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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)

**LATEST UPDATE ON THE PROPOSED SPIN-OFF AND
SEPARATE LISTING OF THE SPARK PLUG BUSINESS
OF THE GROUP ON THE CHINEXT BOARD OF
THE SHENZHEN STOCK EXCHANGE**

Reference is made to the announcement (the “**Announcement**”) of Weichai Power Co., Ltd. (the “**Company**”, and together with its subsidiaries, the “**Group**”) dated 25 February 2021, in respect of the possible spin-off and separate listing of the spark plug business of the Group (the “**Spark Plug Business**”) on the ChiNext Board (“**ChiNext**”) of the Shenzhen Stock Exchange (the “**Possible Spin-off**”). The Board hereby provides the latest update on the Possible Spin-off to the shareholders of the Company.

APPROVAL IN RESPECT OF THE POSSIBLE SPIN-OFF

The Company has applied for, and The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”) has confirmed that the Company may proceed with, the Possible Spin-off under Practice Note 15 to the Listing Rules (“**PN15**”).

In connection with the Possible Spin-off, it is intended that Weichai Torch Technology Co., Ltd.* (潍柴火炬科技股份有限公司) (“**Torch Technology**”, together with its subsidiaries, the “**Torch Technology Group**”) will issue new shares and proceed with the listing on ChiNext. The Possible Spin-off will result in a reduction of the Company’s equity interest in Torch Technology and, if materialised, the Possible Spin-off will constitute a deemed disposal of the Company’s equity interest in Torch Technology.

As all of applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Possible Spin-off are expected to be less than 5% based on the information available to the Company, the Possible Spin-off will not constitute a notifiable transaction of the Company under Chapter 14 of the Listing Rules and hence, the Possible Spin-off is subject to the approval of the Stock Exchange, but is not subject to the approval by the shareholders of the Company pursuant to the Listing Rules.

However, to comply with relevant laws and regulations of the People's Republic of China (the "PRC"), the Company is required to obtain approval(s) regarding the Possible Spin-off at the general meeting of the Company. The Possible Spin-off is also subject to, among other things, approval from the Shenzhen Stock Exchange and the performance of issuance registration procedures of the China Securities Regulatory Commission (the "CSRC").

WAIVER IN RESPECT OF ASSURED ENTITLEMENT

Paragraph 3(f) of PN15 requires a listed company contemplating a spin-off to have due regard to the interests of its existing shareholders by providing them with an assured entitlement to the shares in the spun-off entity, either by way of a distribution in specie of existing shares in the spun-off entity or by way of preferred application in any offering of existing or new shares in the spun-off entity.

However, pursuant to the advice of the Company's PRC legal adviser in respect of the Possible Spin-off (the "PRC Legal Adviser"), only investors in compliance with certain requirements under the Manual of the Securities Account Business of China Securities Depository and Clearing Corporation Limited (《中國證券登記結算有限責任公司證券帳戶業務指南》), Guidelines of the China Securities Depository and Clearing Co., Ltd. on Operation of Securities Accounts for Special Institutions and Products (《中國證券登記結算有限責任公司特殊機構及產品證券帳戶業務指南》), Provisions on Issues concerning the Implementation of the Administrative Measures for Securities Investment Made in China by Qualified Foreign Institutional Investors (《關於實施〈合格境外機構投資者境內證券投資管理辦法〉有關問題的規定》), Provisions on the Implementation of the Measures for the Pilot Program of Securities Investment in China by RMB Qualified Foreign Institutional Investors (《關於實施〈人民幣合格境外機構投資者境內證券投資試點辦法〉的規定》) and Measures for the Administration of Strategic Investment in Listed Companies by Foreign Investors (《外國投資者對上市公司戰略投資管理辦法》) may hold and/or transfer the shares of a company listed on ChiNext, and such persons include the following:

- (1) in respect of individuals, they include, among others, the following persons who satisfy the relevant suitability requirements: (i) foreigners who have obtained a permanent right of abode in the PRC, (ii) citizens of Hong Kong, Macau or Taiwan, who are working and living in the PRC, and (iii) foreigners who work in the PRC and whose national (or regional) securities regulatory agency of their places of origin has established a regulatory cooperation mechanism with the CSRC; and
- (2) in respect of corporations, they include, among others, (i) qualified foreign institutions that have obtained the securities investment business licence (or the securities and futures business license) approved and issued by the CSRC, (ii) fund management companies and securities companies that hold the Renminbi Qualified Foreign Institutional Investor ("RQFII") securities investment business license (or securities and futures business license) issued by the CSRC and the RQFII foreign exchange registration certificate issued by the State Administration of Foreign Exchange of the PRC, and (iii) strategic investors approved by the Ministry of Commerce of the PRC.

As advised by the PRC Legal Adviser, the PRC southbound trading investors through Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect who hold the shares in the Company through China Securities Depository and Clearing Corporation Limited (the “**PRC Stock Connect Investors**”) are the holders of A shares securities accounts who may hold the shares of a company listed on ChiNext.

Given the limited information available from the Company’s H-Share registrar, it is not feasible for the Company to ascertain whether the H-Share shareholders of the Company are legally entitled to hold any shares of a company listed on ChiNext under the PRC laws so as to determine the percentage of shareholders who are not entitled to hold shares in Torch Technology following the Possible Spin-off. However, according to the “Daily Query of Shareholding Records for Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect” available on the Stock Exchange’s website, only 57,544,000 H shares, representing approximately 2.96% of the total issued H shares of the Company, were held by China Securities Depository and Clearing Corporation Limited as nominee for the PRC Stock Connect Investors as at the relevant date (i.e. 15 April 2021). As such, it is likely that not all of the existing shareholders of the Company will be entitled to hold A shares securities accounts in the PRC and thus hold shares in Torch Technology following the Possible Spin-off.

Also, as further advised by the PRC Legal Adviser, though the A-share shareholders of the Company and the PRC Stock Connect Investors may hold the shares of a company listed on ChiNext, according to the Securities Law of the People’s Republic of China (《中華人民共和國證券法》), the Measures for the Administration of the Offering and Underwriting of Shares (《證券發行與承銷管理辦法》) and the Detailed Rules of the Shenzhen Stock Exchange for the Implementation of the Offering and Underwriting Business in Initial Public Offerings of Securities on ChiNext (《深圳證券交易所創業板首次公開發行證券發行與承銷特別規定》), save as the arrangement for preferential allocation of a certain number of securities to the publicly offered funds, social security funds, pension, enterprise annuity funds and insurance funds, no preferential allocations of the shares in a public offering shall be made to any specific persons on the ground that all investors shall be treated equally.

A listed issuer on ChiNext may carry out the abovementioned “public offering” by way of the issuance by offline distribution and online subscription to investors. For offline distribution, the investors are required to provide effective quotations according to the PRC laws in order to participate therein and the Company is unable to make any preferential allocations to its existing shareholders on the ground that all investors should be treated equally. For online subscription, allocations among all the valid subscriptions would be assigned through balloting. Therefore, in implementing the possible issue of shares in Torch Technology under the proposal of the Possible Spin-off, the Company is not allowed to allocate shares in Torch Technology to specific persons and reserve shares in Torch Technology for its existing shareholders pursuant to the existing PRC laws.

In view of the above legal impediments for providing the assured entitlement to the Company’s shareholders, it is not feasible for the Company to comply with the requirement of paragraph 3(f) of PN15 in connection with the Possible Spin-off. Thus the Company has applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with the requirement under paragraph 3(f) of PN15 (the “**Waiver**”).

REASONS FOR AND BENEFITS OF THE POSSIBLE SPIN-OFF

Torch Technology Group has become one of the largest spark plug and ignition system manufacturer in the PRC. The Board considers that the listing of the shares in Torch Technology on ChiNext will boost its brand image and recognition, as well as its social influence, thereby enabling the Torch Technology Group to recruit and retain high calibre employees and in turn improve its performance, and will also strengthen its competitiveness in the industry and its profitability, thereby enhancing research and development of relevant technology and promote innovativeness of the Torch Technology Group.

The listing of the shares in Torch Technology on ChiNext will provide a separate fund raising platform for Torch Technology, thereby enabling it to raise the capital required to finance its future expansion directly, lower capital costs and therefore facilitate the future development of Torch Technology Group. The Board is of the view that since the Company and Torch Technology have different growth paths and different business strategies, the Possible Spin-off enables investors and financiers to appraise the strategies, functional exposure, risks and returns of the Spark Plug Business and the business of the Company separately and to make their investment decisions accordingly. Investors will have the choice to invest in either one or both of the business models. The Possible Spin-off will unlock the value of the Torch Technology Group and allow the Company to capitalise the value of its existing investment in Torch Technology.

The Company intends to maintain an interest of over 50% of the issued share capital of Torch Technology immediately upon completion of the Possible Spin-off. Hence, following the Possible Spin-off, the Company will continue to benefit from any potential upside in the Spark Plug Business through consolidation of financial results generated by the Torch Technology Group. After taking all the above reasons into account, the Board is of the view that the Possible Spin-off and the Waiver are fair and reasonable, and in the interest of the Company and its shareholders as a whole.

EXTRAORDINARY GENERAL MEETING

To comply with relevant PRC laws and regulations, the Company is required to obtain its shareholders' approval(s) regarding the Possible Spin-off and will hold an extraordinary general meeting (the "EGM") for, among other things, considering and, if thought fit, approving the relevant matters in connection with the Possible Spin-off. For further details of such forthcoming EGM, including details of the resolutions to be proposed to the EGM, eligibility for attending the EGM, procedures for closure of register of members, appointment of proxy and other relevant matters, please refer to the notice convening the EGM, which will be issued by the Company in due course.

Shareholders of the Company and potential investors should note that the Possible Spin-off is subject to, among others, approval(s) from the relevant PRC regulatory authorities in accordance with all applicable regulations and suitable market conditions, thus may or may not materialise. Shareholders of the Company and potential investors are reminded to exercise caution when dealing in the securities of the Company.

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

The PRC, 23 April 2021

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.