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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 CONTRIBUTIONS TO SHANDONG HEAVY INDUSTRY GROUP FINANCE CO., LTD.**

#### **CAPITAL CONTRIBUTION AGREEMENT**

On 11 November 2024, the existing equity holders of Shandong Finance (comprising the Company, SFGC (a 51% subsidiary of the Company), Shandong Heavy Industry, Weichai Heavy Machinery and Shantui Co) and Sinotruk HK entered into the Capital Contribution Agreement with Shandong Finance, pursuant to which each of the existing equity holders of Shandong Finance and Sinotruk HK has agreed to make a Capital Contribution to Shandong Finance in an aggregate amount of RMB5,575.68 million (equivalent to HK\$6,039.32 million). The Capital Contributions to be made by the Group pursuant to Capital Contribution Agreement amounts to an aggregate of RMB784.08 million, among which RMB337.50 million will be used to increase the registered capital of Shandong Finance and RMB446.58 million will be used to increase the capital reserve of Shandong Finance.

Upon completion of the transactions contemplated under the Capital Contribution Agreement, Sinotruk HK will become a new equity holder of Shandong Finance, and the Group's total equity interests in Shandong Finance will decrease from 37.50% to approximately 23.44%.

## LISTING RULES IMPLICATION

As at the date of this announcement Shandong Heavy Industry indirectly holds approximately 16.30% of the total issued share capital of the Company, and Sinotruk HK, Weichai Heavy Machinery, Shantui Co and Shandong Finance are subsidiaries of Shandong Heavy Industry. Therefore, Shandong Heavy Industry is a substantial shareholder of the Company and a connected person of the Company. Sinotruk HK, Weichai Heavy Machinery, Shantui Co and Shandong Finance are associates of Shandong Heavy Industry and are also connected persons of the Company. The transactions contemplated under the Capital Contribution Agreement 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 transactions contemplated under the Capital Contribution Agreement is more than 0.1% but all of such ratios are less than 5%, the making of the Capital Contributions by the Group 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 transactions contemplated under the Capital Contribution Agreement are 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 11 November 2024, the existing equity holders of Shandong Finance (comprising the Company, SFGC (a 51% subsidiary of the Company), Shandong Heavy Industry, Weichai Heavy Machinery and Shantui Co) and Sinotruk HK entered into the Capital Contribution Agreement with Shandong Finance, pursuant to which each of the existing equity holders of Shandong Finance and Sinotruk HK has agreed to make a Capital Contribution to Shandong Finance in an aggregate amount of approximately RMB5,575.68 million (equivalent to HK\$6,039.32 million). The Capital Contributions to be made by the Group pursuant to Capital Contribution Agreement amounts to an aggregate of RMB784.08 million, among which RMB337.50 million will be used to increase the registered capital of Shandong Finance and RMB446.58 million will be used to increase the capital reserve of Shandong Finance.

## II. PRINCIPAL TERMS OF THE CAPITAL CONTRIBUTION AGREEMENT

- Date: 11 November 2024
- Parties:
- (1) Sinotruk HK
  - (2) Shandong Heavy Industry
  - (3) the Company
  - (4) Weichai Heavy Machinery
  - (5) Shantui Co
  - (6) SFGC
  - (7) Shandong Finance

### Subject matter

Pursuant to the Capital Contribution Agreement, the existing equity holders of Shandong Finance (comprising the Company, SFGC (a 51% subsidiary of the Company), Shandong Heavy Industry, Weichai Heavy Machinery and Shantui Co) and Sinotruk HK entered into the Capital Contribution Agreement with Shandong Finance, pursuant to which each of the existing equity holders of Shandong Finance and Sinotruk HK has agreed to make a capital contribution to Shandong Finance in an aggregate amount of RMB5,575.68 million (equivalent to HK\$6,039.32 million) with details as follows (“**Capital Contribution(s)**”), and Shandong Finance has agreed to the Capital Contributions:

Party	Capital Contribution to be made (RMB)	Contribution to the registered capital of Shandong Finance (RMB)	Contribution to the capital reserve of Shandong Finance (RMB)
The Company	653,400,000	281,250,000	372,150,000
SFGC (a 51% subsidiary of the Company)	130,680,000	56,250,000	74,430,000
Shandong Heavy Industry	784,080,000	337,500,000	446,580,000
Weichai Heavy Machinery	261,360,000	112,500,000	148,860,000
Shantui Co	261,360,000	112,500,000	148,860,000
Sinotruk HK	3,484,800,000	1,500,000,000	1,984,800,000
<b>Total</b>	<b>5,575,680,000</b>	<b>2,400,000,000</b>	<b>3,175,680,000</b>

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

Equity holder of Shandong Finance	Immediately before the making of the relevant Capital Contribution		Immediately after the making of the relevant Capital Contribution	
	Contribution to registered capital (RMB'million)	Percentage of equity interest	Contribution to registered capital (RMB'million)	Approximate percentage of equity interest
The Company	500.00	31.25%	781.25	19.53%
SFGC (a 51% subsidiary of the Company)	100.00	6.25%	156.25	3.91%
Shandong Heavy Industry	600.00	37.50%	937.50	23.44%
Weichai Heavy Machinery	200.00	12.50%	312.50	7.81%
Shantui Co	200.00	12.50%	312.50	7.81%
Sinotruk HK	–	–	1,500.00	37.50%
<b>Total</b>	<b>1,600.00</b>	<b>100.00%</b>	<b>4,000.00</b>	<b>100.00%</b>

*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.*

Pursuant to the Capital Contribution Agreement, each of the Company and SFGC (a subsidiary of the Company), among others, has agreed not to exercise its Pre-emptive Right in full.

### **Conditions precedent and payment terms**

The payment of the Capital Contributions is subject to the satisfaction of the following conditions precedent:

- (i) all necessary approval from Shandong Heavy Industry and other applicable authorities having been obtained, and such approval not substantially altering the terms of the Capital Contribution Agreement;
- (ii) each party to the Capital Contribution Agreement having obtained the necessary authorisations, approvals, consents and permissions in respect of the Capital Contributions;
- (iii) there being no occurrence of any material adverse change to the operations, financial position or assets of Shandong Finance following the signing of the Capital Contribution Agreement;

- (iv) the Company, SFGC, Shandong Heavy Industry, Weichai Heavy Machinery, Shantui Co and Shandong Finance having performed all its obligations under the Capital Contribution Agreement and in respect of the Capital Contributions, and that all warranties of the aforementioned parties set forth in the Capital Contribution Agreement being true, legal and effective;
- (v) as at the date of the Capital Contribution Agreement, there being no material punitive orders or measures imposed or threatened to be imposed by any governmental authorities on Shandong Finance which may affect or restrict the Capital Contributions or any ancillary transactions, and there being no promulgation of laws or regulations by the competent governmental authorities that may affect the legality of the Capital Contributions; and
- (vi) any other additional conditions that all parties to the Capital Contribution Agreement unanimously consider as necessary.

The Capital Contributions shall be paid in cash by the relevant parties to Shandong Finance within 10 working days after the satisfaction of the abovementioned conditions precedent.

The amounts of the Capital Contributions to be made by each party were determined after arm's length negotiations among the parties to the Capital Contribution Agreement with reference to, among others, (i) the expected value of the entire equity interest of Shandong Finance of RMB3,717,121,049.53, which is determined based on the appraised value of the entire equity interest of Shandong Finance of RMB3,857,274,309.87 as at the Valuation Reference Date using the asset-based approach as appraised by the Valuer, and further adjusted by deducting the dividend paid after the Valuation Reference Date in the amount of RMB195,815,289 and adding in the expected increase in equity value of Shandong Finance in the amount of RMB55,662,028.66 during the period between the Valuation Reference Date and the completion of the Capital Contributions; (ii) the funding needs of Shandong Finance for its future business development, and (iii) the minimum capital requirements as prescribed by the relevant PRC regulations.

The Capital Contributions to be made by the Group are expected to be funded by the Group's internal financial resources.

### **Completion**

Each of the parties to the Capital Contribution Agreement shall assist Shandong Finance to complete the relevant approval and registration procedures in respect of the Capital Contributions. Within 10 working days after the payment of the Capital Contributions by the Company, SFGC, Shandong Heavy Industry, Weichai Heavy Machinery, Shantui Co and Sinotruk HK, respectively, to Shandong Finance, Shandong Finance shall submit the necessary application with the Shandong Administrative Bureau of the National Financial Regulatory Administration (國家金融監督管理總局山東監管局). Shandong Finance shall further submit the necessary industrial and commercial change and filings with the relevant authorities within five days after obtaining the relevant approval from the Shandong Administrative Bureau of the National Financial Regulatory Administration.

The completion date for the making of the Capital Contributions shall be the date on which such industrial and commercial change registrations having been completed, and Shandong Finance having obtained the new business license of enterprise legal person issued by the relevant authority.

### **Transfer restrictions**

According to the articles of association of the Shandong Finance, any proposed transfer of equity interest in the Shandong Finance to any person (whether among existing equity holders of Shandong Finance or to any third party who is not an existing equity holder of Shandong Finance) shall be consented to by more than two thirds of the existing equity holders of the Shandong Finance with voting rights, and approval should be obtained from the National Financial Regulatory Administration (or authorities delegated by it). In addition, unless otherwise approved by the National Financial Regulatory Administration (or authorities delegated by it) or involving the adoption of risk management measure, receipt of order to transfer, mandatory transfer by law or intra-group transfers between different entities held by a common controller, an equity holder of Shandong Finance obtaining the relevant equity interest in Shandong Finance shall not dispose any of its equity interest in Shandong Finance within five years of the date of the obtaining such equity interest.

### **III. INFORMATION ON SHANDONG FINANCE**

Shandong Finance was established on 11 June 2012 as a limited liability company in the PRC. It is currently a subsidiary of Shandong Heavy Industry and has a registered capital of RMB1,600 million. Shandong Finance is principally engaged in the provision of enterprise group finance company services.

Set out below is the audited consolidated financial information of Shandong Finance for the two financial years ended 31 December 2022 and 31 December 2023, and for the seven months ended 31 July 2024, respectively, prepared based on the China Accounting Standards for Business Enterprises:

	<b>For the seven months ended 31 July 2024 RMB (audited)</b>	<b>For the year ended 31 December 2023 RMB (audited)</b>	<b>For the year ended 31 December 2022 RMB (audited)</b>
Revenue	608,444,000	913,581,000	1,052,125,000
Net profits (loss) before taxation	246,927,000	430,983,000	358,704,000
Net profits (loss) after taxation	185,183,000	323,135,000	268,994,000

Based on the financial information of Shandong Finance prepared based on the China Accounting Standards for Business Enterprises, as of 31 December 2023, the audited total consolidated asset value and net consolidated asset value of Shandong Finance were approximately RMB39,203,766,000 and RMB3,620,491,000, respectively; and as of 31 July 2024, the audited total consolidated asset value and net consolidated asset value of Shandong Finance were approximately RMB38,578,798,000 and RMB3,846,802,000, respectively.

In addition, pursuant to the valuation report issued by the Valuer, the appraised value of the entire equity interest of Shandong Finance as at the Valuation Reference Date using the asset-based approach was RMB3,857,274,309.87.

As at the date of the announcement, as the Group currently holds 37.5% equity interest in Shandong Finance and does not control the board of Shandong Finance, Shandong Finance 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 transactions contemplated under the Capital Contribution Agreement, the Company's direct equity holding in Shandong Finance will be reduced to approximately 19.53%, whereas the Group's equity interest (inclusive of the indirect equity interest held through SFGC) in Shandong Finance will decrease from 37.5% to approximately 23.44%. Shandong Finance 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 Group's equity holding proportion in Shandong Finance following the completion of the making of the Capital Contributions by the parties to the Capital Contribution Agreement will not result in the recognition of any gain or loss in the Company's consolidated financial statements.

#### **IV. INFORMATION ON THE GROUP AND PARTIES TO THE CAPITAL CONTRIBUTION AGREEMENT**

##### **The Company**

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

##### **SFGC**

SFGC is a 51% subsidiary of the Company. SFGC is principally engaged in the design, development, manufacture and sale services of motor vehicle parts and components such as vehicle transmission, gears and forgings.

## **Shandong Heavy Industry**

Shandong Heavy Industry is one of the leading automobile and equipment groups in the PRC, and is a state-owned enterprise established under the laws of the PRC with limited liability, and is ultimately governed and controlled by 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).

## **Weichai Heavy Machinery**

Weichai Heavy Machinery is principally engaged in the manufacture and sale of medium-speed diesel engines and diesel engine parts and components, power generators and related products, and the provision of repair processing services for machinery parts. Weichai Heavy Machinery is a company whose shares are listed on the Shenzhen Stock Exchange (stock code: 000880) and its single largest shareholder, Weichai Holdings (which is in turn a wholly-owned subsidiary of Shandong Heavy Industry), holds approximately 30.59% of its issued shares.

## **Shantui Co**

Shantui Co is a joint stock limited company established in the PRC whose shares are listed on the Shenzhen Stock Exchange (stock code: 000680). Shantui Co is principally engaged in the research and development, production, sale, leasing, repair of, and the provision of technological consultation service in regard to construction work machinery, mining machinery, farmland basic construction machinery and harvesting machinery and the components.

## **Sinotruk HK**

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, buses, 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 (stock code: 03808).

To the best knowledge, information and belief of the Directors and having made all reasonable enquiries, each of Weichai Heavy Machinery, Shantui Co, and Sinotruk HK is a subsidiary of Shandong Heavy Industry.



## **V. REASONS FOR AND THE BENEFITS OF THE MAKING OF THE CAPITAL CONTRIBUTIONS**

The making of the Capital Contributions by the relevant parties is expected to enhance the service capabilities and risk management and control capabilities of Shandong Finance, beneficial to the sustainable development of Shandong Finance and in line with the Company's overall development strategy. In the meantime, the introduction of new equity holder will bring in new capital and businesses demand to Shandong Finance and promote the further development of Shandong Finance. In addition, the making of the relevant Capital Contributions and the partial non-exercise of the Pre-emptive Right by the Group are also in line with the Group's overall development strategies.

In light of the above, the Directors (including the independent non-executive Directors) consider that the Capital Contribution Agreement 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 Shandong Finance 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 making of the Capital Contributions by the Group 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 Contribution Agreement and the transactions contemplated thereunder are beneficial to the long-term business strategy of the Group.

## **VI. LISTING RULES IMPLICATIONS**

As at the date of this announcement Shandong Heavy Industry indirectly holds approximately 16.30% of the total issued share capital of the Company, and Sinotruk HK, Weichai Heavy Machinery, Shantui Co and Shandong Finance are subsidiaries of Shandong Heavy Industry. Therefore, Shandong Heavy Industry is a substantial shareholder of the Company and a connected person of the Company. Sinotruk HK, Weichai Heavy Machinery, Shantui Co and Shandong Finance are associates of Shandong Heavy Industry and are also connected persons of the Company. The transactions contemplated under the Capital Contribution Agreement 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 transactions contemplated under the Capital Contribution Agreement is more than 0.1% but all of such ratios are less than 5%, the making of the Capital Contributions by the Group 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 11 November 2024 approving, inter alia, the Capital Contribution Agreement and the making of the Capital Contributions by the Group, Mr. Ma Changhai, Mr. Zhang Quan, Mr. Wang Decheng, Mr. Sun Shaojun and Mr. Zhang Liangfu have abstained from voting in respect of the resolution approving the transactions contemplated under the Capital Contribution Agreement in view 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 Capital Contribution Agreement.

**Shareholders and potential investors should note that the transactions contemplated under the Capital Contribution Agreement are 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:

“associate(s)”	has the meaning ascribed to an “associate” under Rule 14A.06(2) of the Listing Rules
“Board”	the board of Directors
“Capital Contribution(s)”	has the meaning ascribed to it under the section headed “II. Principal terms of the Capital Contribution Agreement – Subject matter” in this announcement
“Capital Contribution Agreement”	the capital contribution agreement dated 11 November 2024 entered into between the Company, SFGC, Shandong Heavy Industry, Weichai Heavy Machinery and Shantui Co, Sinotruk HK and Shandong Finance in respect of the making of the Capital Contributions with its principal terms set out under the section headed “II. Principal terms of the Capital Contribution Agreement” in this announcement
“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

“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 Shandong Finance to make capital contribution to Shandong Finance pursuant to the articles of association of Shandong Finance before the making of capital contribution by any third parties
“RMB”	Renminbi, the lawful currency of the PRC
“SFGC”	陝西法士特齒輪有限責任公司 (Shaanxi Fast Gear Co. Ltd.), a company established in the PRC and a 51% subsidiary of the Company
“Shandong Finance”	山東重工集團財務有限公司 (Shandong Heavy Industry Group Finance Co., Ltd.*), a company established in the PRC with limited liability
“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
“Shantui Co”	山推工程機械股份有限公司 (Shantui Engineering Machinery Co., Ltd.), an enterprise established in the PRC, a subsidiary of Shandong Heavy Industry and a connected person of the Company
“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: 03808), and a connected person of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Valuation Reference Date”	31 July 2024, being the reference date adopted by the Valuer in the valuation of Shandong Finance
“Valuer”	山東正源和信資產評估有限公司 (Shandong Zhengyuan Hexin Asset Appraisal Co., Ltd.*), an independent professional valuer in the PRC

“Weichai Heavy Machinery”	濰柴重機股份有限公司 (Weichai Heavy-duty Machinery Co., Ltd.*) (formerly known as 山東巨力股份有限公司 (Shandong Juli Company Limited*)), a company established in the PRC and a connected person 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 and a substantial shareholder of the Company holding approximately 16.30% of the total issued share capital of the Company
“%”	per cent

\* For identification purposes only

(The exchange rate used for the purpose of this announce is HK\$1 = RMB0.92323.)

By order of the Board of Directors  
**Weichai Power Co., Ltd.**  
**Ma Changhai**  
*Chairman*

The PRC, 11 November 2024

*As at the date of this announcement, the executive Directors of the Company are Mr. Ma Changhai, Mr. Zhang Quan, 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. Chi Deqiang, Mr. Zhao Fuquan, Mr. Xu Bing and Mr. Tao Huaan.*