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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

NON-EXERCISE OF PRE-EMPTIVE RIGHT IN RESPECT OF INTELLIGENT TECHNOLOGY

NON-EXERCISE OF PRE-EMPTIVE RIGHT

On 20 September 2023, Ji'nan Power entered into the Capital Contribution Agreement with (i) Intelligent Technology, and (ii) the other existing equity holders of Intelligent Technology, being the Company, Weichai Lovol, Shantui Investment and Zhongtong Bus, pursuant to which Ji'nan Power has agreed to make a capital contribution to Intelligent Technology in the amount of RMB400,000,000 (equivalent to approximately HK\$436,133,675).

Pursuant to the Capital Contribution Agreement, the Company and Weichai Lovol (a subsidiary of the Company), among others, have agreed not to exercise their respective Pre-emptive Right to subscribe for equity interest in Intelligent Technology. Hence, upon completion of the transaction contemplated under the Capital Contribution Agreement, Ji'nan Power will become a holder of approximately 72.36% of the total equity interest in Intelligent Technology, whilst the equity interest of the Group in Intelligent Technology will decrease from 59% to approximately 23.29%.

LISTING RULES IMPLICATION

Ji'nan Power is a subsidiary of Sinotruk HK, which is in turn controlled by Shandong Heavy Industry. Shandong Heavy Industry indirectly holds approximately 16.30% of the total 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. Ji'nan Power, being a fellow subsidiary of the Company, is also a connected person of the Company.

The Group's non-exercise of the Pre-emptive Right to subscribe for the equity interest in Intelligent Technology, which would be treated as if it had an option, and that the option had been exercised under Rule 14A.79(4) of the Listing Rules, constitute 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 non-exercise of the Pre-emptive Right is more than 0.1% but all of such ratios are less than 5%, the non-exercise of the Pre-emptive Right is subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules but is exempt from the independent Shareholders' approval requirement.

Shareholders and potential investors should note that the transaction contemplated under the Capital Contribution Agreement is subject to certain conditions precedent, and may or may not be completed. Shareholders and potential investors are reminded to exercise caution when dealing in the shares of the Company.

I. INTRODUCTION

On 20 September 2023, Ji'nan Power entered into the Capital Contribution Agreement with (i) Intelligent Technology, and (ii) the other existing equity holders of Intelligent Technology, being the Company, Weichai Lovol, Shantui Investment and Zhongtong Bus, pursuant to which Ji'nan Power has agreed to make a capital contribution to Intelligent Technology in the amount of RMB400,000,000 (equivalent to approximately HK\$436,133,675).

Pursuant to the Capital Contribution Agreement, the Company and Weichai Lovol (a subsidiary of the Company), among others, have agreed not to exercise their respective Pre-emptive Right to subscribe for any equity interest in Intelligent Technology. Hence, upon completion of the transaction contemplated under the Capital Contribution Agreement, Ji'nan Power will become a holder of approximately 72.36% of the total equity interest in Intelligent Technology, whilst the equity interest of the Group in Intelligent Technology will decrease from 59% to approximately 23.29%.

II. PRINCIPAL TERMS OF THE CAPITAL CONTRIBUTION AGREEMENT

Date: 20 September 2023

Parties:

- (1) Ji'nan Power
- (2) the Company
- (3) Weichai Lovol
- (4) Shantui Investment
- (5) Zhongtong Bus
- (6) Intelligent Technology

Subject matter

Pursuant to the Capital Contribution Agreement, Ji'nan Power has agreed to make a capital contribution to Intelligent Technology in the amount of RMB400,000,000, among which (i) RMB383,180,000 shall be used to increase the registered capital of the Intelligent Technology, and (ii) RMB16,820,000 shall be used to increase the capital reserve of Intelligent Technology. Each of the other existing equity holders of Intelligent Technology, being the Company, Weichai Lovol, Shantui Investment and Zhongtong Bus, has agreed not to exercise its Pre-emptive Right to subscribe for any equity interest in Intelligent Technology.

The following table sets out the equity interest of each of the equity holders in Intelligent Technology immediately before and after the completion of the transaction contemplated under the Capital Contribution Agreement:

Equity holder of Intelligent Technology	Immediately before the making of the relevant capital contribution		Immediately after the making of the relevant capital contribution	
	Contribution to the registered capital of Intelligent Technology (RMB'million)	Percentage of equity interest in Intelligent Technology	Contribution to the registered capital of Intelligent Technology (RMB'million)	Percentage of equity interest in Intelligent Technology
Ji'nan Power	75.0	30%	458.18	72.36%
the Company	100.0	40%	100.0	15.79%
Weichai Lovol	47.5	19%	47.5	7.50%
Shantui Investment	15.0	6%	15.0	2.37%
Zhongtong Bus	12.5	5%	12.5	1.97%
Total	250.0	100%	633.18	100%

Note: Certain amounts and percentage figures in the above table have been subject to rounding adjustments. Accordingly, figures shown as totals in the above tables may not be an arithmetic aggregation of the figures preceding them.

Consideration and payment terms

The amount of capital contribution made by Ji'nan Power was determined after arm's length negotiation between the parties to the Capital Contribution Agreement based on the appraised value of the entire equity interest of Intelligent Technology of RMB260,975,000 as at the Valuation Reference Date using the income approach as appraised by the Valuer, and taking into account Intelligent Technology Group's funding needs for its future business development as well as the percentage of equity interest in Intelligent Technology intended to be held by Ji'nan Power.

The aforementioned capital contribution shall be paid in cash by Ji'nan Power to Intelligent Technology by 31 December 2023.

Conditions precedent

The completion of the transactions contemplated under the Capital Contribution Agreement is subject to all necessary internal approvals (including but not limited to the approval of the board of directors) of Ji'nan Power, the Company, Weichai Lovol, Shantui Investment and Zhongtong Bus and all approvals or filings (including but not limited to the filing for state-owned assets assessment) having been obtained or registered with the relevant regulatory authorities and not having been revoked.

Completion

Each of the parties to the Capital Contribution Agreement shall assist Intelligent Technology in completing the procedures for the changes in the relevant industrial and commercial registration in respect of the transactions contemplated under the Capital Contribution Agreement within 15 business days after the date of the Capital Contribution Agreement.

Transfer restrictions

According to the articles of association of Intelligent Technology, any proposed transfer of equity interest in Intelligent Technology to any person other than an existing equity holder of Intelligent Technology shall be consented to by more than half of the existing equity holders of Intelligent Technology (if no such consent is obtained, then the non-consenting equity holders should purchase the equity interest proposed to be transferred) and is subject to the right of first purchase of the existing equity holders of Intelligent Technology.

III. INFORMATION ON INTELLIGENT TECHNOLOGY

Intelligent Technology was established on 27 November 2018 as a limited liability company in the PRC. It is currently a subsidiary of Shandong Heavy Industry and has a registered capital of RMB250 million. Intelligent Technology is principally engaged in the research and development and application of digitalised and intelligent core technologies of whole vehicles and machineries, and the provision of internet of vehicles data centre and logistics operation service platform to provide customers with full life-cycle intelligent logistics services.

Set out below is the audited consolidated financial information of Intelligent Technology for the two financial years ended 31 December 2021 and 31 December 2022, and for the five months ended 31 May 2023, respectively, prepared based on the PRC Accounting Standards for Business Enterprises:

	For the five months ended 31 May 2023	For the year ended 31 December 2022	For the year ended 31 December 2021
	<i>RMB'million</i>	<i>RMB'million</i>	<i>RMB'million</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
Revenue	360.54	148.00	9.34
Net profits (loss) before taxation	(34.63)	(113.14)	(46.59)
Net profits (loss) after taxation	(34.72)	(113.18)	(46.57)

Based on the financial information of Intelligent Technology prepared based on the PRC Accounting Standards for Business Enterprises, as of 31 December 2022, the audited total consolidated asset value and net consolidated asset value of Intelligent Technology were approximately RMB210.79 million and RMB105.51 million, respectively; and as of 31 May 2023, the audited total consolidated asset value and net consolidated asset value of Intelligent Technology were approximately RMB595.93 million and RMB71.27 million, respectively.

In addition, pursuant to the valuation report issued by the Valuer, the appraised value of the entire equity interest of Intelligent Technology as at the Valuation Reference Date using the income approach was RMB260,975,000.

As the Company currently only directly holds 40% equity interest in Intelligent Technology and does not control the board of Intelligent Technology, Intelligent Technology is accounted for as an associated company (and not as a subsidiary) of the Company and its financial results are not consolidated into the Company's consolidated financial statements.

Upon completion of the transaction contemplated under the Capital Contribution Agreement, the Company's direct equity holding in Intelligent Technology will be reduced to approximately 15.79%, whereas the Group's equity interest (inclusive of the indirect equity interest held through Weichai Lovol) in Intelligent Technology will decrease from 59% to approximately 23.29%. Intelligent Technology will remain to be accounted for as an associated company of the Company and its financial results will not be consolidated into the Company's consolidated financial statements. Accordingly, the Company is of the view that as the reduction of the Company's equity holding proportion in Intelligent Technology pursuant to the making of the capital contribution by Ji'nan Power will not result in the recognition of any gain or loss in the Company's consolidated financial statements.

IV. INFORMATION ON OTHER PARTIES TO THE CAPITAL CONTRIBUTION AGREEMENT

The Company

The Company is a joint stock company limited by shares established in the PRC whose shares are listed on the Main Board of the Stock Exchange (stock code: 02338) and on the Shenzhen Stock Exchange (stock code: 000338). 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

Weichai Lovol is a joint stock company limited by shares established in the PRC. Weichai Lovol and its subsidiaries are principally engaged in the design, development, manufacture and sale of intelligent agriculture machinery and the supply of intelligent agriculture solutions, with the main products being tractors and different types of harvest machinery and equipment.

Weichai Lovol is a subsidiary of the Company held as to approximately 61.1% by the Company and approximately 27.26% by Weichai Holdings. Hence, Weichai Lovol is a connected subsidiary and a connected person of the Company.

Ji'nan Power

Ji'nan Power is a wholly-owned subsidiary of Sinotruk HK and is principally engaged in the development, production and sales of engines and components and the research and development and testing of vehicles and components.

Sinotruk HK together with its subsidiaries primarily specialise in the research, development and manufacturing of heavy duty trucks, medium-heavy duty trucks, light duty trucks, etc. and related key assemblies, parts and components including engines, cabins, axles, steel frames and gearboxes as well as the provision of financial services. Sinotruk HK is a company whose shares are listed on the Main Board of the Stock Exchange. Sinotruk HK is held as to approximately 51% by CNHTC, a commercial vehicles manufacturer, which is held as to 65% by Shandong Heavy Industry, hence, Sinotruk HK is a connected person of the Company.

Shantui Investment

Shantui Investment is a company established in the PRC with limited liability and is a wholly-owned subsidiary of Shantui Engineering Machinery Co., Ltd. (山推工程機械股份有限公司) whose shares are listed on the Shenzhen Stock Exchange (stock code: 000680). Shantui Investment is principally engaged in investment. It is a subsidiary of Shandong Heavy Industry and hence a connected person of the Company.

Zhongtong Bus

Zhongtong Bus is a joint stock company limited by shares established in the PRC whose shares are listed on the Shenzhen Stock Exchange (stock code: 000957). It is principally engaged in the development, manufacturing and sale of buses and bus parts and components. It is a subsidiary of CNHTC (which is in turn is held as to 65% by Shandong Heavy Industry), and hence a connected person of the Company.

To the best knowledge, information and belief of the Directors and having made all reasonable enquiries, (i) each of Intelligent Technology, Ji'nan Power, Weichai Lovol, Shantui Investment and Zhongtong Bus is a subsidiary of Shandong Heavy Industry, and (ii) Shandong Heavy Industry, one of the leading automobile and equipment groups in the PRC, is in turn a state-owned enterprise established under the laws of the PRC with limited liability and is ultimately governed and controlled by Shandong Provincial People's Government* (山東省人民政府).

V. REASONS FOR THE BENEFITS OF THE NON-EXERCISE OF PRE-EMPTIVE RIGHT

The Board considers that the making of the capital contribution by Ji'nan Power into Intelligent Technology will enable the Intelligent Technology Group to accelerate in its business development and procure the extension and innovation of the whole vehicle and engine industry chain. In addition, the strengthening of synergetic cooperation between the Group and the CNHTC Group could enhance the advantages of the resources of both groups and is in line with the Group's strategic development and long-term interest.

The Board agreed not to exercise the Pre-emptive Right to make further contribution into Intelligent Technology having considered the development needs of the Intelligent Technology Group and having made an overall assessment of the Group's existing operational circumstances and development strategies. Upon completion of the transaction contemplated under the Capital Contribution Agreement, the Group will continue be an equity holder of Intelligent Technology, holding approximately 23.29% of the equity interest in Intelligent Technology. Further, given that Intelligent Technology is currently not accounted for as a subsidiary of the Company and its financial results have not been consolidated into that of the Company, Intelligent Technology contributes only a small portion to the overall profit of the Company, and accordingly, the Board is of the view that the non-exercise of the Pre-emptive Right will not have any material impact on the financial position of the Group.

In light of the above, the Directors (including the independent non-executive Directors) consider that the non-exercise of the Pre-emptive Right was entered into on normal commercial terms after arm's length negotiations (after having taking into consideration the appraised value and the financial position of Intelligent Technology as at Valuation Reference Date) and that the terms of the Capital Contribution Agreement are fair and reasonable and in the interest of the Company and the Shareholders as a whole. Although the non-exercise of the Pre-emptive Right shall be regarded as a divesting activity and therefore is not conducted in the ordinary and usual course of business of the Group, as disclosed above, the Directors (including the independent non-executive Directors) are of the view that such transaction is beneficial to the financial position and the long-term development of the Group.

VI. LISTING RULES IMPLICATIONS

Ji'nan Power is a subsidiary of Sinotruk HK, which is in turn, controlled by Shandong Heavy Industry. Shandong Heavy Industry indirectly holds approximately 16.30% of the total 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. Ji'nan Power, being a fellow subsidiary of the Company, is also a connected person of the Company.

The non-exercise of the Pre-emptive Right to subscribe for the equity interest in Intelligent Technology, which would be treated as if it had an option, and that the option had been exercised under Rule 14A.79(4) of the Listing Rules, constitute 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 non-exercise of the Pre-emptive Right is more than 0.1% but all of such ratios are less than 5%, the non-exercise of the Pre-emptive Right 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 20 September 2023 approving, inter alia, the non-exercise of the Pre-emptive Right, Mr. Tan Xuguang, Mr. Zhang Quan, Mr. Ma Changhai and Mr. Sun Shaojun have abstained from voting in respect of the resolution approving the non-exercise of the Pre-emptive Right for the reasons of their respective interest and/or position (as the case may be) in the relevant connected person(s). Save as disclosed above, none of the Directors has a material interest in the non-exercise of the Pre-emptive Right.

Shareholders and potential investors should note that the transaction contemplated under the Capital Contribution Agreement is subject to certain conditions precedent, and may or may not be completed. Shareholders and potential investors are reminded to exercise caution when dealing in the shares of the Company.

VII. DEFINITIONS

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

“Board”	the board of Directors
“Capital Contribution Agreement”	the capital contribution agreement dated 20 September 2023 entered into between Ji’nan Power, the Company, Weichai Lovol, Shantui Investment, Zhongtong Bus and Intelligent Technology with its principal terms set out under the section headed “II. Principal terms of the Capital Contribution Agreement” in this announcement
“CNHTC”	中國重型汽車集團有限公司 (China National Heavy Duty Truck Group Company Limited*), a state-owned enterprise established under the laws of the PRC with limited liability and a connected person of the Company
“CNHTC Group”	CNHTC and its subsidiaries
“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
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Ji’nan Power”	中國重汽集團濟南動力有限公司 (Sinotruk Ji’nan Power Co., Ltd.*), a company established in the PRC with limited liability and a wholly-owned subsidiary of Sinotruk HK
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China

“Pre-emptive Right”	a subscription right of an equity holder of Intelligent Technology to make capital contributions to Intelligent Technology pursuant to the articles of association of Intelligent Technology upon the making of capital contribution by other equity holder(s) of Intelligent Technology
“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
“Shantui Investment”	山推投資有限公司 (Shantui Investment Co., Ltd.*), a company established in the PRC with limited liability
“Shareholder(s)”	holder(s) of the shares in the Company
“Sinotruk HK”	Sinotruk (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability whose shares are listed on the Stock Exchange (stock code: 3808), and a connected person of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Valuation Reference Date”	31 May 2023, being the reference date adopted by the Valuer in the valuation of Intelligent Technology
“Valuer”	Beijing Zhuoxindahua Appraisal Co., Ltd.* (北京卓信大華資產評估有限公司), an independent professional valuer in the PRC
“Intelligent Technology”	濰柴智能科技有限公司 (Weichai Intelligent Technology Co., Ltd.*), a company established in the PRC with limited liability
“Intelligent Technology Group”	Intelligent Technology and its subsidiaries
“Weichai Lovol”	濰柴雷沃智慧農業科技股份有限公司 (Weichai Lovol Intelligent Agricultural Technology Co., Ltd.*), a joint stock company limited by shares established in the PRC and a non-wholly owned subsidiary of the Company

“Zhongtong Bus” 中通客車股份有限公司 (Zhongtong Bus Holding Co., Ltd.), a joint stock company limited by shares established in the PRC whose shares are listed on the Shenzhen Stock Exchange (stock code: 000957)

“%” per cent

(The exchange rate used for the purpose of this announce is HK\$1 = RMB0.91715.)

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

The PRC, 20 September 2023

As at the date of this announcement, the executive Directors of the Company are Mr. Tan Xuguang, Mr. Zhang Quan, Mr. Ma Changhai, Mr. Wang Decheng, Mr. Sun Shaojun, Mr. Yuan Hongming, and Mr. Ma Xuyao; the non-executive Directors of the Company are Mr. Zhang Liangfu, Mr. Richard Robinson Smith and Mr. Michael Martin Macht; and the independent non-executive Directors of the Company are Ms. Jiang Yan, Mr. Yu Zhuoping, Mr. Chi Deqiang, Mr. Zhao Fuquan and Mr. Xu Bing.

* *For identification purposes only*