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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

CAPITAL CONTRIBUTION TO
CHONGYOU HI-TECH ELECTRONIC FUEL INJECTION SYSTEM
(CHONGQING) CO., LTD.

CAPITAL CONTRIBUTION

On 22 June 2022, the Company and Ji'nan Power as Existing Shareholders entered into the Capital Increase Agreement with the Target Co, pursuant to which the Company and Ji'nan Power agreed to make Capital Contributions to the Target Co in an aggregate of approximately RMB333 million proportionate to their current respective interest in the Target Co, among which approximately RMB158 million will be used to increase the registered capital of the Target Co and approximately RMB176 million will be used to increase the capital reserve 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 Company and Ji'nan Power would remain unchanged.

LISTING RULES IMPLICATIONS

As at the date of this announcement, the Target Co is a non-wholly-owned subsidiary of the Company, which is held as to 60% by the Company and 40% by Ji'nan Power. 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. Therefore, the Target Co is a connected subsidiary of the Company pursuant to Rule 14A.16 of the Listing Rules and hence a connected person of the Company.

Accordingly, the making of the relevant Capital Contribution by the Company 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 Contribution to be made by the Company under the Capital Increase Agreement 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.

I. INTRODUCTION

On 22 June 2022, the Company and Ji'nan Power as Existing Shareholders entered into the Capital Increase Agreement with the Target Co, pursuant to which the Company and Ji'nan Power agreed to make Capital Contributions to the Target Co in an aggregate of approximately RMB333 million proportionately to their current respective interest in the Target Co, among which approximately RMB158 million will be used to increase the registered capital of the Target Co and approximately RMB176 million will be used to increase the capital reserve of the Target Co.

II. PRINCIPAL TERMS OF THE CAPITAL INCREASE AGREEMENT

Date: 22 June 2022

Parties: (1) The Company

(2) Ji'nan Power

(3) Target Co

Subject matter

Pursuant to the Capital Increase Agreement, each of the Company and Ji'nan Power as Existing Shareholders agreed to make capital contributions to the Target Co in the total amount of approximately RMB333 million (equivalent to approximately HK\$390 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	Total capital contribution to be made (RMB)	Contribution to registered capital (RMB)	Percentage of equity interest in the Target Co immediately after completion of the Capital Contributions
Weichai Power	200,000,000.00	94,666,779.17	60%
Ji'nan Power	133,333,333.34	63,111,186.12	40%
Total	<u>333,333,333.34</u>	<u>157,777,965.29</u>	<u>100%</u>

The Company's making of its Capital Contribution is expected to be funded out of the Group's financial resources. The relevant Capital Contributions shall be paid in cash by each of the Company and Ji'nan Power within 30 days of entering into the Capital Increase Agreement.

The above amount of the Capital Contributions to be made to the Target Co was determined after arm's length negotiations among the parties to the Capital Increase Agreement with reference to, among others, the capital needs of the Target Co, the current respective proportion of the equity interest of the Existing Shareholders, as well as the documented asset appraisal value of the Target Co's net assets as of 31 December 2021, which is valued at RMB715,110,080.58 according to Shandong Zhongping Hengxin Assets Appraisal Co., Ltd. (山東中評恒信資產評估有限公司) adopting the asset-based approach.

Completion

Within 10 working days of entering into the Capital Increase Agreement, the Target Co shall register the changes in registered capital at the relevant administrative body for market regulation, and the Company and Ji'nan Power shall provide the documents as requested by the relevant administrative body for market regulation.

III. INFORMATION ON THE TARGET CO

The capital structures of the Target Co (i) as at the date of this announcement; and (ii) immediately 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 (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	203,091,509.77	60%	94,666,779.17	297,758,288.94	60%
Ji'nan Power	135,394,339.84	40%	63,111,186.12	198,505,525.96	40%
Total	338,485,849.61	100%	157,777,965.29	496,263,814.90	100%

As at the date of this announcement, the Company holds 60% of the equity interest in the Target Co, and the Target Co is a subsidiary of the Company. After the making of the Capital Contributions, the Company's percentage of the equity interest in the Target Co will remain unchanged as 60%, 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.

Set out below is the audited financial information of the Target Co for the two financial years ending 31 December 2020 and 31 December 2021 and the unaudited financial information of the Target Co for the four months ended 30 April 2022 prepared based on the generally accepted accounting principles of the PRC:

	For the four months ended 30 April 2022 RMB (unaudited)	For the year ended 31 December 2021 RMB (audited)	For the year ended 31 December 2020 RMB (audited)
Revenue	181,921,413.86	530,161,127.16	480,399,987.01
Net profits before taxation	14,925,850.30	39,185,765.88	50,057,478.81
Net profits after taxation	14,930,447.68	33,632,291.71	46,274,571.98

Based on the audited financial information of the Target Co prepared based on the generally accepted accounting principles of the PRC, as of 31 December 2021 the audited total asset value and net asset value of the Target Co were approximately RMB825,485,036 and approximately RMB525,161,766, respectively. Based on the unaudited financial information of the Target Co prepared based on the generally accepted accounting principles of the PRC, as of 30 April 2022, the unaudited total asset value and net asset value of the Target Co were approximately RMB864,990,518 and approximately RMB540,092,214, respectively.

IV. INFORMATION ON JI'NAN POWER

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

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

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

The Target Co is principally engaged in the business of development, manufacture and sale of oil pump, oil nozzle and related products, and the import and export of related goods and technology.

On 31 August 2021, the Company acquired 60% equity interest in the Target Co at a consideration of RMB477,195,366.01 and obtained the control over the activities related to financial and operating policies of the Target Co (the “**Previous Acquisition**”), following which the Target Co became a non-wholly owned subsidiary of the Company. The Previous Acquisition was made with an objective to enable the Group to obtain control over the research and development of fuel injection system technology by obtaining control over the Target Co. It is expected that the making of the Capital Contributions pursuant to the Capital Increase Agreement will significantly strengthen the financial position and competitiveness of the Target Co in the market, allowing the Target Co to further develop its technology and refine its infrastructure in terms of manufacture and sales network, which will in turn benefit the Group in consolidating its control over core components of its products 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 Contribution to be made by the Company is 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.

VI. THE LISTING RULES IMPLICATIONS

As at the date of this announcement, the Target Co is a non-wholly-owned subsidiary of the Company, which is held as to 60% by the Company and 40% by Ji'nan Power. 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. Therefore, the Target Co is a connected subsidiary of the Company pursuant to Rule 14A.16 of the Listing Rules and hence a connected person of the Company.

Accordingly, the making of the relevant Capital Contribution by the Company 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 Contribution to be made by the Company under the Capital Increase Agreement 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 22 June 2022 approving, inter alia, the making of the relevant Capital Contribution by the Company, Mr. Tan Xugang, Mr. Jiang Kui, and Mr. Sun Shaojun had 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.

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(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, Ji’nan Power and the Target Co on 22 June 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”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“Existing Shareholders”	the Company and Ji’nan Power, being the existing shareholders of the Target Co prior to the making of the Capital Contributions pursuant to the Capital Increase Agreement
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“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 and a connected person at the issuer level of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China
“Previous Acquisition”	has the meaning ascribed to it under the section headed “V. Reasons and benefits for the making of the Capital Contribution” in this announcement
“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
“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
“Target Co”	重油高科電控燃油噴射系統（重慶）有限公司 (Chongyou Hi-Tech Electronic Fuel Injection System (Chongqing) 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

* For identification purposes only

(The exchange rate used for the purpose of this announcement is HK\$1 = RMB0.8549)

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

The PRC, 22 June 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.