

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

WEICHAI
潍柴

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

**CAPITAL CONTRIBUTION TO
WEICHAI (QINGDAO) HEAVY DUTY CO., LTD.**

CAPITAL CONTRIBUTION

On 28 December 2022, the Company, Weichai Lovol (a non-wholly owned subsidiary of the Company) and Weichai Holdings as Existing Shareholders entered into the Capital Increase Agreement with the Target Co, pursuant to which the Existing Shareholders agreed to make Capital Contributions to the Target Co in an aggregate amount of RMB500 million (equivalent to approximately HK\$560 million) proportionate to their current respective interest in the Target Co, which amount will be used to increase the registered capital of the Target Co.

Upon completion of the transactions contemplated under 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

As at the date of this announcement, Weichai Holdings, holding approximately 16.30% of the total issued share capital of the Company, is a substantial shareholder and connected person of the Company. As Weichai Holdings holds 45% of the total issued share capital of the Target Co, the Target Co is an associate of Weichai Holdings, and in turn, a connected person of the Company.

Further, as at the date of this announcement, since the Target Co is a non-wholly owned subsidiary of the Company held as to 55% by the Group and 45% by Weichai Holdings, the Target Co also constitutes a connected subsidiary of the Company pursuant to Rule 14A.16 of the Listing Rules.

Accordingly, the making of the relevant Capital Contributions by the Group contemplated under the Capital Increase Agreement 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 Capital Contributions to be made by the Group under the Capital Increase Agreement (when aggregated with the Initial Contributions made by the Group) is more than 0.1% but all of such ratios 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

On 28 December 2022, the Company, Weichai Lovol (a non-wholly owned subsidiary of the Company) and Weichai Holdings as Existing Shareholders entered into the Capital Increase Agreement with the Target Co, pursuant to which the Existing Shareholders agreed to make Capital Contributions to the Target Co in an aggregate amount of RMB500 million (equivalent to approximately HK\$560 million) proportionate to their current respective interest in the Target Co, which amount will be used to increase the registered capital of the Target Co.

II. PRINCIPAL TERMS OF THE CAPITAL INCREASE AGREEMENT

- Date:** 28 December 2022
- Parties:**
- (1) The Company
 - (2) Weichai Lovol
 - (3) Weichai Holdings
 - (4) Target Co

Subject matter

Pursuant to the Capital Increase Agreement, the Company, Weichai Lovol (a non-wholly owned subsidiary of the Company) and Weichai Holdings as Existing Shareholders agreed to make capital contributions to the Target Co in the total amount of RMB500 million (equivalent to approximately HK\$560 million) in cash in proportion to their current respective interest in the Target Co with details as follows (the “**Capital Contribution(s)**”), and the Target Co has agreed to such Capital Contributions:

Party	Capital Contributions to be made (RMB)	Contribution to the registered capital of the Target Co (RMB)	Percentage of equity interest in the Target Co immediately after completion of the Capital Contributions
The Company	50,000,000	50,000,000	10%
Weichai Lovol	225,000,000	225,000,000	45%
Weichai Holdings	225,000,000	225,000,000	45%
Total	500,000,000	500,000,000	100%

The relevant Capital Contributions shall be paid in cash by each of the Company, Weichai Lovol, and Weichai Holdings within 30 days of entering into the Capital Increase Agreement. The Group's making of its portion of Capital Contributions of RMB275 million in aggregate is expected to be funded out of the Group's financial resources.

The above amount of the Capital Contributions to be made to the Target Co was 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.

Completion

Within 10 working days of obtaining the approval of its shareholders at a general meeting, the Target Co shall register the changes in registered capital at the relevant administrative body for market regulation, and the Existing Shareholders shall provide the documents as requested by the relevant administrative body for market regulation.

III. INFORMATION ON THE TARGET CO

The Target Co was established on 10 November 2022 with a registered capital of RMB100 million and is held as to 10% by the Company, 45% by Weichai Lovol and 45% by Weichai Holdings, and is accounted for as a non-wholly owned subsidiary of the Company. As at the date of this announcement, the existing total registered capital of the Target Co of RMB100 million has already been paid up (such contributions are referred to as the "**Initial Contributions**").

After the completion of the making of the Capital Contributions, the Existing Shareholders' holding of the equity interest in the Target Co will remain unchanged, and the Target Co will continue to be accounted for as a subsidiary of the Company and its financial results will continue to be consolidated into the Company's financial statements.

The capital structures of the Target Co immediately before and after the completion of the Capital Contributions are set out below:

Name of equity holder	Registered capital of the Target Co held by the relevant equity holder as at the date of this announcement (RMB)	Percentage of equity interest of the Target Co held by the relevant equity holder as at the date of this announcement	Capital Contribution to be vested as registered capital of the Target Co pursuant to the Capital Contribution Agreement (RMB)	Registered capital of the Target Co held by the relevant equity holder immediately after completion of the Capital Contributions (RMB)	Percentage of equity interest of the Target Co held by the relevant equity holder immediately after completion of the Capital Contributions
The Company	10,000,000	10%	50,000,000	60,000,000	10%
Weichai Lovol	45,000,000	45%	225,000,000	270,000,000	45%
Weichai Holdings	45,000,000	45%	225,000,000	270,000,000	45%
Total	100,000,000	100%	500,000,000	600,000,000	100%

The Target Co was newly established on 10 November 2022, and has not commenced operations. Hence, based on the unaudited management accounts of the Target Co for the period from 10 November 2022 to the date of this announcement, the Target Co did not record any profit or revenue for the same period. As at the date of this announcement, the unaudited total asset value and net asset value of the Target Co were each RMB100 million.

IV. INFORMATION ON WEICHAI HOLDINGS

Weichai Holdings is principally engaged in the management, investment and the provision of general services.

To the best knowledge, information and belief of the Directors and having made all reasonable enquiries, Weichai Holdings is wholly-owned by Shandong Heavy Industry. Shandong Heavy Industry is one of the leading automobile and equipment groups in the PRC, and in turn a state-owned enterprise organised under the laws of the PRC with limited liability, and is ultimately governed and controlled by the Shandong Provincial People's Government* (山東省人民政府).

V. INFORMATION ON THE GROUP

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

Weichai Lovol is a subsidiary of the Company and is principally engaged in the design, development, manufacture and sale of agriculture machinery, vehicles, and vehicle parts and components.

As at the date of this announcement, Weichai Lovol is held by the Company as to approximately 61.10%, by Weichai Holdings as to approximately 27.26%, by six strategic investors as to approximately 9.50%, by an employee platform under an employee share incentive scheme of Weichai Lovol as to approximately 1.45%, and by CITIC Machinery Manufacturing Inc. (中信機電製造公司) as to approximately 0.68%.

To the best knowledge, information and belief of the Directors and having made all reasonable enquiries, Weichai Holdings is wholly-owned by Shandong Heavy Industry which is in turn ultimately governed and controlled by the Shandong Provincial People's Government* (山東省人民政府), whilst the ultimate beneficial owner of CITIC Machinery Manufacturing Inc. is the State Council of the People's Republic of China. Insofar as the Company is aware, the six strategic investors and employee platform are all Independent Third Parties.

VI. REASONS AND BENEFITS FOR THE MAKING OF THE CAPITAL CONTRIBUTION

The Target Co was established by the Existing Shareholders in November 2022 in line with the Group's strategy in its development of intelligent heavy industry operations. The Target Co is expected to be principally engaged in the design, development, manufacture and sale of construction machinery. It is expected that the Capital Contributions will strengthen the financial position of the Target Co, enabling the Target Co to meet its capital requirements in equipment procurement, develop a more sophisticated industrial system, and improve its capability in high-end intelligent construction machinery applications, which will in turn benefit the Group and is in line with the Group's overall and long-term business strategy.

In light of the above, the Directors (including the independent non-executive Directors) consider that the entering into of the Capital Increase Agreement and the Capital Contributions to be made by the Group are fair and reasonable, on normal commercial terms and in the interests of the Company and its Shareholders as a whole. Although the entering into of the Capital Increase Agreement shall be regarded as an investing activity and therefore is not conducted in the ordinary and usual course of business of the Group, the Directors (including the independent non-executive Directors) are of the view that the Capital Increase Agreement and the transactions contemplated thereunder are beneficial to the long-term business strategy of the Group.

VII. THE LISTING RULES IMPLICATIONS

As at the date of this announcement, Weichai Holdings, holding approximately 16.30% of the total issued share capital of the Company, is a substantial shareholder and connected person of the Company. As Weichai Holdings holds 45% of the total issued share capital of the Target Co, the Target Co is an associate of Weichai Holdings, and in turn, a connected person of the Company.

Further, as at the date of this announcement, since the Target Co is a non-wholly owned subsidiary of the Company held as to 55% by the Group and 45% by Weichai Holdings, the Target Co also constitutes a connected subsidiary of the Company pursuant to Rule 14A.16 of the Listing Rules.

Accordingly, the making of the relevant Capital Contributions by the Group contemplated under the Capital Increase Agreement 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 Capital Contributions to be made by the Group under the Capital Increase Agreement (when aggregated with the Initial Contributions made by the Group) is more than 0.1% but all of such ratios are less than 5%, the making of such Capital Contribution 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 28 December 2022 approving, inter alia, the making of the relevant Capital Contributions by the Group, Mr. Tan Xugang, Mr. Jiang Kui, Mr. Zhang Quan, Mr. Xu Xinyu, 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 the relevant connected person. Save as disclosed above, none of the Directors has a material interest in the Capital Increase Agreement.

VIII. DEFINITIONS

In this announcement, the following expressions shall have the following meaning, 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, Weichai Lovol, Weichai Holdings and the Target Co on 28 December 2022 in respect of the making of the Capital Contributions

“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(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“Existing Shareholders”	the Company, Weichai Lovol and Weichai Holdings
“Group”	the Company and its subsidiaries
“Independent Third Parties”	third parties independent of and not connected with the Company and its connected persons
“Initial Contribution(s)”	has the meaning ascribed to it under the section headed “III. Information on the Target Co” in this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“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, a subsidiary of the State-owned Assets Supervision and Administration Commission of Shandong Province
“Shareholder(s)”	holder(s) of the shares in the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Co”	濰柴 (青島) 智慧重工有限公司 (Weichai (Qingdao) Heavy Duty Co., Ltd.*), a company established in the PRC and a connected subsidiary of the Company
“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

“Weichai Lovol”

Weichai Lovol Intelligent Agricultural Technology Co., Ltd.* (潍柴雷沃智慧农业科技股份有限公司) (formerly known as Weichai Lovol Heavy Industry Co., Ltd.* (潍柴雷沃重工股份有限公司)), a joint stock limited company established in the PRC and an approximately 61.1% subsidiary of the Company

(The exchange rate used for the purpose of this announcement is HK\$1 = RMB0.89328)

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

The PRC, 28 December 2022

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.

* *For identification purposes only*