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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)**

**ANNOUNCEMENT  
CONTINUING CONNECTED TRANSACTIONS**

**SUMMARY**

The Board announces that on 29 September 2016, the Company entered into the Supplemental Agreement with Yangzhou Yaxing in respect of the sale of engines, new energy powertrain (新能源動力總成) and related products by the relevant Group Companies to Yangzhou Yaxing and its subsidiaries as more particularly described herein.

As at the date of 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 and its subsidiaries are associates of Weichai Holdings and connected persons of the Company under Chapter 14A of the Listing Rules. The entering into of the Supplemental Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company.

As all of the relevant percentage ratios calculated in accordance with the Listing Rules for the Continuing Connected Transaction exceed the 0.1% Threshold but do not exceed the 5% Threshold, the Continuing Connected Transaction is subject to the reporting and announcement and the annual review requirements under Chapter 14A of the Listing Rules.

## I. INTRODUCTION

Reference is made to the Announcement in relation to, inter alia, the continuing connected transactions for the sale of diesel engines and related products by certain Group Companies to Yangzhou Yaxing and its subsidiaries where the Existing Caps for the three years ending 31 December 2017 were set.

The Company proposes to revise the Existing Caps in respect of the transaction for the sale of diesel engines and related products by the Company and its subsidiaries to Yangzhou Yaxing and its subsidiaries and certain terms of the transaction (as set out in the section headed “II. Continuing Connected Transaction” in this announcement). For such purpose, the Company entered into the Supplemental Agreement with Yangzhou Yaxing to govern the Continuing Connected Transaction as more particularly described herein.

A summary of the Continuing Connected Transaction, the Supplemental Agreement and the New Caps (with their bases of determination) is set out in the section headed “II. Continuing Connected Transaction” in this announcement.

## II. CONTINUING CONNECTED TRANSACTION

### Summary of the Continuing Connected Transaction and the New Caps

The Continuing Connected Transaction is as follow:

The connected person	Name of Group Company	Connected person's relationship with the Group	Nature of the connected transaction with the Group
1. Yangzhou Yaxing and its subsidiaries	The Company	Yangzhou Yaxing is indirectly held as to 51% by Weichai Holdings, a substantial shareholder of the Company	Sale of engines, new energy powertrain and related products by the Company to Yangzhou Yaxing and its subsidiaries

A summary of the New Caps for the Continuing Connected Transaction is set out below:

	For the year ended 31 December 2016 RMB	For the year ended 31 December 2017 RMB
<b>The Continuing Connected Transaction</b>		
Sale of engines, new energy powertrain and related products by the Company to Yangzhou Yaxing and its subsidiaries	946,000,000	1,088,000,000

## **Details of the Continuing Connected Transaction and the relevant Supplemental Agreement**

### *The Company and its subsidiaries*

The Company is principally engaged in the manufacture and sale of diesel engines and related parts, automobiles and other major automobile components, minor automobile components and import and export services.

### *Yangzhou Yaxing and its subsidiaries*

Yangzhou Yaxing and its subsidiaries are 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 and its subsidiaries are associates of Weichai Holdings and connected persons of the Company.

### *Sale of engines, new energy powertrain and related products by the Company to Yangzhou Yaxing and its subsidiaries*

Agreement	:	Supplemental Agreement to the Weichai Power Diesel Engines Supply Framework Agreement and the Weichai Yangzhou Diesel Engines Supply Framework Agreement (as supplemented by the supplemental agreements dated 21 March 2013, 28 March 2014 and 30 March 2015, respectively)
Date	:	29 September 2016
Parties	:	1. The Company 2. Yangzhou Yaxing
Term	:	1 January 2016 to 31 December 2017

### Other terms and details:

Pursuant to the Weichai Power Diesel Engines Supply Framework Agreement and the Weichai Yangzhou Diesel Engines Supply Framework Agreement (as supplemented by the abovementioned supplemental agreements but prior to the entering into of the Supplemental Agreement), the Company and Weichai Yangzhou agreed to sell diesel engines and related products to Yangzhou Yaxing and its subsidiaries at market prices and/or prices agreed according to the principle of fairness and reasonableness and settled on a monthly basis for a term ended 31 December 2017. This Continuing Connected Transaction was conducted on normal commercial terms and on terms no less favourable to the Group than those available to the Group from independent third parties.

Pursuant to this Supplemental Agreement, the Company (and/or other Group Companies) shall sell engines, new energy powertrain (新能源動力總成) and related products to Yangzhou Yaxing and its subsidiaries on the same terms for a term ending 31 December 2017, upon the expiry of which the parties may renew the term for a period of three years on a mutually agreed basis. The price of the said products shall be determined according to the following mechanism: the Company, through its specific department, shall regularly collect market information, including conducting price consultation and inspection in the PRC market in respect of the relevant products, and analyse the results. After discussion with the price management department, the Company will then negotiate and determine the price with the other parties taking into account the market price and relevant product cost on the basis of fully considering the mutual interests of both parties. The said department shall review the reasonableness of the sale price of the said products on a regular basis and make adjustments where necessary. Save as set out herein and the revision of the Existing Caps, all other terms of the Weichai Power Diesel Engines Supply Framework Agreement and the Weichai Yangzhou Diesel Engines Supply Framework Agreement (as supplemented by the abovementioned supplemental agreements but prior to the entering into of the Supplemental Agreement) remain unchanged. The Directors are of the view that the abovementioned methods and procedures under the pricing policies can ensure that this Continuing Connected Transaction is conducted on normal commercial terms and not prejudicial to the interests of the Company and its minority Shareholders.

As disclosed in the Announcement, the existing caps (“Existing Caps”) for the three years ending 31 December 2017 for the sale of diesel engines and related products by the Company and Weichai Yangzhou to Yangzhou Yaxing and its subsidiaries were RMB214,000,000, RMB256,000,000 and RMB300,000,000, respectively.

The table below summarises the actual transaction amounts involved for the two years ended 31 December 2015 (audited) and the seven months ended 31 July 2016 (unaudited) for this Continuing Connected Transaction:

	<b>Year ended 31 December</b>		<b>Seven months ended</b>
	<b>2014</b>	<b>2015</b>	<b>31 July</b>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Actual transaction amount	143,299,658	179,332,622	207,459,200

The Company estimates that the transaction amount involved in this Continuing Connected Transaction as set out in this sub-section for the two years ending 31 December 2017 will not exceed RMB946 million and RMB1,088 million respectively, and such amounts have accordingly been set as the New Caps for this Continuing Connected Transaction.

Yangzhou Yaxing and its subsidiaries purchase the engines, new energy powertrain and related products from the Company (and/or other Group Companies) as one of the components for the production of passenger vehicles. With the trend of growth in the

production of passenger vehicles and in line with the sales plan of Yangzhou Yaxing for the years of 2016 and 2017, it is expected that the sale of passenger vehicles produced by Yangzhou Yaxing and its subsidiaries would increase considerably in 2016. Further, in view of (i) the expected increase in the demand for the said engines and related products from Yangzhou Yaxing and its subsidiaries and the proportion of their vehicles utilising the said engines; (ii) the expected increase in the demand for new energy powertrain by Yangzhou Yaxing and its subsidiaries for use in passenger vehicles in line with the national policy of the PRC which promotes the development and use of new energy vehicles (新能源汽車); and (iii) the expected improvement of the passenger vehicle market in the PRC in general for the two years ending 31 December 2017, the Company expects that the transaction amount for this Continuing Connected Transaction would continue to increase steadily for the two years ending 31 December 2017.

The New Caps for this Continuing Connected Transaction have been prepared by the Company based on the relevant historical transaction amount and the abovementioned expectations. Taking into account and on the basis of all the aforesaid factors, it is estimated that the overall transaction amount of the sale of the engines, new energy powertrain and related products by the Group to Yangzhou Yaxing and its subsidiaries on an annual basis will increase by approximately 15% for the year ending 31 December 2017.

The table below summarises the New Caps for the Continuing Connected Transaction as set out in this sub-section for the two years ending 31 December 2017:

	<b>For the year ending 31 December 2016 RMB</b>	<b>For the year ending 31 December 2017 RMB</b>
<b>The Continuing Connected Transaction</b>		
New Cap	946,000,000	1,088,000,000

As the New Caps for this Continuing Connected Transaction for the two years ending 31 December 2017 exceed the 0.1% Threshold but do 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 and the annual review requirements under Chapter 14A of the Listing Rules.

Since this Continuing Connected Transaction for the two years ending 31 December 2017 is an Exempt Continuing Connected Transaction, the New Caps are not subject to the approval by the independent shareholders under the Listing Rules.

It is noted that as set out in the Announcement, for the purposes of ascertaining whether a Continuing Connected Transaction would exceed the 5% Threshold, this Continuing Connected Transaction has been aggregated with (i) the sale of transmissions by SFGC to Yangzhou Yaxing and its subsidiaries; and (ii) the sale of axles by Hande Axle to Yangzhou Yaxing and its subsidiaries, for the three years ending 31 December 2017. The Company confirms that the existing caps for the transactions mentioned in paragraphs (i) and (ii) above as set out in the Announcement shall remain unchanged.

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

As at the date of 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 and its subsidiaries are associates of Weichai Holdings and connected persons of the Company under Chapter 14A of the Listing Rules. The entering into of the Supplemental Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company.

The Group is engaged in, inter alia, the manufacture and sale of diesel engines, new energy powertrain and related products. Yangzhou Yaxing and its subsidiaries are principally engaged in the development, manufacture and sale of passenger vehicles. Yangzhou Yaxing and its subsidiaries purchase engines, new energy powertrain and related products from the Group as components for the production of passenger vehicles. The sales of passenger vehicles by Yangzhou Yaxing and its subsidiaries are expected to increase according to its sales plan, and the demand for such engines, new energy powertrain and related products and the proportion of vehicles of Yangzhou Yaxing utilising the Group's said products are also expected to increase. The Directors consider that the Continuing Connected Transaction 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 Transaction have been subject to arm's length negotiations between the Company and Yangzhou Yaxing, and have been entered into by the relevant Group Companies in the ordinary and usual course of business and either (i) on normal commercial terms or better, or (ii) on terms no less favourable to the relevant Group Companies 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 Transaction and the relevant New Caps are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

At the meeting of the Board on 29 September 2016 approving, inter alia, the Continuing Connected Transaction, Mr. Tan Xugang, Mr. Jiang Kui, Mr. Zhang Quan, Mr. Xu Xinyu and Mr. Sun Shaojun have abstained from voting on the resolution in respect of the Continuing Connected Transaction by reasons of their respective positions in Weichai Holdings (which indirectly holds Yangzhou Yaxing as to 51%) and/or 山東重工集團有限公司 (Shandong Heavy Industry Group Co., Ltd., the holding company of Weichai Holdings) (as the case may be). Save as disclosed, no other Directors have any material interest in the Continuing Connected Transaction.

As the New Caps for the Continuing Connected Transaction for the two years ending 31 December 2017 do 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 and the annual review requirements under Chapter 14A of the Listing Rules but is exempt from the independent shareholders' approval under 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.76(1)(a) of the Listing Rules
“5% Threshold”	the thresholds referred to in Rule 14A.76(2) of the Listing Rules
“Announcement”	the announcement of the Company dated 30 March 2015
“Company”	濰柴動力股份有限公司 (Weichai Power Co., Ltd.), a company established in the PRC with limited liability
“Continuing Connected Transaction”	the continuing connected transaction of the Group as set out in the section headed “II. Continuing Connected Transaction” in this announcement
“Director(s)”	the director(s) of the Company
“Exempt Continuing Connected Transaction”	being the Continuing Connected Transaction 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 the 0.1% Threshold, are only subject to the reporting, the announcement and the annual review requirements under Chapter 14A of the Listing Rules
“Existing Caps”	has the meaning ascribed to it in the section headed “II. Continuing Connected Transaction” in this announcement
“Group”	the Company and its subsidiaries and “Group Company” means any of the same
“Hande Axle”	陝西漢德車橋有限公司 (Shaanxi Hande Axle Co., Ltd.), a company established in the PRC and a Group Company
“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 Transaction” 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 Group Company
“Shareholder(s)”	holder(s) of the shares of the Company
“Supplemental Agreement”	the supplemental agreement relating to the Continuing Connected Transaction entered into between certain Group Companies and Yangzhou Yaxing as more particularly set out in the section headed “II. Continuing Connected Transaction” 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”	the diesel engines supply framework agreement between the Company and Yangzhou Yaxing dated 26 October 2012
“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”	the diesel engines supply framework agreement between Weichai Yangzhou and Yangzhou Yaxing dated 26 October 2012
“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

*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.*

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

Hong Kong, 29 September 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.*