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WEICHAI

濰柴動力股份有限公司

WEICHAI POWER CO., LTD.

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

(Stock Code: 2338)

DISCLOSEABLE TRANSACTION

SUBSCRIPTION OF SHARES IN KION GROUP AG

THE SUBSCRIPTION

The Board is pleased to announce that on 18 July 2016 (Central European Time), the Company entered into an Agreement with KION in relation to the subscription by the Company (through its indirect wholly-owned subsidiary, Weichai Lux) of 5,934,000 New KION Shares in a share issuance conducted by KION. The consideration payable by the Company to KION in respect of the Subscription shall be approximately EUR275.6 million (equivalent to approximately HK\$2,361.9 million).

The number of the New KION Shares to be issued by KION under the said share issuance represents 10% of the issued share capital of KION as at the date of this announcement and approximately 9.09% of the issued share capital of KION as enlarged by such issue. The said share issuance will be made by KION from its existing authorised capital.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Subscription exceeds 5% but all of which are less than 25%, the Subscription constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements under the Listing Rules.

I. INTRODUCTION

The Board is pleased to announce that on 18 July 2016 (Central European Time), the Company entered into an Agreement with KION in relation to the subscription by the Company (through its indirect wholly-owned subsidiary, Weichai Lux) of 5,934,000 New KION Shares in a share issuance conducted by KION.

The number of the New KION Shares to be issued by KION in a share issuance represents 10% of the issued share capital of KION as at the date of this announcement and approximately 9.09% of the issued share capital of KION as enlarged by such issue. The said share issuance will be made by KION from its existing authorised capital.

II. PRINCIPAL TERMS OF THE SUBSCRIPTION

Date: 18 July 2016 (Capital European Time)

Parties: (1) the Company, as subscriber

(2) KION, as issuer

Subject matter

KION shall issue the New KION Shares in a share issuance through an accelerated market bookbuilding offering, pursuant to which:

- (a) the Company has, through Weichai Lux, subscribed for 5,934,000 New KION Shares, representing 60% of the New KION Shares under such accelerated market bookbuilding offering; and
- (b) the remaining 40% of the New KION Shares shall be subscribed or underwritten by other institutional investors.

The Company further agrees that, during the period of 12 months after the issue of the relevant New KION Shares, it shall not, and shall procure that Weichai Lux will not, directly or indirectly, sell or otherwise dispose of any New KION Shares.

Consideration

The relevant consideration payable by the Company to KION in respect of the Subscription shall be approximately EUR275.6 million, based on the subscription price of EUR46.44 per New KION Share.

The closing price of the KION Shares on the Frankfurt Stock Exchange on 18 July 2016 (Central European Time) was EUR46.43 per share and the relevant subscription price of EUR46.44 per new KION share was determined based on the prevailing market price of the KION shares and the relevant accelerated market bookbuilding offering process. The consideration payable by the Company to KION in respect of the Subscription shall be payable by the Company (or Weichai Lux) to KION in cash upon completion which is expected to be on or around 21 July 2016, and is expected to be funded by borrowings.

III. INFORMATION ON KION

As at the date of this announcement, KION is a 38.25% indirect non-wholly-owned subsidiary of the Company. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the other ultimate beneficial owners of KION are third parties independent of and are not connected persons of the Company.

KION is the largest manufacturer of industrial forklift trucks in Europe and globally operates its business in more than 100 countries globally under seven brands, namely, Linde, STILL, Fenwick, OM STILL, Egemin Automation, Baoli and Voltas. KION's shares have been listed on the Frankfurt Stock Exchange since June 2013.

Set out below is the audited financial information of KION for the two financial years ended 31 December 2014 and 31 December 2015 prepared based on IFRS:

	For the year ended 31 December 2015 EUR'million (audited)	For the year ended 31 December 2014 EUR'million (audited)
Revenue	5,097.9	4,677.9
Earnings before taxation	330.2	258.3
Net income after taxation	221.1	178.2

Based on the audited consolidated financial information of KION prepared based on IFRS, as of 31 December 2015, the audited net asset value of KION was approximately EUR1,848.7 million.

IV. REASONS AND BENEFITS FOR THE SUBSCRIPTION

The Company is principally engaged in the research and development, manufacture and sale of high-speed heavy-duty diesel engines and engine parts. As at the date of this announcement, the Company (through its wholly owned subsidiary, Weichai Lux) is a holder of approximately 38.25% of the issued share capital of KION.

Through the Subscription, the Group will be able to increase its shareholding in KION from approximately 38.25% to approximately 40.23%, and would therefore further align the Company's interests with KION, which is in line with the Company's strategy of deepening the strategic alliance with KION and optimising the allocation of the Group's assets. During recent years, the operational results of KION have contributed a significant part of the Group's results. For the year ended 31 December 2015, the sales revenue of KION amounted to approximately EUR5.10 billion, representing a 9.0% increase year-on-year, and its net profit amounted to approximately EUR221 million, representing an increase of 24.0% increase year-on-year. The relevant subscription price for the New KION Shares would be used to lower KION's debt-to-asset ratio to a more favourable level, which the Board considers would be beneficial to KION's future business development.

In light of the above, the Directors (including the independent non-executive Directors) consider that the Subscription is fair and reasonable, on normal commercial terms and in the interests of the Company and its Shareholders as a whole.

V. THE LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Subscription exceeds 5% but all of which are less than 25%, the Subscription constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements under the Listing Rules.

VI. DEFINITIONS

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

“Agreement”	the collaboration agreement dated 18 July 2016 (Central European Time) entered into between the Company and KION in relation to the proposed subscription of certain New KION Shares by the Company (through its indirect wholly-owned subsidiary, Weichai Lux)
“Board”	the board of Directors
“Director(s)”	the director(s) of the Company
“EUR”	Euro, the lawful currency of the European Union
“Group”	the Company and its subsidiaries
“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
“KION”	KION Group AG, a stock corporation incorporated in Germany whose shares are listed on the Frankfurt Stock Exchange and a 38.25% indirect non-wholly-owned subsidiary of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New KION Shares”	9,890,000 new shares to be issued by KION, as further described in the section headed “II. Principal terms of the Subscription – Consideration” in this announcement
“PRC”	the People’s Republic of China
“Shareholder(s)”	holder(s) of the shares in the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Subscription”	the subscription of certain New KION Shares by the Company (through its indirect wholly-owned subsidiary, Weichai Lux) pursuant to the terms of the Agreement
“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\$8.57)

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

The PRC, 19 July 2016

As at the date of this announcement, the executive Directors of the Company are Mr. Tan Xuguang, Mr. Zhang Quan, Mr. Xu Xinyu, Mr. Li Dakai and Mr. Sun Shaojun; the non-executive Directors of the Company are Mr. Wang Yuepu, Mr. Jiang Kui and Mr. Gordon Riske; and the independent non-executive Directors of the Company are Mr. Loh Yih, Mr. Zhang Zhenhua, Mr Zhang Zhong, Mr. Wang Gongyong and Mr. Ning Xiangdong.