

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



**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**

**ACQUISITION OF TARGET ASSETS BY WEICHAI LOVOL**

**THE ACQUISITION**

On 22 August 2022, Weichai Lovol, a subsidiary of the Company, entered into the Assets Transfer Agreement with Weichai Heavy Machinery, pursuant to which, among other things, Weichai Heavy Machinery has conditionally agreed to sell, and Weichai Lovol has conditionally agreed to purchase, the Target Assets at the consideration of RMB71,989,002.99 (equivalent to approximately HK\$83 million).

**LISTING RULES IMPLICATIONS**

As at the date of this announcement, Weichai Holdings, holding approximately 16.30% of the total issued share capital of the Company, is a substantial shareholder and connected person of the Company. Further, as Weichai Holdings holds approximately 30.59% of the total issued share capital of Weichai Heavy Machinery, Weichai Heavy Machinery is an associate of Weichai Holdings, and in turn, a connected person of the Company.

Accordingly, the Acquisition 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 in respect of the Acquisition is more than 0.1% but all of such ratios are less than 5%, the Acquisition 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 Acquisition, 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

The Board is pleased to announce that on 22 August 2022, Weichai Lovol, a subsidiary of the Company, entered into the Assets Transfer Agreement with Weichai Heavy Machinery, pursuant to which, among other things, Weichai Heavy Machinery has conditionally agreed to sell, and Weichai Lovol has conditionally agreed to purchase, the Target Assets at the consideration of RMB71,989,002.99 (equivalent to approximately HK\$83 million).

## II. PRINCIPAL TERMS OF THE ASSETS TRANSFER AGREEMENT

**Date:** 22 August 2022

**Parties:** (1) Weichai Heavy Machinery, as seller

(2) Weichai Lovol, as purchaser

### **Subject matter**

Weichai Heavy Machinery has conditionally agreed to sell, and Weichai Lovol has conditionally agreed to purchase, the Target Assets in accordance with the terms of the Assets Transfer Agreement. Further details of the Target Assets are set out in the section headed “Information on the Target Assets” below.

### **Consideration and payment terms**

Pursuant to the Assets Transfer Agreement, the consideration (the “**Consideration**”) payable by Weichai Lovol to Weichai Heavy Machinery for the Acquisition is RMB71,989,002.99 (equivalent to approximately HK\$83 million).

The profit/loss arising from the Target Assets for the period from the Valuation Reference Date to the date of completion (the “**Transitional Period**”) shall be enjoyed or borne by Weichai Heavy Machinery. Weichai Lovol and Weichai Heavy Machinery shall jointly engage auditors to audit and confirm the profit/loss during the Transitional Period within 15 days after the date of completion.

The Consideration was determined by the parties after arm’s length negotiations with reference to the appraised value of the Target Assets as at the Valuation Reference Date as appraised by an independent valuer adopting the asset-based approach.

The Consideration is expected to be funded out of the Weichai Lovol Group’s financial resources, and shall be paid in cash by Weichai Lovol to Weichai Heavy Machinery within 30 days from the date of completion.

## **Conditions precedent**

The Assets Transfer Agreement shall only become effective upon the satisfaction of the following conditions:

- (i) Weichai Lovol and Weichai Heavy Machinery having obtained all necessary internal approvals in respect of the Acquisition; and
- (ii) the Acquisition having been registered and approved by the relevant state assets regulatory bodies.

## **Completion**

Completion shall take place within 15 days upon the satisfaction of the abovementioned conditions precedent.

On the date of completion, Weichai Heavy Machinery shall transfer the Target Assets to Weichai Lovol. After completion, Weichai Lovol shall replace Weichai Heavy Machinery to become the legal owner of the Target Assets, and assume the rights and obligations of Weichai Heavy Machinery under the business contracts related to the Target Assets (the “**Business Contracts**”).

## **Post-completion obligation**

After completion, Weichai Heavy Machinery shall be obliged to assist Weichai Lovol to complete the relevant change of registrations in respect of the Target Assets including but not limited to the change of registration in respect of the principals of the special equipment and environmental procedures, and to assist Weichai Lovol to complete the transfer of the existing claims and liabilities including but not limited to the novation of the Business Contracts.

## **Employment contracts**

Weichai Heavy Machinery shall terminate the employment contracts with the designated employees of the Parts and Components Branch, and assist Weichai Lovol to enter into new employment contracts with such designated employees.

### III. INFORMATION ON THE TARGET ASSETS

The assets (the “**Target Assets**”) subject to the Assets Transfer Agreement to be transferred from Weichai Heavy Machinery to Weichai Lovol consist of assets and liabilities of the Parts and Components Branch of Weichai Heavy Machinery together with the related businesses, rights and obligations, including but not limited to fixed assets such as manufacture equipment and projects under construction, raw materials, stocks, and existing claims and liabilities.

Set out below is the pro forma financial information of the Target Assets for the two financial years ended 31 December 2020 and 31 December 2021 prepared based on the generally accepted accounting principles of the PRC:

	<b>For the year ended 31 December 2021 RMB (audited)</b>	<b>For the year ended 31 December 2020 RMB (unaudited)</b>
Net profits before taxation	14,038,703.02	10,531,941.73
Net profits after taxation	11,995,082.06	10,823,464.37

Based on the audited pro forma financial information of the Target Assets 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 Assets were RMB144,397,099.38 and RMB57,715,266.35, respectively. Based on the valuation report in respect of the Target Assets issued by an independent valuer, the appraised value of the Target Assets as at the Valuation Reference Date was RMB71,989,002.99.

As advised by Weichai Heavy Machinery, the Parts and Components Branch has been established by Weichai Heavy Machinery itself, and therefore there is no original acquisition cost for the Target Assets.

After completion of the Acquisition, the Target Assets will be consolidated into the financial statements of Weichai Lovol.

#### **IV. INFORMATION ON 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 construction machinery 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, holds approximately 30.59% of its issued shares.

To the best knowledge, information and belief of the Directors and having made all reasonable enquiries: (i) Weichai Holdings is wholly-owned by Shandong Heavy Industry, which is in turn one of the leading automobile and equipment groups in the PRC, and (ii) Shandong Heavy Industry is ultimately governed and controlled by the Shandong Provincial People's Government.

#### **V. INFORMATION ON WEICHAI LOVOL**

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

Weichai Lovol is a subsidiary of the Company and is principally engaged in the design, development, manufacture and sale of agriculture machinery, vehicles, and vehicle parts and components.

As at the date of this announcement, Weichai Lovol is held by the Company as to approximately 62.00%, by Weichai Holdings as to approximately 37.31%, and by CITIC Machinery Manufacturing Inc. (中信機電製造公司) as to approximately 0.69%. To the best knowledge, information and belief of the Directors and having made all reasonable enquiries, Weichai Holdings is wholly-owned by Shandong Heavy Industry which is in turn ultimately governed and controlled by the Shandong Provincial People's Government, whilst the ultimate beneficial owner of CITIC Machinery Manufacturing Inc. is the State Council of the People's Republic of China.

## **VI. REASONS AND BENEFITS OF THE ACQUISITION**

The Parts and Components Branch is principally engaged in the processing and manufacturing of oil pans, oil and gas separators, engine supports and other parts and components of diesel engines.

Weichai Lovol is principally engaged in the agricultural machinery business. Based on its business development needs, Weichai Lovol intends to develop its capability in the assembly of agricultural equipment including choppers and field returning machine, and enhance its manufacture capability of core components of high-end products such as harvesting machines and rice transplanters. After assessment and evaluation, it is considered that the businesses of the Parts and Components Branch highly accord with the future development needs of Weichai Lovol, and the Acquisition would enhance Weichai Lovol's control over core parts and components and its tooling manufacture level, which would in turn benefit the Company in the long term.

In light of the above, the Directors (including the independent non-executive Directors) consider that the Assets Transfer Agreement was entered into on normal commercial terms after arm's length negotiations (after having taken into consideration the appraised value of the Target Assets as at the Valuation Reference Date), and that the terms of the Assets Transfer Agreement are 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 Assets Transfer 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 Assets Transfer Agreement and the transactions contemplated thereunder are beneficial to the long-term business strategy of the Group.

## **VII. THE LISTING RULES IMPLICATIONS**

As at the date of this announcement, Weichai Holdings, holding approximately 16.30% of the total issued share capital of the Company, is a substantial shareholder and connected person of the Company. Further, as Weichai Holdings holds approximately 30.59% of the total issued share capital of Weichai Heavy Machinery, Weichai Heavy Machinery is an associate of Weichai Holdings, and in turn, a connected person of the Company.

Accordingly, the Acquisition 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 in respect of the Acquisition is more than 0.1% but all of such ratios are less than 5%, the Acquisition 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 August 2022 approving, inter alia, the Assets Transfer Agreement and the transactions contemplated thereunder, Mr. Tan Xuguang, Mr. Jiang Kui, Mr. Zhang Quan, Mr. Xu Xinyu, Mr. Sun Shaojun, and Mr. Zhang Liangfu had abstained from voting in respect of the resolution approving the transactions contemplated under the Assets Transfer 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 Assets Transfer Agreement and the transactions contemplated thereunder.

## VIII. DEFINITIONS

“Acquisition”	the acquisition of the Target Assets by the Company pursuant to the Assets Transfer Agreement
“Assets Transfer Agreement”	an assets transfer agreement entered into between Weichai Lovol and Weichai Heavy Machinery on 22 August 2022 in respect of the Acquisition
“Board”	the board of Directors
“Business Contracts”	has the meaning ascribed to it under the section headed “II. Principal Terms of the Assets Transfer Agreement – Completion” 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
“Consideration”	has the meaning ascribed to it under the section headed “II. Principal Terms of the Assets Transfer Agreement – Consideration and payment terms” in this announcement
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Parts and Components Branch”	the parts and components branch company of Weichai Heavy Machinery, whose principal operations are set out in the section headed “VI. Reasons and Benefits of the Acquisitions” in this announcement
“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 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
“Target Assets”	has the meaning ascribed to it under the section headed “III. Information on the Target Assets” in this announcement
“Transitional Period”	has the meaning ascribed to it under the section headed “II. Principal Terms of the Assets Transfer Agreement – Consideration and payment terms” in this announcement
“Valuation Reference Date”	31 December 2021, being the reference date adopted by the independent valuer for the valuation of the Target Assets
“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, a substantial shareholder of the Company and a connected person of the Company
“Weichai Lovol”	濰柴雷沃重工股份有限公司 (Weichai Lovol Heavy Industry Co., Ltd.*), a joint stock limited company established in the PRC and a subsidiary of the Company
“Weichai Lovol Group”	Weichai Lovol and its subsidiaries
“%”	per cent

\* For identification purposes only

(The exchange rate used for the purpose of this announcement is HK\$1 = RMB0.8691.)

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

The PRC, 22 August 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.*