended 31 December 2010 and 31 December 2011 (audited) and the nine months ended 30 September 2012 (unaudited) for the Continuing Connected Transaction as set out in this sub-section 4:

	Year ended 31 December		Nine months ended 30 September
	2010	2011	2012
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Actual transaction amount	605,812	1,925,128	1,148,718

Yangzhou Yaxing purchases the said diesel engines from Weichai Yangzhou as one of the components for the production of passenger vehicles. In view of the expected increase in Yangzhou Yaxing's production volume of passenger vehicles, positive market outlook for Yangzhou Yaxing's passenger vehicles and increasing demand for diesel engines from Yangzhou Yaxing, the Company expects the transaction amount to increase for the year 2012.

The New Cap has been prepared by the Company primarily based on the relevant historical transaction amounts and the abovementioned expectations.

As the New Cap for this Continuing Connected Transaction for the year ending 31 December 2012 (when aggregated with the New Caps for the same period under sub-sections 1, 2 and 3) exceeds the 0.1% Threshold but 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 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.

Since this Continuing Connected Transaction for the year ending 31 December 2012 is an Exempt Continuing Connected Transaction, the New Cap is not subject to the approval of the Independent Shareholders.

III. REASONS FOR THE CONTINUING CONNECTED TRANSACTIONS AND LISTING RULES IMPLICATIONS

The Group is engaged in, *inter alia*, the manufacture and sale of diesel engines, transmissions, axles and related products. Yangzhou Yaxing is principally engaged in the development, manufacture and sale of passenger vehicles. Yangzhou Yaxing purchases diesel engines, transmissions, axles and related products from the Group as components for the production of passenger vehicles. The production volume of passenger vehicles by Yangzhou Yaxing is expected to increase according to its strategic planning in place. The Directors consider that the Continuing Connected Transactions under the Supply Framework Agreements will create synergy potential and strategic benefits between Yangzhou Yaxing and the Group and will also provide a secured source of revenue for the Group.

The Directors (including the independent non-executive Directors) 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 favorable to the Group than those available to or from (as appropriate) independent third parties.

The Directors (including the independent non-executive Directors) are of the view that the Continuing Connected Transactions and the relevant New Caps are fair and reasonable and in the interests of the Shareholders as a whole.

At the meeting of the Board on 26 October 2012 approving, *inter alia*, the Continuing Connected Transactions, Tan Xuguang, Jiang Kui, Xu Xinyu, Sun Shaojun, Zhang Quan and Liu Huisheng have abstained from voting on the resolution in respect of the Continuing Connected Transactions for the reasons of their respective positions in Weichai Holdings, which indirectly holds Yangzhou Yaxing as to 51%.

As the New Caps for the Continuing Connected Transactions in aggregate for the year ending 31 December 2012 do 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.

IV. 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
“Axles Supply Framework Agreement”	has the meaning ascribed to it under the section headed “II. 3. Continuing Connected Transaction between Hande Axle and Yangzhou Yaxing” in this announcement
“Company”	潍柴动力股份有限公司 (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
“Director(s)”	the director(s) of the Company
“Exempt Continuing Connected Transactions”	being those Continuing Connected Transactions the 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 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
“Group”	the Company and its subsidiaries and “Group Company” means any of the same
“Hande Axle”	陕西汉德车桥有限公司 (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

“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“New Cap(s)”	as defined in the section headed “II. Continuing Connected Transactions” in this announcement
“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 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
“Supply Framework Agreements”	the supply framework agreements relating to the Continuing Connected Transactions entered into between the Group and Yangzhou Yaxing as more particularly set out in the section headed “II. Continuing Connected Transactions” in this announcement
“Transmissions Supply Framework Agreement”	has the meaning ascribed to it under the section headed “II. 2. Continuing Connected Transaction between SFGC and Yangzhou Yaxing” in this announcement
“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 Power Diesel Engines Supply Framework Agreement”	has the meaning ascribed to it under the section headed “II. 1. Continuing Connected Transaction between Weichai Power and Yangzhou Yaxing” in this announcement
“Weichai Technology”	濰柴動力(上海)科技發展有限公司 (Weichai Power (Shanghai) Technology Development Co., Ltd), a company established in the PRC and a wholly-owned subsidiary of the Company

“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
“Weichai Yangzhou Diesel Engines Supply Framework Agreement”	has the meaning ascribed to it under the section headed “II. 4. Continuing Connected Transaction between Weichai Yangzhou and Yangzhou Yaxing” in this announcement
“Yangzhou Yaxing”	揚州亞星客車股份有限公司 (Yangzhou Yaxing Motor Coach Co. Ltd.), a company established in the PRC, a subsidiary of Weichai Holdings and a connected person of the Company

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

Hong Kong, 26 October 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.