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WEICHAI

潍柴动力股份有限公司

WEICHAI POWER CO., LTD.

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

(Stock Code: 2338)

CONNECTED TRANSACTION

CAPITAL CONTRIBUTIONS TO SHANDONG HEAVY FINANCE LEASING CO., LTD.

CAPITAL CONTRIBUTIONS

Reference is made to the announcement of the Company dated 25 March 2010 in respect of the subscription of the registered capital in the Target Co by the Company, Shaanxi Zhongqi, Shandong Heavy Industry and Weichai Heavy Machinery.

On 27 April 2017, the Existing Shareholders (comprising the Company, Shaanxi Zhongqi, Shandong Heavy Industry, Shantui Engineering and Weichai Heavy Machinery) entered into the Capital Increase Agreement with the Target Co, pursuant to which the Existing Shareholders conditionally agreed to increase the registered capital of the Target Co by an aggregate amount of RMB180 million (equivalent to approximately HK\$203.4 million) through the making of Capital Contributions to the Target Co by the Existing Shareholders in proportion to their current respective interest in the Target Co.

Upon completion of the transactions contemplated in the Capital Increase Agreement, the proportion of the equity interest in the Target Co held by each of the Existing Shareholders would remain unchanged.

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, and Shantui Engineering and Weichai Heavy Machinery are subsidiaries of Shandong Heavy Industry. As Shandong Heavy Industry, Shantui Engineering and Weichai Heavy Machinery together hold approximately 60.87% of the equity interest in the Target Co, the Target Co is an associate of Shandong Heavy Industry and is therefore a connected person of the Company under the Listing Rules. Accordingly, the making of the relevant Capital Contributions by the Company and Shaanxi Zhongqi (a subsidiary of the Company) contemplated under the Capital Increase Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As one of the applicable percentage ratios calculated pursuant to the Listing Rules in respect of the Capital Contributions to be made by the Company and Shaanxi Zhongqi under the Capital Increase Agreement is more than 0.1% but all of which are less than 5%, the making of such Capital Contributions is subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules but is exempt from the independent Shareholders' approval requirement.

I. INTRODUCTION

Reference is made to the announcement of the Company dated 25 March 2010 in respect of the subscription of the registered capital in the Target Co by the Company, Shaanxi Zhongqi, Shandong Heavy Industry and Weichai Heavy Machinery.

On 27 April 2017, the Existing Shareholders (comprising the Company, Shaanxi Zhongqi, Shandong Heavy Industry, Shantui Engineering and Weichai Heavy Machinery) entered into the Capital Increase Agreement with the Target Co, pursuant to which the Existing Shareholders conditionally agreed to increase the registered capital of the Target Co through the making of capital contributions to the Target Co by the Existing Shareholders in proportion to their current respective interest in the Target Co. Capital Contributions in the aggregate amount of RMB70,434,782.60 (equivalent to approximately HK\$79.6 million) are to be made by the Company and Shaanxi Zhongqi (a subsidiary of the Company) pursuant to the Capital Increase Agreement.

II. PRINCIPAL TERMS OF CAPITAL INCREASE AGREEMENT

Date: 27 April 2017

Parties: (1) The Company
(2) Shaanxi Zhongqi
(3) Shandong Heavy Industry
(4) Shantui Engineering
(5) Weichai Heavy Machinery
(6) Target Co

Subject matter

The Existing Shareholders have conditionally agreed to increase the registered capital of the Target Co by an aggregate amount of RMB180 million (equivalent to approximately HK\$203.4 million) through the making of capital contributions to the Target Co by the Existing Shareholders (each a “**Capital Contribution**”) in the following manner:

Party	Amount of Capital Contribution to be made to the Target Co
The Company	RMB35,217,391.30 (equivalent to approximately HK\$39.8 million), among which: (i) cash in the amount of RMB17,608,695.65 shall be payable to the Target Co on or before 25 May 2017, which is expected to be funded out of the Group’s financial resources; and (ii) undistributed profit payable by the Target Co to the Company in the amount of RMB17,608,695.65 shall be converted into the registered capital of the Target Co on or before 25 May 2017.
Shaanxi Zhongqi	RMB35,217,391.30 (equivalent to approximately HK\$39.8 million), among which: (i) cash in the amount of RMB17,608,695.65 shall be payable to the Target Co on or before 25 May 2017, which is expected to be funded out of the Group’s financial resources; and (ii) undistributed profit payable by the Target Co to Shaanxi Zhongqi in the amount of RMB17,608,695.65 shall be converted into the registered capital of the Target Co on or before 25 May 2017.

Shandong Heavy Industry	RMB39,130,434.80 (equivalent to approximately HK\$44.2 million), among which: (i) cash in the amount of RMB19,565,217.40 shall be payable to the Target Co on or before 25 May 2017; and (ii) undistributed profit payable by the Target Co to Shandong Heavy Industry in the amount of RMB19,565,217.40 shall be converted into the registered capital of the Target Co on or before 25 May 2017.
Shantui Engineering	RMB35,217,391.30 (equivalent to approximately HK\$39.8 million), among which: (i) cash in the amount of RMB17,608,695.65 shall be payable to the Target Co on or before 25 May 2017; and (ii) undistributed profit payable by the Target Co to Shantui Engineering in the amount of RMB17,608,695.65 shall be converted into the registered capital of the Target Co on or before 25 May 2017.
Weichai Heavy Machinery	RMB35,217,391.30 (equivalent to approximately HK\$39.8 million), among which: (i) cash in the amount of RMB17,608,695.65 shall be payable to the Target Co on or before 25 May 2017; and (ii) undistributed profit payable by the Target Co to Weichai Heavy Machinery in the amount of RMB17,608,695.65 shall be converted into the registered capital of the Target Co on or before 25 May 2017.

The above amounts of the Capital Contributions to be made to the Target Co were determined after arm's length negotiations among the parties with reference to, among others, the capital needs of the Target Co and the current respective proportion of the equity interest of the Existing Shareholders in the Target Co.

Upon completion of the transactions contemplated in the Capital Increase Agreement, the proportion of the equity interest in the Target Co held by each of the Existing Shareholders would remain unchanged.

Condition precedent

Completion of the Capital Contributions shall be subject to the Target Co obtaining the necessary approval from its members' general meeting. If the said condition precedent has not been fulfilled on or before 25 May 2017, the Capital Increase Agreement shall cease and terminate.

III. INFORMATION ON THE TARGET CO

The Target Co was established in the PRC in March 2009. The capital structure of Target Co (i) as at the date of this announcement; and (ii) immediately after the completion of Capital Contributions are set out below:

Name of equity holder	Capital injected by the relevant equity holder as at the date of this announcement (RMB)	Approximate percentage of equity interest as at the date of this announcement	Capital Contribution to be injected by the relevant equity holder into the Target Co (RMB)	Total capital injected by the relevant equity holder immediately after completion of the Capital Contribution (RMB)	Approximate percentage of equity interest immediately after completion of the Capital Contribution
The Company	180,000,000.00	19.57%	35,217,391.30	215,217,391.30	19.57%
Shaanxi Zhongqi	180,000,000.00	19.57%	35,217,391.30	215,217,391.30	19.57%
Shandong Heavy Industry	200,000,000.00	21.74%	39,130,434.80	239,130,434.80	21.74%
Shantui Engineering	180,000,000.00	19.57%	35,217,391.30	215,217,391.30	19.57%
Weichai Heavy Machinery	180,000,000.00	19.57%	35,217,391.30	215,217,391.30	19.57%
Total:	920,000,000	100%	180,000,000	1,100,000,000	100%

Set out below is the audited financial information of the Target Co for the two financial years ended 31 December 2015 and 31 December 2016 prepared based on the Accounting Standards for Business Enterprises:

	For the year ended 31 December 2016 RMB'million (audited)	For the year ended 31 December 2015 RMB'million (audited)
Revenue	245.80	323.00
Net profits before taxation	56.52	55.29
Net profits after taxation	42.29	41.24

Based on the audited consolidated financial information of the Target Co prepared based on the Accounting Standards for Business Enterprises, as of 31 December 2016, the audited net asset value of the Target Co was approximately RMB1,042 million.

IV. INFORMATION ON THE EXISTING SHAREHOLDERS

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

Shaanxi Zhongqi is a 51% subsidiary of the Company, the principal business of which is the manufacture and sale of heavy-duty vehicles and parts and components of heavy-duty vehicles.

Shandong Heavy Industry is a substantial shareholder of the Company indirectly holding approximately 16.83% of the issued share capital of the Company. Shandong Heavy Industry is principally engaged in the investment and corporate management, planning and organising the operations of enterprises in its group, and the research and development, production and sale of diesel engines and relevant products, construction machinery and other equipment and components.

Shantui Engineering is a subsidiary of Shandong Heavy Industry, the principal business of which is the research and development, production, sale, leasing and repair of and provision of consultation service in regard to construction machinery, hoisting and conveying machinery, mining machinery, farmland construction machinery and harvesting machinery and the components.

Weichai Heavy Machinery is a subsidiary of Shandong Heavy Industry, the principal business of which is the manufacture and sale of medium-speed diesel engines and diesel engine parts and components, power generators and related products, and construction machinery and the provision of repair processing services for machinery parts.

V. REASONS AND BENEFITS FOR THE MAKING OF THE CAPITAL CONTRIBUTIONS

The principal businesses of the Target Co include the leasing and financing of engineering machinery, diesel engines and heavy-duty vehicles.

As the Capital Contributions to be made to the Target Co under the Capital Increase Agreement will be used as the Target Co's working capital, such Capital Contributions will strengthen the financial position and competitiveness of the Target Co, which are expected to allow the Target Co to provide better leasing and financing services to the end-users of the relevant engineering machinery, diesel engines and heavy-duty vehicles sold by our Group. The Capital Contributions to be made by the Company and Shandong Zhongqi will also enable the Group to maintain its equity holding percentage in the Target Co. Hence, the Board considers that the making of the Capital Contributions is in line with the Group's development strategies and will further facilitate the Group's business expansion.

In light of the above, the Directors (including the independent non-executive Directors) consider that the Capital Contributions to be made by the Group are fair and reasonable, on normal commercial terms and in the ordinary and usual course of business of the Group, and in the interests of the Company and its Shareholders as a whole.

VI. 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, and Shantui Engineering and Weichai Heavy Machinery are subsidiaries of Shandong Heavy Industry. As Shandong Heavy Industry, Shantui Engineering and Weichai Heavy Machinery together hold approximately 60.87% of the equity interest in the Target Co, the Target Co is an associate of Shandong Heavy Industry and is therefore a connected person of the Company under the Listing Rules. Accordingly, the making of the relevant Capital Contributions by the Company and Shaanxi Zhongqi (a subsidiary of the Company) contemplated under the Capital Increase Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As one of the applicable percentage ratios calculated pursuant to the Listing Rules in respect of the Capital Contributions to be made by the Company and Shaanxi Zhongqi under the Capital Increase Agreement is more than 0.1% but all of which are less than 5%, the making of such Capital Contributions is subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules but is exempt from the independent Shareholders' approval requirement.

At the Board meeting held on 27 April 2017 approving, inter alia, the making of the relevant Capital Contributions by the Group, Mr. Tan Xuguang, Mr. Jiang Kui, Mr. Zhang Quan, Mr. Wang Yuepu and Mr. Sun Shaojun have abstained from voting in respect of the resolution approving the transactions contemplated under the Capital Increase Agreement in view of their respective positions in Shandong Heavy Industry, the Target Co or Weichai Heavy Machinery. Save as disclosed above, none of the Directors has a material interest in the Capital Increase Agreement.

VII. ADDITIONAL INFORMATION

As the A Shares of the Company are listed on the Shenzhen Stock Exchange, certain additional financial information in relation to the Target Co are required to be disclosed in the announcement issued on the Shenzhen Stock Exchange on the date hereof pursuant to the listing rules of the Shenzhen Stock Exchange as follows.

Basic financial information of the Target Co:

	As at 31 March 2017 RMB (<i>unaudited</i>)	As at 31 December 2016 RMB (<i>audited</i>)
Total assets	4,725,870,000	4,721,250,000
Total liabilities	3,670,210,000	3,679,090,000
Net asset	<u>1,055,660,000</u>	<u>1,042,150,000</u>
	For the three months ended 31 March 2017 RMB (<i>unaudited</i>)	For the year ended 31 December 2016 RMB (<i>audited</i>)
Operating income	66,040,000	245,800,000
Net profit	<u>13,510,000</u>	<u>42,290,000</u>

VIII. DEFINITIONS

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

“Board”	the board of Directors
“Capital Contribution(s)”	has the meaning ascribed to it under the section headed “II. Principal terms of the Capital Increase Agreement – Subject matter” in this announcement
“Capital Increase Agreement”	a capital increase agreement entered into between the Company, Shaanxi Zhongqi, Shandong Heavy Industry, Shantui Engineering, Weichai Heavy Machinery and the Target Co on 27 April 2017 in respect of the making of the Capital Contributions
“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”	has the meaning ascribed thereto under the Listing Rules

“Director(s)”	the director(s) of the Company
“Existing Shareholders”	the Company, Shaanxi Zhongqi, Shandong Heavy Industry, Shantui Engineering and Weichai Heavy Machinery
“Group”	the Company and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Shaanxi Zhongqi”	陝西重型汽車有限公司 (Shaanxi Heavy-duty Motor Co., Ltd Limited), a company established in the PRC and a subsidiary of the Company
“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
“Shantui Engineering”	山推工程機械股份有限公司 (Shantui Engineering Machinery Co., Ltd, a company established in the PRC, a subsidiary of Shandong Heavy Industry and a connected person of the Company
“Shareholder(s)”	holder(s) of the shares in the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Co”	山重融資租賃有限公司 Shandong Heavy Finance Leasing Co., Ltd. (formerly known as 山推租賃有限公司 Shantui Leasing Co., Ltd.), a company established in the PRC and a connected person of the Company
“Weichai Heavy Machinery”	濰柴重機股份有限公司 (Weichai Heavy-duty Machinery Co., Ltd.), a company established in the PRC, a subsidiary of Shandong Heavy Industry and a connected person of the Company
“%”	per cent.

If there is any inconsistency between the Chinese name of the entities mentioned in this announcement and their English translation, the Chinese version shall prevail.

(The exchange rate used for the purpose of this announcement is at HK\$1 = RMB0.885)

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

The PRC, 27 April 2017

As at the date of this announcement, the executive Directors of the Company are Mr. Tan Xuguang, Mr. Zhang Quan, Mr. Xu Xinyu 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 Zhong, Mr. Wang Gongyong and Mr. Ning Xiangdong.