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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)

**PROPOSED ADOPTION OF THE RESTRICTED
SHARE INCENTIVE SCHEME OF A SHARES**

INTRODUCTION

The Board is pleased to announce that, on 24 October 2023, the Board has passed resolutions on, among other things, the proposed adoption of the Incentive Scheme and related measures, in order to further establish and improve the long-term incentive mechanism of the Company, attract and retain talents, motivate the core and key employees and effectively align the interests of the Shareholders, the Company and its employees.

LISTING RULES IMPLICATIONS

The Incentive Scheme constitutes a share scheme under Chapter 17 of the Listing Rules and shall be subject to the applicable disclosure requirements under Rule 17.12 of the Listing Rules. However, it does not constitute a share scheme involving the issue of new shares as referred to in Chapter 17 of the Listing Rules. Therefore, the adoption of the Incentive scheme is not subject to Shareholders' approval pursuant to the Listing Rules.

Nonetheless, pursuant to the relevant PRC laws and regulations, the Incentive Scheme and the related measures are subject to, among others, the approval of Shareholders at the EGM by way of special resolutions.

Pursuant to the proposed list of Incentive Participants prepared by the Remuneration Committee, subject to the approval of the Incentive Scheme by the Shareholders at the EGM and the approval of the Board on the grant of the relevant Restricted Shares, following adoption of the Incentive Scheme, it is expected that one of the Incentive Participants is a director of the Company, and 47 of the Incentive Participants are directors and/or supervisors of the subsidiaries of the Company or were directors of subsidiaries of the Company in the last 12 months. Therefore, they are connected persons of the Company pursuant to Chapter 14A of the Listing Rules. As the highest applicable percentage ratio calculated pursuant to the Listing Rules in respect of the grant of Restrictive Shares to each such Incentive Participants is less than 0.1%, such grants under the Incentive Scheme will be fully exempted from the reporting, announcement and independent shareholders' approval requirements in relation to connected transactions under Chapter 14A of the Listing Rules.

GENERAL

A circular containing, among other things, (i) further details of the Incentive Scheme and the Appraisal Management Measures; and (ii) the notice convening the EGM, is expected to be despatched to the Shareholders on or before 27 October 2023.

Shareholders and potential investors should note that the implementation of the Incentive Scheme and the related measures is also subject to the approval by Shandong Heavy Industry and the completion of registration procedures with the Shandong SASAC. There is no assurance that the proposed Incentive Scheme and the related measures will be adopted and implemented. Shareholders and potential investors are advised to exercise caution when dealing in the H Shares or other securities of the Company.

I. INTRODUCTION

The Board is pleased to announce that, on 24 October 2023, the Board has passed resolutions on, among other things, the proposed adoption of the Incentive Scheme and related measures, in order to further establish and improve the long-term incentive mechanism of the Company, attract and retain talents, motivate the core and key employees and effectively align the interests of the Shareholders, the Company and its employees.

II. PROPOSED ADOPTION OF THE INCENTIVE SCHEME

In order to further establish and improve the long-term incentive mechanism of the Company, attract and retain talents, motivate the core and key employees and effectively align the interests of the Shareholders, the Company and its employees, the Remuneration Committee has formulated, and the Board has approved the proposed adoption of, the Incentive Scheme in accordance with the applicable laws and regulations and the Articles of Association, and proposed to grant the Restricted Shares to the Incentive Participants pursuant to the Incentive Scheme.

Principal Terms of the Incentive Scheme

The principal terms of the Incentive Scheme are set out below:

Effectiveness of the Incentive Scheme	<p>The Incentive Scheme shall become effective upon satisfaction of all the following conditions:</p> <ul style="list-style-type: none">(i) the approval of the Incentive Scheme by the Shareholders at the EGM by way of special resolution having been obtained;(ii) the approval of the Incentive Scheme by Shandong Heavy Industry having been obtained; and(iii) the relevant registration procedures with the Shandong SASAC in respect of the Incentive Scheme having been completed.
Validity period	<p>The Incentive Scheme shall be valid from the date of the completion of registration of the grant of the Restricted Shares, to the unlocking of the lock-up restrictions attached to all of the granted Restricted Shares (or the completion of the repurchase of the granted Restricted Shares by the Company), which period shall not exceed 60 months.</p>
Incentive Participants	<p>The Incentive Participants are nominated by the Remuneration Committee and shall be further verified and confirmed by the Supervisory Committee.</p> <p>The Incentive Participants shall comprise 716 persons, including directors, senior management officers, middle management officers, and core technology (business) staff of the Group. The Incentive Participants will not include the Company's external directors, supervisors, or shareholders or actual controllers holding, individually or collectively, more than 5% of the total shareholding of the Company and their spouses, parents and children.</p>

The allocation of the Restricted Shares to be granted among all Incentive Participants is set out in the table below:

Name	Position	Number of Restricted Shares to be granted	Percentage in the total number of Restricted Shares to be granted	Percentage in existing total share capital
Wang Decheng (王德成)	Director, CEO and general manager	800,000	0.94%	0.009%
Wang Jian (王健)	Deputy general manager	600,000	0.70%	0.007%
Guo Shenggang (郭聖剛)	Deputy general manager	800,000	0.94%	0.009%
Zhi Baojing (支保京)	Deputy general manager	1,100,000	1.29%	0.013%
Jin Zhao (金釗)	Deputy general manager	600,000	0.70%	0.007%
Li Pengcheng (李鵬程)	Deputy general manager	300,000	0.35%	0.003%
Wang Lingjin (王令金)	Deputy general manager	600,000	0.70%	0.007%
Ling Yun (凌芸)	Deputy general manager	690,000	0.81%	0.008%
Qu Hongkun (曲洪坤)	Chief financial officer	300,000	0.35%	0.003%
Gao Tianchao (高天超)	Secretary to the Board	400,000	0.47%	0.005%
Other middle management, core technology (business) staff (706 persons in total)		79,250,000	92.76%	0.908%
Total		85,440,000	100.00%	0.979%

Pursuant to the proposed list of Incentive Participants prepared by the Remuneration Committee, subject to the approval of the Incentive Scheme by the Shareholders at the EGM and the approval of the Board on the grant of the relevant Restricted Shares, following adoption of the Incentive Scheme, in addition to the 800,000 Restricted Shares that is expected to be granted to Mr. Wang Decheng, a Director, the CEO and general manager of the Company, pursuant to the Incentive Scheme, an aggregate of 14,380,000 Restricted Shares is expected to be granted to 47 of the Incentive Participants who are the directors and/or supervisors of the subsidiaries of the Company or were directors of subsidiaries of the Company in the last 12 months. Therefore, they are connected persons of the Company pursuant to Chapter 14A of the Listing Rules. For the implications under the Listing Rules, please refer to the section “Listing Rules implications” below. The details of the proposed grant of Restricted Shares to these Incentive Participants who constitute connected persons of the Company are set out below:

Name of incentive Participant (connected person at listed company level) and position in the Company	Number of Restricted Shares to be granted	Percentage in the total number of Restricted Shares to be granted	Percentage in existing total share capital of the Company
Wang Decheng (王德成) Director, the CEO and general manager of the Company	800,000	0.94%	0.009%

Categories of Incentive Participants (connected persons at subsidiary level)	Number of Incentive Participants	Number of Restricted Shares to be granted	Percentage in the total number of Restricted Shares to be granted	Percentage in existing total share capital of the Company
Management staff	30	8,500,000	9.95%	0.10%
Technological and R&D staff	9	4,290,000	5.02%	0.05%
Marketing and sales staff	8	1,590,000	1.86%	0.02%

Grant Price and basis of determination RMB6.49 per Restricted Share, subject to adjustments in accordance with the terms of the Incentive Scheme.

The Grant Price shall not be less than 50% of the fair market price of the A Shares and not less than the nominal value of such Shares, and the fair market price shall be the higher of the following prices:

- (i) the average trading price of the A Shares for the last trading day immediately preceding the date of this announcement, which is RMB12.96 per A Share; and
- (ii) the average trading price of the A Shares for the last 20 trading days immediately preceding the date of this announcement, which is RMB12.93 per A Share.

In the event of a conversion of capital reserve into share capital, distribution of script dividend, division of shares or share consolidation, rights issue or distribution of dividends by the Company during the period between the date of this announcement and the Registration Date, corresponding adjustments shall be made to the Grant Price in accordance with the terms of the Incentive Scheme.

Source of the Restricted Shares to be Granted

The source of the Restricted Shares to be granted is the ordinary A Shares repurchased from the secondary market by the Company. Such repurchase of A shares has been completed on 11 October 2022.

For further details on the repurchase of A shares by the Company, please refer to the Company's announcement dated 19 May 2022, the Company's overseas regulatory announcement dated 11 October 2022 and the relevant next day returns of the Company.

Number of Restricted Shares to be Granted 85,440,000 Restricted Shares, representing not more than 1.00% of the total share capital of the Company as of the date of this announcement and not more than the total amount of the A shares that have been repurchased, subject to adjustments in accordance with the terms of the Incentive Scheme.

In the event of a conversion of capital reserve into share capital, distribution of script dividend, division of shares or share consolidation, or rights issue by the Company during the period between the date of this announcement and the Registration Date, corresponding adjustments shall be made to the number of the Restricted Shares to be granted in accordance with the terms of the Incentive Scheme.

Grant Date and registration procedures of granted Restricted Shares The Grant Date shall be determined by the Board and shall fall on a trading day of the A Shares.

The Grant Date shall not fall within any of the following periods:

- (i) within 30 days prior to the announcement of the annual report or interim report of the Company. If the announcement date is delayed due to special reasons, from 30 days prior to the original announcement date;
- (ii) within 10 days prior to the announcement of the quarterly report, results preview or preliminary financial results of the Company;
- (iii) during the period from the date of occurrence of a material event which may have considerable impact on the trading price of the Shares and their derivatives, or the date of entering the decision-making process, up to the date of disclosure in accordance with the laws;
- (iv) any other period stipulated by the CSRC or the Shenzhen Stock Exchange.

The Company shall complete the grant of the Restricted Shares and the relevant registration and announcement procedures not later than 60 days after the EGM and the satisfaction of the relevant grant conditions (excluding the periods which the grant of Restricted Shares are prohibited under the relevant laws, regulations and listing rules) (the “**Registration Period**”).

If the Company fails to complete the grant of the Restricted Shares or the relevant registration and announcement procedures within the Registration Period, the Incentive Scheme shall be terminated and the Restricted Shares that have not been granted shall lapse. The aforementioned period during which no Restricted Shares shall be granted shall not be included in the 60-day period.

**Conditions for
Granting Restricted
Shares**

The Restricted Shares shall only be granted upon the satisfaction of the following conditions by the Company and the Incentive Participants:

- (i) The Company is not involved in any of the following circumstances:
 - 1. a certified public accountant has issued a negative opinion or was unable to express an opinion in respect of the Company's financial and accounting report for the latest fiscal year;
 - 2. a certified public accountant has issued a negative opinion or was unable to express an opinion in respect of the Company's internal control over financial reporting for the latest fiscal year;
 - 3. within the most recent 36 months and after the Company's listing, there have been cases of failure to distribute profits according to laws and regulations, the Articles of Association and public commitments;
 - 4. the relevant laws and regulations have prohibited the implementation of the share incentives;
 - 5. other circumstances as stipulated by the CSRC.

- (ii) The Incentive Participant is not involved in any of the following circumstances:
1. such Incentive Participant having been recognised as an ineligible person by the Shenzhen Stock Exchange during the last 12 months;
 2. such Incentive Participant having been recognised as an ineligible person by the CSRC and its delegated institutions during the last 12 months;
 3. such Incentive Participant having been imposed administrative punishment or market access prohibition by the CSRC and its delegated institutions due to material breach of or noncompliance with laws and regulations during the last 12 months;
 4. such Incentive Participant having been prohibited from being appointed as a director or senior management according to the requirements of the PRC Company Law;
 5. such Incentive Participant having been prohibited from participating in the incentive scheme of a listed company according to the requirements of laws and regulations;
 6. other circumstances as stipulated by the CSRC.

**Lock-up Periods and
Unlocking Periods**

The lock-up periods (the “**Lock-up Periods**”) of the Restricted Shares granted under the Incentive Scheme shall be for periods of 24 months, 36 months and 48 months, respectively, from the Registration Date.

The Restricted Shares granted to the Incentive Participants under the Incentive Scheme shall be subject to lock-up restrictions, and accordingly shall not be transferred or used to provide guarantee or used for repayment of debt during the Lock-up Periods.

The lock-up restrictions attached to the granted Restricted Shares for the Incentive Participants shall be unlocked if the unlocking conditions imposed pursuant to the terms of the Incentive Scheme have been satisfied. In the event that the unlocking conditions have not been satisfied, the granted Restricted Shares shall be repurchased by the Company pursuant to the terms of the Incentive Scheme.

The unlocking periods (the “**Unlocking Periods**”) and the unlocking schedule are set out in the table below:

Unlocking arrangement	Unlocking Period	Unlocking proportion
The first Unlocking Period	Commencing from the first trading day upon the expiry of the first Lock-up Period (being a period of 24 months from the Registration Date) to the last trading day falling within the period of 36 months from the Registration Date	30%
The second Unlocking Period	Commencing from the first trading day upon the expiry of the second Lock-up Period (being a period of 36 months from the Registration Date) to the last trading day falling within the period of 48 months from the Registration Date	30%
The third Unlocking Period	Commencing from the first trading day upon the expiry of the third Lock-up Period (being a period of 48 months from the Registration Date) to the last trading day falling within the period of 60 months from the Registration Date	40%

The Restricted Shares which have not been unlocked during each of the relevant Unlocking Periods as stipulated above are not allowed to be deferred to be unlocked in the subsequent Unlocking Period(s).

**Prohibition on selling
of Restricted
Shares**

In addition to the lock-up restrictions set out above, the Incentive Scheme shall be subject to the prohibitions on selling as stipulated under the Articles of Association and the relevant laws, regulations and regulatory documents including but not limited to the PRC Company Law and PRC Securities Law. Such selling prohibitions includes:

- (i) Where the Incentive Participant is a director or the senior management of the Group, the number of shares of the Company which may be transferred each year during his/her term of office shall not exceed 25% of the total number of shares of the Company held by him/her. No shares held by him/her shall be transferred within six months after his/her termination of office.
- (ii) 20% of the total number of the Restricted Shares granted to an Incentive Participant who is a director and senior management officer of the Group are subject to lock-up and may be cashed after expiry of their position (or term of office), and subject to appraisal on their performance during his/her term of office or the audited results of economic responsibility to confirm whether the unlocking can be implemented.
- (iii) For Incentive Participants who are directors and senior management officers of the Group, if they have sold the Shares held by them within six months after purchasing such Shares, or they have purchased the Shares within six months after selling, the gains obtained therefrom shall be attributed to the Company and the Board shall forfeit the gains.
- (iv) If, during the validity period of the Incentive Scheme, the relevant laws and regulations have been amended such that the directors and senior management are subject to new rules on the transfers of shares, such Incentive Participants shall comply with such amended requirements.

**Conditions for
unlocking the
Restricted Shares**

During each of the Unlocking Periods, the lock-up restrictions attached to the granted Restricted Shares for an Incentive Participant may only be unlocked upon the satisfaction of all the following conditions by the Company and the relevant Incentive Participant:

- (i) The Company is not involved in any of the following circumstances:
1. a certified public accountant has issued a negative opinion or was unable to express an opinion in respect of the Company's financial and accounting report for the latest fiscal year;
 2. a certified public accountant has issued a negative opinion or was unable to express an opinion in respect of the Company's internal control over financial reporting for the latest fiscal year;
 3. within the most recent 36 months and after the Company's listing, there have been cases of failure to distribute profits according to laws and regulations, the Articles of Association and public commitments;
 4. the relevant laws and regulations have prohibited the implementation of the share incentives;
 5. other circumstances as stipulated by the CSRC.

If the Company is involved in any one of the situations stipulated under paragraph (i) above, all Restricted Shares that have been granted to Incentive Participants but remained unlocked shall be repurchased by the Company at a price which is the lower of the Grant Price and the market value of the A Shares at the time of the repurchase (the market value of the A shares shall be the average trading price of the A Shares for the last trading day immediately preceding the Board considers the matters related to the repurchase).

(ii) The Incentive Participant is not involved in any of the following circumstances:

1. such Incentive Participant having been recognised as an ineligible person by the Shenzhen Stock Exchange during the last 12 months;
2. such Incentive Participant having been recognised as an ineligible person by the CSRC and its delegated institutions during the last 12 months;
3. such Incentive Participant having been imposed administrative punishment or market access prohibition by the CSRC and its delegated institutions due to material breach of or noncompliance with laws and regulations during the last 12 months;
4. such Incentive Participant having been prohibited from being appointed as a director or senior management according to the requirements of the PRC Company Law;
5. such Incentive Participant having been prohibited from participating in the incentive scheme of a listed company according to the requirements of laws and regulations;
6. other circumstances as stipulated by the CSRC.

If an Incentive Participant is involved in one of the situations stipulated under (ii) above, all Restricted Shares that have been granted to the Incentive Participants but remained unlocked shall be repurchased by the Company at a price which is the lower of the Grant Price and the market value of the A Shares at the time of the repurchase (the market value of the A Shares shall be the average trading price of the A Shares for the last trading day immediately preceding the Board considers the matters related to repurchase).

(iii) Performance appraisal targets at the Company level

Unlocking Periods	Performance appraisal targets
The first Unlocking Period	The operating revenue in 2024 is not less than RMB210,200 million, and the profit margin in 2024 shall not be less than 8%, and the above indicators shall not be lower than the average performance level of the same industry for such year, and not be lower than the industry level at the time of the relevant grant.
The second Unlocking Period	The operating revenue in 2025 is not less than RMB231,200 million, and the profit margin in 2025 shall not be less than 9%, and the above indicators shall not be lower than the average performance level of the same industry for such year, and not be lower than the industry level at the time of the relevant grant.
The third Unlocking Period	The operating revenue in 2026 is not less than RMB258,900 million, and the profit margin in 2026 shall not be less than 9%, and the above indicators shall not be lower than the average performance level of the same industry for such year, and not be lower than the industry level at the time of the relevant grant.

In the event that the performance appraisal targets under the Incentive Scheme are not achieved during an Unlocking Period, the Company shall repurchase all the Restricted Shares subject to unlocking in the corresponding Unlocking Period at the lower of the Grant Price or the market price of the A Shares.

The Company shall assess the performance level of the same industry based on the industry classification by the CSRC.

(iv) Comprehensive appraisal at the level of Incentive Participants

The comprehensive appraisal at the level of Incentive Participants is associated with the business unit appraisal result and the individual annual performance appraisal result.

The Restricted Shares to be unlocked during an Unlocking Period = the Restricted Shares that are expected to be unlocked during the Unlocking Period × the unlocking proportion from a business unit perspective (Proportion A) × the unlocking proportion from an individual perspective (Proportion B).

The relevant performance appraisal in respect of each of the business unit shall be implemented in accordance with the terms of the grant agreement entered into between the Company and the Incentive Participant, and pursuant to which the unlocking proportion from a business unit perspective (Proportion A) shall be determined. For Incentive Participants who need not take part in the business unit appraisal, the unlocking proportion from a business unit perspective (Proportion A) shall be treated as 100% as long as the corresponding performance appraisal target at the Company level has been met.

The relevant performance appraisal in respect of the Incentive Participants shall be implemented in accordance with Appraisal Management Measures and the appraisal measures internally announced by the Company, and the unlocking proportion from an individual perspective (Proportion B) shall be determined as follows:

Performance appraisal result	Qualified				Unqualified
Class	S	A	B	C	D
The unlock proportion from an individual perspective (Proportion B)	100%			80%	0

The Restricted Shares which have not been unlocked in the relevant unlocking period shall not be deferred to be unlocked in the subsequent unlocking period(s), but shall be repurchased by the Company at the lower of the Grant Price or the market price of the A Shares.

Explanation on the scientificity and reasonableness of the performance appraisal targets

The appraisal targets under the Incentive Scheme are of two folds, namely the performance appraisal at the Company level and the comprehensive appraisal at the level of Incentive Participants (associated with the business unit appraisal result and the individual annual performance appraisal result).

For the performance appraisal at the Company level, two indicators, the operating revenue and the profit margin, were elected, reflecting the Company's sustainable profitability and enterprise growth. The performance indicators set by the Company are reasonable and scientific, taking into account the historical performance, business environment, industry conditions, as well as the Company's future development plan and other relevant factors. For the Incentive Participants, the performance indicators are clear and challenging. For the Company, the setting of the performance indicators will give the Incentive Participants an incentive to work diligently and contribute to the performance of the Company. The setting of the performance indicators will not only help the Company improve its competitiveness, help to increase the Company's attraction to talents in the industry, and will also play a positive role in promoting the construction of the company's core team. In the meantime, the setting of the performance indicators takes into account the interests of three parties, i.e. the Incentive Participants, the Company and the Shareholders, which will contribute to the future operations and development of the Company.

In addition to the performance appraisal at the Company level, the Incentive Scheme also establishes a strict performance appraisal system for all business units and individuals which will enable the Company to make a more accurate and comprehensive evaluation of the Incentive Participants' performance. The Company will determine whether an individual Incentive Participant satisfies the unlocking conditions for the granted Restricted Shares and the proportion to be unlocked based on the individual's relevant annual consolidated performance appraisal results.

**Repurchase and
cancellation of
Restricted Shares**

If any of the granted Restricted Shares are to be repurchased by the Company in accordance with requirements under the Incentive Scheme, the Board shall consider and approve such repurchase pursuant to the Incentive Scheme. If any of the repurchased Restricted Shares are to be cancelled, such cancellation shall be approved by the Shareholders at a general meeting.

An authorisation will be obtained at the EGM to enable the Board to make necessary adjustments to the number of Restricted Shares to be repurchased and the price at which the Restricted Shares will be repurchased, in accordance with the terms of the Incentive Scheme.

III. MEASURES RELATED TO THE INCENTIVE SCHEME

In order to ensure the smooth implementation of the Incentive Scheme, the Company has formulated the Appraisal Management Measures in accordance with the applicable laws and regulations and the Articles of Association to ensure the Group's achievement of its development strategies and performance targets.

Pursuant to the relevant PRC laws and regulations, the Appraisal Management Measures are subject to the approval of Shareholders at the EGM by way of special resolutions, the approval by Shandong Heavy Industry and the completion of registration procedures with the Shandong SASAC.

IV. GRANT OF AUTHORITY TO THE BOARD TO HANDLE MATTERS RELATING TO THE INCENTIVE SCHEME

To ensure the smooth implementation of the Incentive Scheme, the Board proposed to submit to the EGM for approval the grant of authority to the Board to handle matters relating to the Incentive Scheme, including but not limited to the following:

1. to propose at the EGM that the Board be authorised to be responsible for the following matters in relation to the implementation of the Incentive Scheme:
 - (a) to authorise the Board to determine the qualifications of and the grant conditions imposed on the Incentive Participant under the Incentive Scheme, and to determine Grant Date under the Incentive Scheme;
 - (b) to authorise the Board to adjust the number of the underlying Shares related to number of the Restricted Shares to be granted or repurchased according to the terms of the Incentive Scheme in the event of the occurrence of the following in respect of the Company: conversion of capital reserve into share capital, distribution of script dividend, division of shares or share consolidation, rights issue or distribution of dividends;

- (c) to authorise the Board to adjust the Grant Price or repurchase price for the Restricted Shares according to the terms of the Incentive Scheme in the event of the occurrence of the following in respect of the Company: conversion of capital reserve into share capital, distribution of script dividend, division of shares or share consolidation, rights issue or dividend distribution;
- (d) to authorise the Board to grant the Restricted Shares to an Incentive Participant upon his/her fulfillment of the conditions of grant, and to handle all necessary matters in connection with the grant of the Restricted Shares, including but not limited to the signing of the relevant grant agreements with the Incentive Participants, the submission of applications to the Shenzhen Stock Exchange (“SSE”) in respect of the grant, the handling of applications to the China Securities Depository of Clearing Corporation Limited Shenzhen branch (the “**Registration and Clearing Company**”) for the relevant registration and settlement, the amendment of Articles of Association, and the handling of industrial and commercial registration related to the change in registered capital of the Company;
- (e) to authorise the Board to review and confirm the satisfaction of the relevant unlocking conditions attached to the Restricted Shares granted to the Incentive Participant, and to agree the delegation of such powers by the Board to the Remuneration Committee;
- (f) to authorise the Board to determine whether the lock-up restrictions may be unlocked in respect of an Incentive Participant, and to authorise the Board to handle all matters necessary in connection with the unlock of the lock-up restrictions in respect of an Incentive Participant, including but not limited to the submission of applications to the SSE in respect of the unlock of the lock-up restrictions, and the handling of applications to the Registration and Clearing Company for the relevant registration and settlement;
- (g) to authorise the Board to handle lock-up restrictions related to the Restricted Shares that remain locked;
- (h) to authorise the Board to make decisions on the amendment and termination of the Incentive Scheme, including but not limited to the disqualification of an Incentive Participant’s qualification of having unlocked the relevant lock-up restrictions, the cancellation and repurchase of Restricted Shares held by an Incentive Participant of which lock-up restrictions have not yet been unlocked, handling of the compensation arrangements, etc. related to the Restricted Shares of a deceased Incentive Participant of which lock-up restrictions have not yet been unlocked, terminating of the Incentive Scheme, handling of the amendments to the Articles of Association due to repurchase and cancellation of the relevant Restricted Shares, and the handling of industrial and commercial registration related to the change in registered capital of the Company;

- (i) to authorise the Board to manage and adjust the Incentive Scheme, and from time to time formulate or amend the management and implementation rules of the Incentive Scheme, subject to the terms of the Incentive Scheme. However, if such amendments are subject to approval of the Shareholders at the general meeting or/and by relevant regulatory authorities under the requirements of laws, regulations or relevant regulatory authorities, such amendments by the Board shall be subject to such approvals;
 - (j) to authorise the Board to execute, implement, revise and terminate any agreement or document relating to the Incentive Scheme;
 - (k) to authorise the Board to remove or replace any enterprises from the samples of industry peers in respect of the assessment of performance under the Incentive Scheme in accordance with the terms of the Incentive Scheme; and
 - (l) to authorise the Board to carry out all necessary actions in connection with the implementation of Incentive Scheme, except such rights as expressly required under the relevant documents to be exercised by the Shareholders at a general meeting;
2. to propose at the EGM that the Board be authorised to, in accordance with the relevant laws and regulations and regulatory documents, complete the relevant review, registration, filing, approval or consent procedures with the relevant governments and authorities (including but not limited to the industrial and commercial registration authorities) in relation to the Incentive Scheme; to sign, execute, amend and complete documents submitted to the relevant governments, authorities, organisations, and individuals; and to carry out all actions deemed to be necessary, appropriate, or expedient in relation to the Incentive Scheme.
 3. to propose at the EGM that the Board be authorised to engage intermediaries, such as financial consultant, securities companies, lawyers, receiving banks and accountants, for the implementation of the Incentive Scheme.
 4. to propose at the EGM to obtain Shareholders' approval that the authorisation granted to the Board shall be for a term consistent with the validity period of the Incentive Scheme.

Save for matters to be approved by the Board of Directors as explicitly stipulated by laws, administrative regulations, rules of CSRC, regulatory documents, the terms of the Incentive Scheme or the Articles of Association, the above authorisations may be exercised directly by the Chairman of the Board (or any person authorised by the Chairman of the Board) on behalf of the Board.

Pursuant to the relevant PRC laws and regulations, the abovementioned proposed grant of authority to the Board to handle matters related to the Incentive Scheme are subject to, among others, the approval of Shareholders at the EGM by way of special resolutions.

V. PURPOSE AND REASONS FOR AND BENEFITS OF THE ADOPTION OF THE INCENTIVE SCHEME

The purpose of the Incentive Scheme is to (a) further improve the Company's operating mechanism and corporate governance structure, form a refined and balanced salary review system, and ensure the realisation of the Company's future development strategy and operations objectives; (b) promote the sustainable development of the Company and the management, assist the management to balance long term and short term goals, further the long term and short term interests of the Company, and promote the stable development of the Company; (c) fully mobilise the initiative and creativity of the Company's core management team and core staff, enhance the cohesion of the Company, provide a good incentive platform for talents, enhance the competitiveness of the Company, and stabilise the industry position of the Company; and (d) establish and improve the Company's long-term incentive mechanism, establish a benefit and risk sharing mechanism among the Shareholders, the management and core staff, align the interests of the Shareholders, the Company and Incentive Participants, and bring more lasting and rich returns to the Shareholders.

The Board (including the independent non-executive Directors) is of the view that the adoption and implementation of the proposed Incentive Scheme and the related measures is beneficial to the Company and its Shareholders as a whole, and the terms and conditions of the Incentive Scheme and the related measures are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

VI. LISTING RULES IMPLICATIONS

The Incentive Scheme constitutes a share scheme under Chapter 17 of the Listing Rules and shall be subject to the applicable disclosure requirements under Rule 17.12 of the Listing Rules. However, it does not constitute a share scheme involving the issue of new shares as referred to in Chapter 17 of the Listing Rules. Therefore, the adoption of the Incentive scheme is not be subject to Shareholders' approval pursuant to the Listing Rules.

Nonetheless, pursuant to the relevant PRC laws and regulations, the Incentive Scheme and the related measures are subject to, among others, the approval of Shareholders at the EGM by way of special resolutions.

As disclosed above, pursuant to the proposed list of Incentive Participants prepared by the Remuneration Committee, subject to the approval of the Incentive Scheme by the Shareholders at the EGM and the approval of the Board on the grant of the relevant Restricted Shares, following adoption of the Incentive Scheme, it is expected that one of the Incentive Participants is a Director of the Company, and 47 of the Incentive Participants are directors and/or supervisors of the subsidiaries of the Company or were directors of subsidiaries of the Company in the last 12 months. Therefore, they are connected persons of the Company pursuant to Chapter 14A of the Listing Rules. As the highest applicable percentage ratio calculated pursuant to the Listing Rules in respect of the grant of Restrictive Share to each such Incentive Participants is less than 0.1%, such grant will be fully exempted from the reporting, announcement and independent shareholders' approval requirements in relation to connected transactions under Chapter 14A of the Listing Rules.

VII. CLOSURE OF REGISTER OF MEMBER AND EGM

An EGM will be convened for the purpose of, amongst other things, considering, and if thought fit, approving the Incentive Scheme and the Appraisal Management Measures.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder has a material interest in any of the resolutions proposed at the EGM. Therefore, no Shareholder is required to abstain from voting at the EGM in respect of the relevant resolutions.

For determining the entitlement to attend and vote at the EGM to be held on Monday, 13 November 2023, the Company will not process registration of transfers of H shares (being overseas listed foreign shares and ordinary shares) in the share capital of the Company with a Renminbi denominated par value of RMB1.00 each, which are subscribed and/or paid for in Hong Kong dollars and listed on the Stock Exchange ("**H Shares**") from Wednesday, 8 November 2023 to Monday, 13 November 2023 (both days inclusive).

Holders of H Shares whose names appear on the register of H Shares kept at Computershare Hong Kong Investor Services Limited on 13 November 2023 are entitled to attend and vote at the EGM following completion of the registration procedures. To qualify for attendance and voting at the EGM, documents on transfers of H Shares of the Company, accompanied by the relevant share certificates, must be lodged with the Company's H-Share Registrar, not later than 4:30 p.m. on Tuesday, 7 November 2023. The address of the Company's H-Share Registrar is as follows:

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

For holders of A Shares, please refer to the notice of the EGM published on the website of the Shenzhen Stock Exchange in respect of the eligibility of attendance, registration procedure, proxy and other relevant matters.

A circular, among other things, (i) further details of the Incentive Scheme and the Appraisal Management Measures; and (ii) the notice convening the EGM, is expected to be despatched to the Shareholders on or before 27 October 2023.

VIII. DEFINITIONS

“A Shares”	the A Share(s), being ordinary share(s) issued, in the capital of the Company with a RMB denominated par value of RMB1.00 each and are listed on the Shenzhen Stock Exchange
“Appraisal Management Measures”	the Appraisal Management Measures for the Implementation of the 2023 Restricted A Share Incentive Scheme of the Company (濰柴動力股份有限公司2023年A股限制性股票激勵計劃實施考核管理辦法)
“Articles of Association”	the articles of association of the Company
“Board”	the board of Directors
“China” or “PRC”	the People’s Republic of China
“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
“connected transaction(s)”	has the meaning ascribed thereto under the Listing Rules
“CSRC”	the China Securities Regulatory Commission
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held on 13 November 2023 to consider and, if thought fit, approve, inter alia, the adoption of the Incentive Scheme and the related measures
“Grant Date”	the date on which the Company grants the Restricted Shares to the Incentive Participants
“Grant Price”	the price at which a Restricted Share is granted to the Incentive Participants
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Incentive Participant(s)”	the person(s) to whom the Restricted Shares are to be granted under the Incentive Scheme

“Incentive Scheme”	the 2023 Restricted Share Incentive Scheme of A Shares of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Lock-up Periods”	has the meaning ascribed thereto under the section headed “II. Proposed Adoption of the Incentive Scheme – Principal terms of the Incentive Scheme – Lock-up Periods and Unlocking Periods” of this announcement, and a “Lock-up Period” shall be construed accordingly
“Registration Date”	the date when registration of the Restricted Share(s) granted to the Incentive Participant(s) is completed
“Remuneration Committee”	the remuneration committee of the Company
“Restricted Share(s)”	A Share(s) to be granted to the Incentive Participants by the Company on such conditions and at the Grant Price as stipulated under the Incentive Scheme. Such shares are subject to certain lock-up restrictions, which restrictions will be lifted when the unlocking conditions stipulated under the Incentive Scheme have been satisfied
“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 of the Company and a subsidiary of the Shandong SASAC
“Shandong SASAC”	the State-owned Assets Supervision and Administration Commission of Shandong Provincial Government (山東省人民政府國有資產監督管理委員會)
“Shares”	share(s) of RMB1.00 each in the capital of the Company
“Shareholders”	holder(s) of the shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supervisor(s)”	supervisor(s) of the Company
“Supervisory Committee”	the supervisory committee of the Company

“Unlocking Periods” has the meaning ascribed thereto under the section headed “II. Proposed Adoption of the Incentive Scheme – Principal terms of the Incentive Scheme – Lock-up Periods and Unlocking Periods” of this announcement, and a “Unlocking Period” shall be construed accordingly

“%” per cent

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

The PRC, 24 October 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.