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潍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)

CONNECTED TRANSACTION

SUBSCRIPTION OF SHARES IN SHANTUI ENGINEERING

THE SUBSCRIPTION

The Board is pleased to announce that on 26 November 2020, the Company entered into the Subscription Agreement with Shantui Engineering, pursuant to which the Company has conditionally agreed to subscribe for up to 236,705,601 new A shares of Shantui Engineering which will be issued by Shantui Engineering through non-public offering, at a price of RMB2.88 per share.

Following completion of the Subscription, the Company will become a holder of up to approximately 16.02% of the total share capital of Shantui Engineering (as enlarged by the non-public offering), and Shantui Engineering will not be accounted for as a subsidiary of the Company.

LISTING RULES IMPLICATIONS

Shandong Heavy Industry is a substantial shareholder of the Company indirectly holding approximately 17.72% of the issued share capital of the Company. As such, Shandong Heavy Industry is a substantial shareholder of the Company and, in turn, a connected person of the Company. Shantui Engineering, being a subsidiary of Shandong Heavy Industry, is therefore an associate of Shandong Heavy Industry and is a connected person of the Company under the Listing Rules. Hence, the Subscription constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio calculated pursuant to the Listing Rules for the Subscription is more than 0.1% but less than 5%, the Subscription is therefore subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules but is exempt from the independent Shareholders' approval requirement.

I. INTRODUCTION

The Board is pleased to announce that on 26 November 2020, the Company entered into the Subscription Agreement with Shantui Engineering, pursuant to which the Company has conditionally agreed to subscribe for up to 236,705,601 new A shares of Shantui Engineering to be issued through non-public offering, at a price of RMB2.88 per share.

II. PRINCIPAL TERMS OF THE SUBSCRIPTION

Date: 26 November 2020

Parties: (1) the Company, as subscriber
(2) Shantui Engineering, as the issuer

Subject matter

The Company has conditionally agreed to subscribe for up to 236,705,601 new A shares of Shantui Engineering which will be issued by Shantui Engineering through non-public offering, at a price of RMB2.88 per share, with a total subscription amount of approximately RMB681,712,100 (equivalent to approximately HK\$803.72 million), subject to adjustments in the event of the occurrence of events affecting the share capital of Shantui Engineering, such as bonus issue, placing or capitalisation of reserve by Shantui Engineering.

Following completion of the Subscription, the Company will become a holder of up to approximately 16.02% of the total share capital of Shantui Engineering (as enlarged by the non-public offering), and Shantui Engineering will not be accounted for as a subsidiary of the Company.

Reference is also made to the announcement issued by Shantui Engineering on 26 November 2020 in respect of its proposed issue of shares as part of its share award exercise. Whilst the number of shares in Shantui Engineering to be subscribed by the Company pursuant to the Subscription Agreement remains unchanged, the Company's shareholding percentage in Shantui Engineer is expected to be adjusted in view of such share award exercise.

Conditions

The Subscription Agreement shall become effective upon the satisfaction of the following conditions:

- (i) the board of directors and the shareholders of Shantui Engineering having approved the non-public offering;
- (ii) the Board having approved the Company's participation of the Subscription;
- (iii) the non-public offering having been approved by the relevant department of the State-owned Assets Supervision and Administration Commission; and
- (iv) the non-public offering having been approved by the CSRC.

As at the date of this announcement, the condition set out under paragraph (ii) above have been satisfied.

Consideration

The subscription price for the Subscription is RMB2.88 per share, which is determined with reference to the higher of (i) the minimum issuance price of the non-public offering by Shantui Engineering of RMB2.88 per share, representing 80% of the average trading price of the shares of Shantui Engineering during the 20 trading days prior to the record date of 26 November 2020, and (ii) the latest period audited net asset per share attributable to the shareholders of the parent.

The Consideration shall be payable by the Company to Shantui Engineering in cash within five working days of the receipt of the relevant payment notice issued by Shantui Engineering, which in turn, will be issued after all the conditions precedent as disclosed above having been satisfied. The Consideration is expected to be funded out of the Group's financial resources.

Lock-up Period

Pursuant to the Subscription Agreement, the new A shares of Shantui Engineering subscribed by the Company will be subject to a lock-up period of 36 months after the date of issuance of such A shares.

Completion

Upon the making of payment of the Consideration by the Company to Shantui Engineering, Shantui Engineering shall, as soon as practicable, register the relevant new A shares of Shantui Engineering subscribed by the Company under the name of the Company through the securities registration system of the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited.

Termination

In the event of the occurrence of a material adverse change in respect of operations of Shantui Engineering, the Company is entitled to terminate the Subscription Agreement.

Further, either party to the Subscription Agreement is entitled to terminate the Subscription Agreement in the event that the Subscription cannot be completed within 15 months after the signing of the Subscription Agreement, or there exists any force majeure event that persists for a period 30 days resulting in any one party becoming unable to perform its obligations under the Subscription Agreement.

III. INFORMATION ON SHANTUI ENGINEERING

Shantui Engineering is a joint stock limited company established as in the PRC and the A shares of which are listed on the Shenzhen Stock Exchange (stock code: 000680). As at the date of this announcement, it is held by Shandong Heavy Industry (a state-owned company and one of the leading automobile and equipment groups in the PRC) as to 29.37% and is accounted for as a subsidiary of Shandong Heavy Industry. Shantui Engineering is principally engaged in the research and development, production, sale, leasing, repair of, and the provision of technological consultation service in regard to

construction work machinery, mining machinery, farmland basic construction machinery and harvesting machinery and the components; as well as the leasing of housing and premises.

Set out below is the audited financial information of Shantui Engineering for the two financial years ended 31 December 2018 and 31 December 2019 and the unaudited financial information for the nine months ended 30 September 2020 prepared based on the China Accounting Standards for Business Enterprises:

	For the nine months ended 30 September 2020 RMB'million (unaudited)	For the year ended 31 December 2019 RMB'million (audited)	For the year ended 31 December 2018 RMB'million (audited)
Revenue	5,198	6,403	8,002
Net profits before taxation	76	67	98
Net profits after taxation	80	62	85
Net asset attributable to the shareholders of the parent	3,463	3,406	3,370

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 mentioned above, Shantui Engineering is principally engaged in the development and production of construction machinery and its components. The Board is of the view that such operations can strengthen the synergy with the Group in terms of the operational technologies as well as the product of the Group, and with Shantui Engineering recording a continuous and steady profit in recent years, the Company's participation of the non-public offering of Shantui Engineering presents a good investment opportunity for the Group in terms of investment returns. Such strategic investment in Shantui Engineering is also expected to strengthen the financial position of Shantui Engineering as well as its revenue generating ability, and, in turn, generate synergy effect for both parties, which is consistent with the Group's development strategy.

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 ordinary and usual course of business of the Group, and in the interests of the Company and its Shareholders as a whole.

V. THE LISTING RULES IMPLICATIONS

Shandong Heavy Industry is a substantial shareholder of the Company indirectly holding approximately 17.72% of the issued share capital of the Company. As such, Shandong Heavy Industry is a substantial shareholder of the Company and, in turn, a connected person of the Company. Shantui Engineering, being a subsidiary of Shandong Heavy Industry, is therefore an associate of Shandong Heavy Industry and is a connected person of the Company under the Listing Rules. Hence, the Subscription constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio calculated pursuant to the Listing Rules for the Subscription is more than 0.1% but less than 5%, the Subscription is therefore subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules but is exempt from the independent Shareholders' approval requirement.

At the Board meeting held on 26 November 2020 approving, inter alia, the Subscription, Mr. Tan Xuguang and Mr. Jiang Kui have abstained from voting in respect of the resolution approving the Subscription in view of their respective positions in Shandong Heavy Industry and/or Shantui Engineering. Save as disclosed above, none of the Directors has a material interest in the Subscription.

VI. DEFINITIONS

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

“Board”	the board of Directors
“Company”	濰柴動力股份有限公司 (Weichai Power Co., Ltd.), a company established in the PRC with limited liability
“connected person”	has the meaning ascribed thereto under the Listing Rules
“Consideration”	has the meaning ascribed thereto under the section headed “II. Principal terms of the Subscription – Consideration” of this announcement
“Director(s)”	the director(s) of the Company
“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

“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 holding the entire capital of Weichai Holdings
“Shantui Engineering”	山推工程機械股份有限公司 (Shantui Engineering Machinery Co., Ltd.), an enterprise 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
“Subscription”	the Company’s subscription for not more than 236,705,601 A shares of Shantui Engineering at a price of RMB2.88 per share
“Subscription Agreement”	a subscription agreement entered into between the Company and Shantui Engineering on 26 November 2020 in respect of the Subscription
“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
“%”	per cent.

* For identification purposes only

(The exchange rate used for the purpose of this announcement is at HK\$1 = RMB0.8482)

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

The PRC, 26 November 2020

As at the date of this announcement, the executive Directors of the Company are Mr. Tan Xuguang, Mr. Zhang Quan, Mr. Xu Xinyu, Mr. Sun Shaojun, Mr. Yuan Hongming and Mr. Yan Jianbo; the non-executive Directors of the Company are Mr. Zhang Liangfu, Mr. Jiang Kui, Mr. Gordon Riske and Mr. Michael Martin Macht; and the independent non-executive Directors of the Company are Mr. Li Hongwu, Mr. Wen Daocai, Ms. Jiang Yan, Mr. Yu Zhuoping and Ms. Zhao Huifang