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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

DISPOSAL OF 38% SHARES IN SHENGRUI TRANSMISSION

THE DISPOSAL

On 5 June 2023, the Company entered into the Share Transfer Agreement, pursuant to which the Company has conditionally agreed to sell and CNHTC has conditionally agreed to purchase 38% of issued shares of Shengrui Transmission at the consideration of RMB760,091,400 (equivalent to approximately HK\$840,353,569).

Upon Completion, the Company will cease to have any interest in Shengrui Transmission.

LISTING RULES IMPLICATION

As at the date of this announcement, CNHTC is held as to 65% by Shandong Heavy Industry. Shandong Heavy Industry indirectly holds approximately 16.30% of the total issued share capital of the Company, and is a substantial shareholder and a connected person of the Company. CNHTC is an associate of Shandong Heavy Industry and, accordingly, a connected person of the Company. Accordingly, the Disposal 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 Disposal is more than 0.1% but all of such ratios are less than 5%, the Disposal 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 Disposal, which is subject to a number of Conditions Precedent, 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 5 June 2023, the Company entered into the Share Transfer Agreement, pursuant to which the Company has conditionally agreed to sell and CNHTC has conditionally agreed to purchase 38% of the issued shares of Shengrui Transmission at the consideration of RMB760,091,400 (equivalent to approximately HK\$840,353,569).

Upon Completion, the Company will cease to have any interest in Shengrui Transmission.

II. PRINCIPAL TERMS OF THE SHARE TRANSFER AGREEMENT

Date: 5 June 2023

Parties:

- (1) The Company, as seller
- (2) CNHTC, as purchaser
- (3) Shengrui Transmission, as target company

Subject matter

The Company has conditionally agreed to sell, and CNHTC has conditionally agreed to purchase, 38% of the issued shares of Shengrui Transmission, in accordance with the terms of the Share Transfer Agreement.

Consideration and payment terms

Pursuant to the Share Transfer Agreement, the consideration payable by CNHTC to the Company for the Disposal (“**Consideration**”) is RMB760,091,400 (equivalent to HK\$840,353,569).

The Consideration was determined after arm’s length negotiation between the Company and CNHTC based on the appraised value of the total equity interest of Shengrui Transmission of approximately RMB2,000.24 million (equivalent to approximately HK\$2,211.46 million) as appraised by the Valuer as at the Valuation Reference Date.

The Consideration shall be paid by CNHTC to the Company in cash within 15 working days from the date of the Share Transfer Agreement becoming effective.

The profit/loss of Shengrui Transmission incurred during the period from the Valuation Reference Date to the date of Completion (the “**Transitional Period**”) shall be enjoyed or borne by the existing shareholders of Shengrui Transmission. Shengrui Transmission shall engage auditors to confirm the profit/loss during the Transitional Period within 30 days after the date of Completion.

The Board does not expect the above adjustment, if any, will result in a change in classification of the Disposal under Chapter 14 or Chapter 14A of the Listing Rules.

Conditions Precedent

The Share Transfer Agreement will only be effective upon the fulfillment or (if permitted by relevant laws and regulations) waiver by CNHTC in writing, of the following conditions precedent (the “**Conditions Precedent**”):

- (i) the Company and Shengrui Transmission having obtained all external and internal approvals, authorisations, consents that are necessary to complete the Disposal in accordance with the applicable laws, including but not limited to obtain the approvals, authorisations and consents from the internal decision-making institutions of the Company, the competent authorities (including the relevant state-owned assets supervision and administration authority, if necessary) and creditors including banks or other financial institutions, and such approvals, authorisations and consents remaining valid; and
- (ii) there being no laws, regulations or governmental orders that restrict or prohibit the Disposal.

Completion

The relevant industrial and commercial registration in respect of the Disposal will be completed after the payment of the Consideration by CNHTC to the Company; and the Company shall cooperate with CNHTC and Shengrui Transmission in the completion of the relevant registration procedures.

III. INFORMATION ON SHENGRUI TRANSMISSION

Shengrui Transmission is a company limited by shares established in the PRC in 2003, and is principally engaged in the research and development, manufacture, retail, and wholesale of vehicle parts and components. As at the date of this announcement, to the best knowledge, information and belief of the Directors and having made all reasonable enquiries, Shengrui Transmission is owned as to approximately 38% by the Company, approximately 20% by Ji'nan Commercial Truck, approximately 19.19% by Cairui Fund, approximately 10.41%, 2.73%, 1.85% and 1.51%, by four founding shareholders, namely, Mr. Liu Xiangwu (劉祥伍), Mr. Zhou Liting (周立亭), Mr. Dong Lijun (董立軍), and Mr. Zhang Shuhai (張述海), respectively, approximately 4.28% by Weifang High-tech, and approximately 2.04% by four other shareholders (including corporate and natural person shareholders, each holding less than 1% shares of Shengrui Transmission).

Insofar as the Company is aware, save for Ji'nan Commercial Truck, all other shareholders of Shengrui Transmission are Independent Third Parties.

The table below sets out the audited financial information of Shengrui Transmission for the two financial years ended 31 December 2021 and 31 December 2022 and the unaudited financial information of Shengrui Transmission for the three months ended 31 March 2023, respectively, prepared based on the generally accepted accounting principles of the PRC:

	For the three months ended 31 March 2023	For the year ended 31 December 2022	For the year ended 31 December 2021
	<i>RMB'000</i> <i>(unaudited)</i>	<i>RMB'000</i> <i>(audited)</i>	<i>RMB'000</i> <i>(audited)</i>
Net profit (loss) before taxation	(37,037.66)	(230,536.00)	(149,566.23)
Net profit (loss) after taxation	(37,037.66)	(230,535.66)	(149,567.58)

Based on the audited consolidated financial information of Shengrui Transmission prepared based on the generally accepted accounting principles of the PRC, as at the Valuation Reference Date, the audited total asset value and net asset value of Shengrui Transmission were approximately RMB1,023.76 million and RMB(328.69) million, respectively, whereas the unaudited total asset value and net asset value of Shengrui Transmission as at 31 March 2023 were approximately RMB1,000.65 million and RMB(365.36) million, respectively.

As the Company holds 38% of the issued shares of Shengrui Transmission, Shengrui Transmission is not a subsidiary of the Company and its financial results were not consolidated into that of the Company.

IV. INFORMATION ON CNHTC AND THE COMPANY

CNHTC is a commercial vehicle manufacturer. It is a state-owned enterprise organized under the laws of the PRC with limited liability and is ultimately governed and controlled by Shandong Provincial People's Government State-owned Assets Supervision and Administration Commission* (山東省人民政府國有資產監督管理委員會).

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

V. REASONS FOR THE BENEFITS OF THE DISPOSAL

The Board is of the view that the Disposal will enable the Group to optimise its resources allocation and promote the synergy effect of the whole vehicles and parts and components industrial value chains within the Group. Accordingly, the Disposal is in line with the Group's development strategy and interest in the long run.

Upon Completion, the Group will cease to have any equity interest in Shengrui Transmission.

The Group expects to accrue a gain in the amount of approximately RMB426.50 million as a result of the Disposal after taking into account the difference between (i) the Consideration net of estimated expenses in connection with the Disposal and (ii) the net carrying value of Shengrui Transmission as at the Valuation Reference Date. The net proceeds of the Disposal will be utilised as general working capital of the Group.

In light of the above, the Directors (including the independent non-executive Directors) consider that the Disposal was entered into on normal commercial terms after arm's length negotiations (having taken into consideration the appraised value and the financial position of Shengrui Transmission as at the Valuation Reference Date) and that the terms of the Share Transfer Agreement are fair and reasonable and in the interest of the Company and the Shareholders as a whole. Although the Disposal shall be regarded as a divesting 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 such Disposal is beneficial to the financial position and the long-term development of the Group.

VI. LISTING RULES IMPLICATIONS

As at the date of this announcement, CNHTC is held as to 65% by Shandong Heavy Industry. Shandong Heavy Industry indirectly holds approximately 16.30% of the total issued share capital of the Company, and is a substantial shareholder and a connected person of the Company. CNHTC is an associate of Shandong Heavy Industry and, accordingly, a connected person of the Company. Accordingly, the Disposal 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 Disposal is more than 0.1% but all of such ratios are less than 5%, the Disposal 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 5 June 2023 approving, inter alia, the Disposal, Mr. Tan Xuguang, Mr. Jiang Kui, Mr. Zhang Quan and Mr. Sun Shaojun have abstained from voting in respect of the resolution approving the Disposal 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 Disposal.

Shareholders and potential investors should note that the Disposal, which is subject to a number of Conditions Precedent, 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
“Cairui Fund”	濰坊財瑞新舊動能轉換股權投資基金合夥企業 (有限合夥) (Weifang Cairui New and Old Kinetic Energy Conversion Equity Investment Fund Partnership (Limited Partnership*)), a state-funded limited partnership established in the PRC
“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 organised under the laws of the PRC with limited liability and a connected person of the Company
“Company”	濰柴動力股份有限公司 (Weichai Power Co., Ltd.), a company established in the PRC with limited liability
“Completion”	the completion of the Disposal pursuant to the Share Transfer Agreement
“Conditions Precedent”	has the meaning ascribed to it under the section headed “II. Principal terms of the Share Transfer Agreement — Conditions Precedent” in this announcement
“connected person”	has the meaning ascribed thereto under the Listing Rules
“Consideration”	has the meaning ascribed to it under the section headed “II. Principal terms of the Share Transfer Agreement – Consideration and payment terms” in this announcement
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of 38% of the issued shares of Shengrui Transmission by the Company to CNHTC
“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
“Independent Third Parties”	parties who are not connected persons of the Company and are independent of the Company and its connected persons

“Ji’nan Commercial Truck”	中國重汽集團濟南商用車有限公司 (Sinotruk Ji’nan Commercial Truck Co., Ltd.*), a company established in the PRC with limited liability and an indirect subsidiary of CNHTC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Shandong Heavy Industry”	山東重工集團有限公司 (Shandong Heavy Industry Group Co., Ltd.*), a substantial shareholder and connected person of the Company
“Share Transfer Agreement”	the share transfer agreement dated 5 June 2023 entered into between the Company, CNHTC and Shengrui Transmission in respect of the Disposal with its principal terms set out under the section headed “II. Principal terms of the Share Transfer Agreement” in this announcement
“Shareholder(s)”	holder(s) of the shares in the Company
“Shengrui Transmission”	盛瑞傳動股份有限公司 (Shengrui Transmission Corporation Limited*), a company limited by shares established in the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transitional Period”	has the meaning ascribed to it under the section headed “II. Principal terms of the Share Transfer Agreement – Consideration and payment terms” in this announcement
“Valuation Reference Date”	31 December 2022, being the reference date adopted by the Valuer in the valuation of Shengrui Transmission in the Valuation Report
“Valuation Report”	the valuation report issued by the Valuer dated 30 March 2023 in respect of the appraised value of the total equity interest of Shengrui Transmission for the purpose of the Disposal
“Valuer”	山東中評恒信資產評估有限公司 (Shandong Zhongping Hengxin Asset Valuation Co., Ltd.*), an independent professional valuer in the PRC

“Weifang High-tech” 濰坊高新區國有資本運營管理有限公司 (Weifang High-tech Zone State-owned Capital Operations Management Co., Ltd.*), a state-controlled company established in the PRC with limited liability

“%” per cent

* For identification purposes only

(The exchange rate used for the purpose of this announce is HK\$1 = RMB0.90449.)

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

The PRC, 5 June 2023

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, and Mr. Yuan Hongming; the non-executive Directors of the Company are Mr. Zhang Liangfu, 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.