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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)

POSSIBLE MAJOR TRANSACTION

POSSIBLE ACQUISITION OF SHARES IN KION THROUGH EXERCISE OF THE SUPERLIFT CALL OPTION

THE POSSIBLE ACQUISITION OF SHARES IN KION

Reference is made to the 2012 Announcements, pursuant to which the Company announced that the Framework Agreement has been entered into in respect of the Acquisitions and that certain options, including the Call Options, have been granted. Reference is also made to the First Circular and the 2013 Announcements, which set out, *inter alia*, the details in respect of the possible exercise of the Call Options and the exercise of the KION Call Option.

Following the completion of the Acquisitions on 27 December 2012 (Central European Time) and the exercise of the KION Call Option, the trading of the KION shares on the Frankfurt Stock Exchange commenced on 28 June 2013 (Central European Time) and the Company (through its wholly owned subsidiary, Weichai Lux) is, as at the date of this announcement, the holder of 30% of the issued share capital of KION and 70% of the interest in LHY Co.

As further detailed below, the estimated exercise price of the Superlift Call Option shall be in the sum of EUR95,333,723 (equivalent to approximately HK\$998,840,016), which, when aggregated with the consideration paid by Weichai Lux for the exercise of the KION Call Option, would amount to EUR423,713,723 (equivalent to approximately HK\$4,439,375,790) and exceed the Cap Amount. As such, the Company is required to re-comply with the relevant shareholders' approval requirements under the Listing Rules in respect of the exercise of the Superlift Call Option.

Assuming full exercise of the Superlift Call Option, the Company will (through its wholly owned subsidiary, Weichai Lux) acquire a further 3.3% of the issued share capital of KION and become a holder of 33.3% of the issued share capital of KION.

In order to allow the Board to have the flexibility in exercising the Superlift Call Option (should they decide to do so), the Company proposes to convene the EGM and ask its Shareholders to approve in advance the possible exercise of the Superlift Call Option at the exercise price of EUR95,333,723 and to authorise the Board to exercise the full power to handle matters relating to the exercise of the Superlift Call Option.

LISTING RULES IMPLICATIONS

As certain of the applicable percentage ratios (as defined under the Listing Rules) in respect of the exercise of the Superlift Call Option when aggregated with (i) the Acquisitions, (ii) the granting of certain put options in respect of LHY Co as set out in the 2012 Announcements, and (iii) the exercise of the KION Call Option would be more than 25% but less than 100%, the exercise of the Superlift Call Option will remain a major transaction for the Company and is subject to reporting, announcement and shareholders' approval requirements.

A circular containing, amongst other things, further details of the Superlift Call Option and other information required under the Listing Rules is expected to be despatched to the Shareholders on or before 25 October 2013.

1. INTRODUCTION

Reference is made to the 2012 Announcements, pursuant to which the Company announced that the Framework Agreement has been entered into in respect of the Acquisitions and that certain options, including the Call Options, have been granted. Reference is also made to the First Circular and the 2013 Announcements, which set out, *inter alia*, the details in respect of the possible exercise of the Call Options and the exercise of the KION Call Option.

Following the completion of the Acquisitions on 27 December 2012 (Central European Time) and the exercise of the KION Call Option, the trading of the KION shares on the Frankfurt Stock Exchange commenced on 28 June 2013 (Central European Time) and the Company (through its wholly owned subsidiary, Weichai Lux) is, as at the date of this announcement, the holder of 30% of the issued share capital of KION and 70% of the interest in LHY Co.

At the extraordinary general meeting of the Company held on 22 April 2013 (the “**April EGM**”), in view of the then uncertainty in respect of the structure of the IPO and in turn the actual exercise price of the Call Options, in order to allow the Board to have the flexibility in exercising the Call Options, the Shareholders’ meeting has approved in advance the possible exercise of the Call Options with the aggregate of the exercise price of the Call Options not exceeding the Cap Amount and authorised the Board to handle matters relating to the exercise of the Call Options. As disclosed in the Company’s announcements dated 27 June 2013, the consideration paid by Weichai Lux for the exercise of the KION Call Option was calculated at EUR24 per KION share, aggregating EUR328,380,000 (equivalent to approximately HK\$3,440,535,774), which amount is within the Cap Amount of EUR400,000,000 (equivalent to approximately HK\$4,190,920,000), as approved at the April EGM.

As further detailed below, the estimated exercise price of the Superlift Call Option shall be in the sum of EUR95,333,723 (equivalent to approximately HK\$998,840,016), which, when aggregated with the consideration paid by Weichai Lux for the exercise of the KION Call Option, would amount to EUR423,713,723 (equivalent to approximately HK\$4,439,375,790) and exceed the Cap Amount. The reason for the Cap Amount being exceeded is due to a change in the estimated capital structure of KION for the purpose of the IPO. In order to optimise its capital structure, KION Group originally planned to decrease leverage by a combination of (i) the capitalisation of the Superlift Funding Loan, (ii) the exercise of the KION Call Option by Weichai, and (iii) the IPO. After analysing the financial information of publicly traded peer companies, KION decided to lower its Net Debt/EBITDA ratio to 2.6x. Under this original scenario, the total consideration payable by Weichai for the exercise of the KION Call Option and the Superlift Call Option was calculated to be approximately EUR400,000,000.

In June 2013, KION initiated pre-roadshow in respect of its IPO. The investor’s feedback during this period was generally positive, but many investors expressed concerns about KION’s relatively high leverage ratio. Investors believed that the IPO valuation and pricing could be adversely affected if KION could not further decrease its targeted leverage ratio. In order to ensure a successful IPO, KION decided to increase its planned IPO issue size which would effectively lower its Net Debt/EBITDA ratio to approximately 2.2x. Due to such increase in the total issued capital of KION, the exercise price required to be paid by Weichai Lux to increase its shareholding in KION’s issued capital to 30% through the exercise of KION Call Option became higher than the original estimate. This resulted in the Cap Amount being exceeded when aggregating the estimated exercise price of the Superlift Call Option with the consideration paid by Weichai Lux for the exercise of the KION Call Option. As such, the Company is required to re-comply with the relevant shareholders’ approval requirements under the Listing Rules in respect of the exercise of the Superlift Call Option.

As at the date of this announcement, KION has 98,900,000 shares in issue. Assuming full exercise of the Superlift Call Option and based on the number of the total issued shares of KION as at the date of this announcement, the Company will (through its wholly owned subsidiary, Weichai Lux) acquire further 3,263,700 shares of KION, representing 3.3% of the issued share capital of KION (such further acquisition is referred to as the “**Further Acquisition**”) and become a holder of 32,933,700 shares of KION, representing 33.3% of the issued share capital of KION.

In order to allow the Board to have the flexibility in exercising the Superlift Call Option (should they decide to do so), the Company proposes to convene the EGM to ask its Shareholders to approve in advance the possible exercise of the Superlift Call Option at the exercise price of EUR95,333,723 and to authorise the Board to exercise the full power to handle matters relating to the exercise of the Superlift Call Option.

2. POSSIBLE EXERCISE OF THE SUPERLIFT CALL OPTION

The principal terms of the Superlift Call Option are summarised as follow:

Parties	:	Superlift as grantor and Weichai Lux (a wholly owned subsidiary of the Company) as grantee.
Option shares	:	Weichai Lux is entitled to purchase from Superlift such amount of shares of KION representing 3.3% of KION’s issued share capital at the time of the exercise.
Exercise period	:	The Superlift Call Option is exercisable by Weichai Lux (i) at any time after 27 December 2012, being the date of completion of the Acquisitions, until 30 June 2013 or (ii) during any time within the six months after the completion of the IPO. The Superlift Call Option shall expire in any event at the end of 31 December 2015, if it has not been exercised and completed before that date. Since the IPO has completed on 28 June 2013, the Superlift Call Option is exercisable on or before 28 December 2013.

Exercise price : The exercise price equals to the sum of (i) EUR61,644,000 (the “**Post KION Investment Equity Value**”, equivalent to approximately HK\$645,862,681); and (ii) the pro-rata portion of the aggregate amount of any additional capital contribution, made to KION after the date of completion of the Acquisitions and up to the date of completion of the Superlift Call Option (“**Additional Contribution(s)**”); and (iii) deducting therefrom the pro-rata portion of the aggregate amount of dividends or other distributions made by KION to its shareholders after the date of the completion of the Acquisitions and up to the date of exercise of the Superlift Call Option (“**Post Completion Distributions**”). For calculation purposes of the amount of the Additional Contributions, each Additional Contribution against issuance of new shares shall be adjusted as if it had been made at the Post Kion Investment Equity Value. Since (i) the Superlift Funding Loan in the amount of EUR118,053,844 (equivalent to approximately HK\$1,236,885,540) has been converted into new shares of KION; (ii) the KION Call Option has been exercised by Weichai Lux to subscribe for new KION shares at a consideration of EUR328,380,000 (equivalent to approximately HK\$3,440,535,774), and (iii) an aggregate amount of EUR413,423,712 (equivalent to approximately HK\$4,331,564,258) has been raised by KION in the IPO, having adjusted the above capital contributions as if each had been made at the Post Kion Investment Equity Value and assuming there are no further Additional Contributions or Post Completion Distribution, the exercise price of the Superlift Call Option shall be in the amount of EUR95,333,723 (equivalent to approximately HK\$998,840,016).

If Weichai Lux exercises the Superlift Call Option, the exercise price shall be settled by Weichai Lux after all requisite conditions precedent (as set out in the subparagraph headed “Conditions precedent” below) are met. The closing shall be subject to a long-stop period of three months after the date of the relevant sale and transfer agreement which has to be concluded between Superlift and Weichai Lux within one month following the exercise of the Superlift Call Option. The period of four months in total is the estimated maximum period required for entering into a sale and transfer agreement in respect of the KION shares and completion of the conditions precedent thereto in connection with the exercise of the Superlift Call Option.

The exercise price was determined after arm's length commercial negotiations between the parties to the Framework Agreement and the KION Shareholders' Agreement based on the initial investment price for the Acquisitions.

With respect to the process on the negotiation and determination of the consideration for the Acquisitions, after arm's length commercial negotiations based on publicly available information, the Company and KION based their further negotiation process on a preliminary initial price for the Acquisitions. Subsequently, KION provided information to the Company and its advisory team, including financial adviser, accounting and tax adviser, industry consultant and legal advisers, to conduct further due diligence.

A combination of factors were considered when assessing the initial price for the investments in KION, including:

- (a) a review of the business performance of KION;
- (b) an evaluation of the trends of the forklift truck industry;
- (c) an evaluation of the scale, sales and production capabilities, products, technologies and brands of KION and benchmarking against its industry peers;
- (d) an evaluation of strategic benefits that may arise from the strategic collaboration between the Company and KION; and
- (e) comparable analyses by the Company's financial adviser, including:
 - (i) a review of the then current and historical market trading multiples of comparable companies in the forklift truck industry; and
 - (ii) a review of the transaction multiples of comparable precedents involving forklift truck companies.

Based on the above analyses, the initial price was considered within the range acceptable for further negotiation. The Company continued to further negotiate with KION and managed to lower the consideration for the Acquisitions further.

Based on the factors above, the Board approved the Acquisitions on 31 August 2012 and considered the amount of the consideration to be fair and reasonable and in the interest of the Shareholders as a whole.

- Conditions precedent :
- Pursuant to the KION Shareholders' Agreement, the exercise of the Superlift Call Option is conditional upon the satisfaction (or where permitted under applicable law waiver) of the following conditions:
- (i) the Company being granted all necessary merger control clearances with regard to the acquisition of further shares in KION;
 - (ii) the Company obtaining clearance under the German Foreign Trade Regulation, if necessary;
 - (iii) the Company obtaining all necessary PRC governmental approval for the acquisition of further shares in KION through the exercise of the Superlift Call Option;
 - (iv) the necessary approval in relation to the acquisition of further shares in KION through the exercise of the Superlift Call Option being granted by the Shareholders; and
 - (v) there being no injunction or other court order or governmental order in a member state of the European Union, the United States and Switzerland prohibiting the acquisition of further shares in KION by Weichai Lux.

As at the date of this announcement, the condition precedent under sub-paragraph (ii) have been satisfied and the Company has no intention to waive any of the other conditions precedent set out above.

Pursuant to the terms of the KION Shareholders' Agreement, as soon as Weichai Lux holds 30% or more of the shares in KION, the parties shall take, within the given legal framework, all actions in order to ensure that three out of eight shareholder representatives of the supervisory board of KION (the supervisory board consists of sixteen members, eight of them being shareholder representatives and eight of them being employee representatives) are members who are nominated by Weichai Lux, among which one shall be an independent supervisory board member. As at the date of this announcement, Mr. Tan Xuguang (an executive Director and Chairman of the

Company), Mr. Jiang Kui (a non-executive Director) and Mr. John Feldmann, being the nominees of Weichai Lux, served as shareholder representatives on the supervisory board of KION. Although Mr. John Feldmann does not hold any position in the Group, he has served on the supervisory boards of numerous companies and has extensive experience in business management.

In addition, pursuant to the KION Shareholders' Agreement, in the event that Weichai Lux shall, upon the exercise of the KION Call Option and the Superlift Call Option, hold at least 33.3% of the issued share capital of KION after the completion of the IPO, and either Superlift or Weichai Lux desires to transfer any of its KION shares, the other relevant shareholder will be entitled to exercise a right of first offer to purchase such shares. Further, the parties under the KION Shareholders' Agreement agreed that if following the completion of the IPO, Weichai Lux holds at least 33.3% of the issued share capital of KION, they will support, within the given legal framework, the election of a member of the supervisory board designated by Weichai Lux to become the chairman of the supervisory board of KION.

The German stock corporation has a mandatory two-tier board system: The management board (Vorstand) is the executive body in charge of the actual management of the company, whereas the supervisory board's (Aufsichtsrat) powers are limited to supervisory functions, which include, in addition to certain approval requirements, as set out below, reporting and consultation rights vis-a-vis the management board.

The supervisory board will appoint the members of the management board and may revoke an appointment, but only for cause (e.g. in case of material breach by a member of the management board of its duties). The supervisory board shall be in charge of the supervision of the management board of KION, and major business decisions (including major business combinations, acquisitions, restructurings, divestitures, investments, financing arrangements and other significant matters outside the normal course of business) shall require the prior consent of the supervisory board. In addition to matters reserved for supervisory board approval under the rules of procedure for the management board, the supervisory board may specify further matters that are subject to its approval (provided that they relate to material transactions or other matters outside the normal business). On the other hand, the supervisory board has no right to interfere with the normal day to day business of the corporation or to give specific directions to the management board.

The chairman of supervisory board shall convene and chair the meetings of the supervisory board. The chairman also has an important role in coordinating the work of the supervisory board and its committees and is the primary contact person for the management board. Further, the chairman has a casting vote in the event of a tie. This may be important also because under the German employee co-determination system half of the supervisory board's members are employee representatives.

3. INFORMATION ON KION AND SUPERLIFT

(a) KION

Insofar as the Company is aware, KION is the holding company of the KION Group. The KION Group, comprising of various entities which carry business under six brands, namely Linde, STILL, Fenwick, OM STILL, Baoli and Voltas, is the largest manufacturer of industrial trucks in Europe and the second largest manufacturer globally by revenue and units. In China, the KION Group is a leading international supplier. The Linde and STILL brands serve the premium segment worldwide. Fenwick is the largest supplier of material-handling products in France, while OM STILL is a market leader in Italy. The Baoli brand focuses on the economy segment, in particular in China and other emerging markets, and Voltas is one of the two market leaders in India. KION has completed its IPO and the trading of the KION shares on the Frankfurt Stock Exchange commenced on 28 June 2013 (Central European Time).

As at the date of this announcement, as KION holds more than 10% of the fixed partnership capital in LHY Co (an indirect non-wholly owned subsidiary of the Company), KION is a connected person (as defined under the Listing Rules) of the Company. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, save for their respective direct or indirect interest in KION, the other ultimate beneficial owners of KION are third parties independent of and are not connected persons (as defined under the Listing Rules) of the Company.

Set out below is the audited financial information of KION for the two financial years ended 31 December 2011 and 31 December 2012 prepared based on IFRS:

	For the year ended 31 December 2012	For the year ended 31 December 2011
	<i>EUR'000</i>	<i>EUR'000</i>
	(audited)	(audited)
Revenue	4,726,664	4,368,395
Earnings (loss) before taxation	310,628	(58,885)
Net income (loss) after taxation	161,088	(92,926)

Based on the audited consolidated financial information of KION prepared based on IFRS, as of 31 December 2012, the audited net asset value of KION was approximately EUR660 million.

(b) Superlift

Insofar as the Company is aware, Superlift is an investment holding company incorporated in Luxembourg and is 100% owned by funds advised by Kohlberg Kravis Roberts & Co. L.P. and Goldman, Sachs & Co. Superlift holds 48.6% of the issued share capital of KION as at the date of this announcement.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as of the date of this announcement, Superlift and its respective ultimate beneficial owners are third parties independent of and are not connected persons (as defined under the Listing Rules) of the Company.

4. AUTHORISATION FROM THE SHAREHOLDERS' GENERAL MEETING TO THE BOARD IN CONNECTION WITH THE EXERCISE OF THE SUPERLIFT CALL OPTION

As disclosed in the First Circular and pursuant to the April EGM, in view of the then uncertainty in respect of the structure of the IPO and in turn the actual exercise price of the Call Options, in order to allow the Board to have the flexibility in exercising the Call Options, the Shareholders' meeting has approved in advance the possible exercise of the Call Options with the aggregate of the exercise price of the Call Options not exceeding the Cap Amount and authorised the Board to handle matters relating to the exercise of the Call Options. As disclosed in the Company's announcements dated 27 June 2013, the consideration payable by Weichai Lux for the exercise of the KION Call Option was calculated at EUR24 per KION share, aggregating EUR328,380,000 (equivalent to approximately HK\$3,440,535,774) which amount is within the Cap Amount as approved at the April EGM. As at the date of this announcement, no decision has been made as to whether the Superlift Call Option will be exercised and any such decision is a matter for the Board to deliberate. Shareholders should note, however, that the Superlift Call Option is only exercisable on or before 28 December 2013.

As set out in the sub-section headed "2. Possible exercise of the Superlift Call Option – Exercise price" above, the estimated exercise price of the Superlift Call Option shall be in the sum of EUR95,333,723 (equivalent to approximately HK\$998,840,016) which was calculated based on 3,263,700 KION shares to be acquired and the price of approximately EUR29.21 per KION share (being the price per KION share determined based on the Post KION Investment Equity Value). The consideration payable by Weichai Lux in respect of the proposed exercise of the Superlift Call Option will be settled in cash and it is expected that this will be funded out of the Group's financial resources.

When aggregating the aforementioned estimated exercise price of the Superlift Call Option (i.e. EUR95,333,723 (equivalent to approximately HK\$998,840,016)) with the actual consideration paid by Weichai Lux for the exercise of the KION Call Option (i.e. EUR328,380,000 (equivalent to approximately HK\$3,440,535,774)), the total consideration would amount to EUR423,713,723 (equivalent to approximately HK\$4,439,375,790) which exceed the Cap Amount. As such, the Company is required to re-comply with the relevant shareholders' approval requirements under the Listing Rules

in respect of the Further Acquisition. The exercise of the Superlift Call Option, when aggregated with the Acquisitions and the exercise of the KION Call Option, will remain a major transaction under the Listing Rules.

As set out in the sub-section headed “2. Possible exercise of the Superlift Call Option – Exercise period”, the Superlift Call Option is exercisable by Weichai Lux (i) at any time after 27 December 2012 until 30 June 2013, or (ii) during any time within the six months after 28 June 2013. Since the per share exercise price of the Superlift Call Option is determined based on the Post KION Investment Equity Value, it remains the same whenever the Superlift Call Option is exercised. Given the fluctuations of the stock market and with a view to maximize investment returns, the Board considers that it is in the interest of the Company to assess the performance of the KION, especially the price of the KION shares relative to the per share exercise price of the Superlift Call Option, before making an informed decision to exercise the Superlift Call Option. Therefore, the Superlift Call Option was not exercised before the completion of the IPO.

In consideration of the current market volatility and the risk of share price fluctuations of the KION shares, in order for the Board to give a better assessment of the latest development of the macro-economic conditions, the outlook of the forklift truck industry, the business performance and the prevailing stock price of KION at a time closer to the expiry of the exercise period of the Superlift Call Option, the Company will only convene the necessary Board meeting at a later stage to determine if the Superlift Call Option will be exercised. In order to allow the Board to have the flexibility in exercising the Superlift Call Option (should they decide to do so), the Company proposes to ask its Shareholders to approve in advance the possible exercise of the Superlift Call Option at the exercise price of EUR95,333,723 and to authorise the Board to exercise the full power to handle matters relating to the exercise of the Superlift Call Option.

As the exercise of the Superlift Call Option is subject to the decision of the Board and the satisfaction (or waiver) of certain conditions, the Superlift Call Option may or may not be exercised. Accordingly, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

Shareholders will be informed, by way of an announcement to be published by the Company on the Company’s website and the Stock Exchange’s website, if the Board approves any action in relation to the exercise of the Superlift Call Option. Details including the decision of the Board, the relevant factors considered by the Board on exercising the Superlift Call Option and the consideration payable by Weichai Lux will be disclosed in such announcement in the event that the Board decides to exercise the Superlift Call Option.

5. REASONS FOR THE EXERCISE OF THE SUPERLIFT CALL OPTION

The Group is principally engaged in the research and development, manufacture and sale of high-speed heavy-duty diesel engines, diesel engines for use in construction machinery, heavy-duty trucks, heavy-duty gearboxes and engine and heavy-duty truck parts and components.

As set out above, the Company (through its wholly owned subsidiary, Weichai Lux) is, as at the date of this announcement, the holder of 30% of the issued share capital of KION. Upon completion of the Further Acquisition, the Company's shareholding in KION would increase to 33.3%.

Pursuant to the KION Shareholders' Agreement, in the event that Weichai Lux shall, upon the exercise of the KION Call Option and the Superlift Call Option, hold at least 33.3% of the issued share capital of KION after the completion of the IPO, and either Superlift or Weichai Lux desires to transfer any of its KION shares, the other relevant shareholder will be entitled to exercise a right of first offer to purchase such shares. Further, the parties under the KION Shareholders' Agreement agreed that if following the completion of the IPO, Weichai Lux holds at least 33.3% of the issued share capital of KION, they will support, within the given legal framework, the election of a member of the supervisory board designated by Weichai Lux to become the chairman of the supervisory board of KION.

In 2012, the KION Group experienced sustained demand for new trucks and service offerings, and the increased capacity utilization levels of industrial trucks in its key markets accelerated the replacement cycle for its customers and had a positive impact on the volume of replacement investments and demand for service offerings. This demand resulted in an increase of order intake which positively impacted its revenue. KION's revenue grew by 8%, or EUR359 million, to EUR4,727 million for the year ended 31 December 2012. During 2012, KION also generated a positive net profit as well as operating cash flow as compared to the loss suffered by KION for the years ended 31 December 2010 and 2011, which demonstrated an improved business prospect of KION. Following the successful listing of the shares of KION on the Frankfurt Stock Exchange, a further development in KION's business performance is expected and the Board considers that a further increase of its interest in KION would be in the interests of the Company and the Shareholders as a whole.

The increase in the Company's shareholding interest in KION, the right of first offer and the potential chairmanship of the supervisory board are considered to be consistent with the Company's strategy of long term development and collaboration with KION. The Company and KION have, pursuant to the terms of the Framework Agreement, formed a strategic industrial cooperation through which the parties have, amongst others, established or will establish long term supply relationships and will share certain distribution network and supply chain, and they have further agreed to explore possible collaboration in areas that are of mutual interest to both parties. As at the date of this announcement, other than the possible acquisition of shares in KION through the exercise of the Superlift Call Option, the Company has no intention to further increase its interest in KION.

In light of the above, and based on the information presently available to the Directors (including, *inter alia*, the overall market conditions and the operational situations of the KION Group), the Directors (including the independent non-executive directors) believe that the terms of the exercise of the Superlift Call Option are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

6. LISTING RULES IMPLICATIONS

As certain of the applicable percentage ratios (as defined under the Listing Rules) in respect of the exercise of the Superlift Call Option when aggregated with (i) the Acquisitions, (ii) the granting of certain put options in respect of LHY Co as set out in the 2012 Announcements, and (iii) the exercise of the KION Call Option would be more than 25% but less than 100%, the exercise of the Superlift Call Option will remain a major transaction for the Company and is subject to reporting, announcement and shareholders' approval requirements.

7. DESPATCH OF CIRCULAR

A circular (the "**Second Circular**") containing, amongst other things, further details of the Superlift Call Option and other information required under the Listing Rules is expected to be despatched to the Shareholders on or before 25 October 2013, having taken into account the expected time required for the preparation of certain information to be contained in the Second Circular.

8. WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

(a) Waiver from the requirement to prepare an accountant's report on KION

Pursuant to Rule 14.67(6)(a)(i) of the Listing Rules, an accountant's report on KION should be contained in the Second Circular. Such accountant's report is required to include the financial information of KION for each of the three financial years ended 31 December 2012 and the interim accounts for a period ended six months or less from the date of the Second Circular. The accountant's report should be prepared using accounting policies that are materially consistent with those of the Company and in accordance with the requirements under Chapter 4 of the Listing Rules.

Since KION will not become a subsidiary of the Company following the exercise of the Superlift Call Option and Rule 14.67(6)(a)(i) of the Listing Rules stipulates that the Stock Exchange may, in such a case, relax the said requirement for the preparation of an accountant's report, thus, the Company has applied for a waiver from preparing an accountant's report on KION in accordance with Rule 14.67(6)(a)(i) of the Listing Rules on the following grounds:

- (1) KION is not and will not be a subsidiary of the Company after completion of the exercise of the Superlift Call Option. Save for the financial information published by KION in the public domain, the Group has no access to the underlying supporting documents and the books and records of KION for the purpose of preparing the audited financial statements of KION in accordance with the relevant requirements of the Listing Rules.
- (2) By exercising the Superlift Call Option, the Company (through its wholly owned subsidiary, Weichai Lux) shall purchase from Superlift such amount of shares of KION representing 3.3% of KION's issued share capital at the time of the exercise. Such transaction is a private commercial transaction between

Weichai Lux and Superlift, and KION is not obliged nor required to assist the Company to prepare the relevant accountant's report required by the Listing Rules.

- (3) In the First Circular, the Company has already included an accountant's report prepared by Deloitte Touche Tohmatsu on the financial information of KION for each of the three years ended 31 December 2012, which has complied in part with the requirements under Rule 14.67(6)(a)(i) of the Listing Rules, as such report has covered the first three years of the financial period required thereunder.

With respect to the last six months ended 30 June 2013, KION has already published its reviewed interim condensed consolidated interim financial statements, which is publicly available on KION's website.

- (4) KION is now a public company whose shares are listed on the Frankfurt Stock Exchange. It is required, under the regime of the Frankfurt Stock Exchange, to publish financial information to the market on a regular basis. KION has indicated that it is not prepared to disclose additional financial information other than that it has disclosed to the market in accordance with the applicable German laws and regulations.
- (5) KION is a company incorporated in Germany with approximately 200 subsidiaries/joint ventures/equity investments in both Germany and overseas countries. As disclosed in note 49 to the accountant's report contained in Appendix II of the First Circular, there were no differences in the significant accounting policies adopted by the Company and by KION that would result in a significant impact on KION's net profit (loss) for each of the three years ended 31 December 2012 and KION's net assets (liabilities) at the end of each of the three years ended 31 December 2012, save for the adoption of different accounting policies by KION and the Company in respect of the impairment loss of property, plant and equipment and other intangible assets (the relevant reconciliation was disclosed in note 49 to the abovementioned accountant's report).

As the relevant exercise period of the Superlift Call Option will expire after 28 December 2013, it would be unduly burdensome for the Company to engage professional accountants to prepare an accountant's report on KION as required by the Listing Rules.

The Company has applied to the Stock Exchange and was granted a waiver from strict compliance with Rule 14.67(6)(a)(i) of the Listing Rules such that the Company is not required to include an accountant's report on KION in the Second Circular. In place of an accountant's report of KION prepared in strict compliance

with Rule 14.67(6)(a)(i) of the Listing Rules, the following financial information on KION will be included in the Second Circular:

- (1) a copy of the accountant's report prepared by Deloitte Touche Tohmatsu on the financial information of KION for each of the three years ended 31 December 2012, which was included in the First Circular (as Appendix II) in connection with the possible acquisition of shares in KION through exercise of the Call Options;
- (2) a copy of KION's published unaudited condensed consolidated interim financial statements for the six months ended 30 June 2013, which is publicly available on KION's website. Such financial statements have been prepared in line with the International Accounting Standards (IAS) 34 "Interim Financial Reporting" and other International Financial Reporting Standards (IFRSs) as adopted by the European Union and have been reviewed by Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft; and
- (3) a confirmation from the Directors in respect of the interim financial statements of KION for the six months ended 30 June 2013, that the board of directors of the Company believe that (i) there are no material differences in respect of net assets and net profit between such financial statements which have been prepared under IFRS as adopted by the EU and the financial statements had they been prepared under the ASBES; and (ii) for the six months ended 30 June 2013, there have been no material changes in the accounting policies of KION and the Company that would result in material differences between the accounting policies of the Company and KION in respect of the net assets and net profit of KION, and Ernst & Young Hua Ming LLP, the reporting accountants of the Company, also confirming the aforesaid based on certain agreed upon procedures performed.

(b) Waiver from strict compliance from Rule 14.67(7) of the Listing Rules

Pursuant to Rule 14.67(7) of the Listing Rules, a circular issued in relation to an acquisition constituting a major transaction is required to contain, among other matters, a management discussion and analysis of results of the business, company or companies being acquired covering all those matters set out in paragraph 32 of Appendix 16 to the Listing Rules for the period reported in the accountant's report.

As the accountant's report of KION will not be prepared by the Company based on the reasons set out in the section headed "8. Waivers from strict compliance with the Listing Rules – (a) Waiver from the requirement to prepare an accountant's report on KION" above and that save for the financial information published by KION in the public domain, the Company has no access to additional financial information of KION for the purpose of preparing the relevant management discussion and analysis, the Company has applied to the Stock Exchange and was granted a waiver from strict compliance with Rule 14.67(7) of the Listing Rules.

9. DEFINITIONS

In this announcement, the following expressions shall have the following meanings, unless the context requires otherwise:

“2012 Announcements”	the Company’s announcements dated 31 August 2012 and 20 December 2012 and the Company’s overseas regulatory announcement dated 28 December 2012 relating to the Framework Agreement and the transactions contemplated thereunder, including, <i>inter alia</i> , the grant of the Call Options
“2013 Announcements”	the Company’s announcements dated 7 March 2013, 22 April 2013, 3 June 2013, 27 June 2013 and 2 July 2013, and the notice convening the relevant extraordinary general meeting issued by the Company on 7 March 2013 relating to, <i>inter alia</i> , the possible exercise of the Call Options and the exercise of the KION Call Option
“Acquisitions”	(i) the subscription of new shares in the capital of KION representing 25% of the enlarged share capital of KION after completion; and (ii) the acquisition of 70% of the interest in LHY Co, further details of which are set out in the 2012 Announcements
“April EGM”	the meaning as ascribed to it under the section headed “1. Introduction” in this announcement
“ASBES”	the Accounting Standards for Business Enterprises issued by Ministry of Finance of the People’s Republic of China
“Board”	the board of Directors
“Call Options”	KION Call Option and Superlift Call Option
“Cap Amount”	the estimated maximum aggregate investment amount of EUR400,000,000 (equivalent to approximately HK\$4,190,920,000) to be paid by the Company upon the exercise of the Call Options as set out in the section headed “5. Authorisation from the Shareholders’ general meeting to the Board in connection with the exercise of the Call Options” in the First Circular
“Company”	潍柴动力股份有限公司 (Weichai Power Co., Ltd.), a company established in the PRC with limited liability
“Director(s)”	the director(s) of the Company

“EU”	the European Union
“EUR”	Euro, the lawful currency of the European Union
“First Circular”	the Company’s circular dated 28 March 2013 in respect of the possible acquisition of shares in KION through the exercise of the Call Options
“Framework Agreement”	the framework agreement dated 31 August 2012 entered into among the Company, KION, KION Group GmbH, LMH, Superlift and KMB (as supplemented by the amendment agreement entered into among the Company, Weichai Lux, KION, KION Group GmbH, LMH, Superlift and KMB on 20 December 2012 (Beijing time))
“Further Acquisition”	the meaning as ascribed to it under the section headed “1. Introduction” in this announcement
“Group”	the Company and its subsidiaries (as defined in the Listing Rules)
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IFRS”	the International Financial Reporting Standards promulgated by the International Accounting Standards Board, which comprise the International Accounting Standards
“IPO”	the initial public offering of the shares of KION, which has been completed and the trading of the KION shares on the Frankfurt Stock Exchange commenced on 28 June 2013
“KION”	KION Group AG (formerly known as KION Holding 1 GmbH), a stock corporation incorporated in Germany whose shares are listed on the Frankfurt Stock Exchange
“KION Call Option”	the call option granted to Weichai Lux to subscribe for new shares in KION pursuant to the terms of the KION Shareholders’ Agreement, further details of which are set out in the section headed “2. Possible exercise of the Call Options – (a) KION Call Option” in the First Circular
“KION Group”	KION and its subsidiaries

“KION Group GmbH”	KION Group GmbH, a limited liability company incorporated in Germany and an indirect wholly owned subsidiary of KION
“KION Shareholders’ Agreement”	the shareholders’ agreement as of 27 December 2012 (as supplemented) entered into in accordance with the terms of the Framework Agreement among Weichai Lux, KION, Superlift and KMB
“KMB”	Kion Management Beteiligungs GmbH & Co. KG, a limited partnership established in Germany which holds approximately 3.0% of the issued share capital of KION as at the date of this announcement
“LHY Co”	Linde Hydraulics GmbH & Co. KG, a limited partnership established in Germany which is a 70% owned subsidiary of the Company, further details of which are disclosed in the 2012 Announcements
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“LMH”	Linde Material Handling GmbH, a limited liability company incorporated in Germany and an indirect wholly owned subsidiary of KION
“order intake”	the number of new trucks and/or service offerings ordered by a customer in a specified time period
“Post KION Investment Equity Value”	the meaning as ascribed to it under the sub-section headed “2. Possible exercise of the Superlift Call Option – Exercise price” in this announcement
“PRC”	the People’s Republic of China, which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Second Circular”	the meaning as ascribed to it under the section headed “7. Despatch of circular” in this announcement
“Share(s)”	share(s) of RMB1.00 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Superlift”	Superlift Holding, S.à r.l., a limited liability company incorporated in Luxembourg, 100% owned by funds advised by Kohlberg Kravis Roberts & Co. L.P. and Goldman Sachs Capital Partners which holds approximately 48.6% of the issued share capital of KION as at the date of this announcement
“Superlift Call Option”	the call option granted by Superlift to Weichai Lux to purchase shares in KION from Superlift pursuant to the terms of the KION Shareholders’ Agreement, further details of which are set out in the section headed “2. Possible exercise of the Superlift Call Option” in this announcement
“Superlift Funding Loan”	has the meaning as ascribed to it under the section headed “3. The potential IPO of KION” in the First Circular
“Weichai Lux”	Weichai Power (Luxembourg) Holding S.à r.l., a company incorporated in Luxembourg and a wholly-owned subsidiary of the Company
“%”	per cent.

(The exchange rate used for the purpose of this announcement is at EUR1 = HK\$10.4773)

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

The PRC, 26 September 2013

As at the date of this announcement, the executive Directors of the Company are Mr. Tan Xuguang, Mr. Xu Xinyu, Mr. Sun Shaojun, Mr. Zhang Quan, Mr. Li Dakai and Mr. Fang Hongwei; the non-executive Directors of the Company are Mr. Jiang Kui, Mr. Yeung Sai Hong, Mr. Chen Xuejian, Mr. Julius G. Kiss, Ms. Han Xiaoqun and Mr. Gordon Riske; 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.