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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**

**ACQUISITION OF 39.31% SHARES IN WEICHAI LOVOL**

**THE ACQUISITIONS**

The Board is pleased to announce that on 13 July 2021, the Company entered into (i) the Arbos Share Transfer Agreement with Arbos and Weichai Lovol, pursuant to which the Company has agreed to purchase the Arbos Sale Shares (representing approximately 38.62% of total issued shares of Weichai Lovol) from Arbos at the consideration of RMB968,199,700 (equivalent to approximately HK\$1,160,896,991.64), and (ii) the Qingte Share Transfer Agreement with Qingte and Weichai Lovol, pursuant to which the Company has agreed to purchase the Qingte Sale Shares (representing approximately 0.69% of total issued shares of Weichai Lovol) from Qingte at the consideration of RMB17,298,200 (equivalent to approximately HK\$20,740,998.31), respectively.

Following completion of the above Acquisitions, the Company will become a holder of approximately 39.31% of the total share capital of Weichai Lovol, and Weichai Lovol will be accounted for as an associate of the Company.

**LISTING RULES IMPLICATIONS**

Weichai Holding holds approximately 16.30% of the total issued share capital of the Company. As such, Weichai Holdings is a substantial shareholder of the Company and, in turn, a connected person of the Company. As at the date of this announcement, Weichai Holding holds approximately 60% of the total issued shares of Weichai Lovol. Therefore, the Acquisitions constitute connected transactions of the Company under Rule 14A.28(1) of the Listing Rules.

As the highest applicable percentage ratio calculated pursuant to the Listing Rules for the Acquisitions (on an aggregate basis) is more than 0.1% but all of which are less than 5%, the Acquisitions are therefore subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules but are exempt from the independent Shareholders' approval requirement.

## **I. INTRODUCTION**

The Board is pleased to announce that on 13 July 2021, the Company entered into (i) the Arbos Share Transfer Agreement with Arbos and Weichai Lovol, pursuant to which the Company has agreed to purchase the Arbos Sale Shares (representing approximately 38.62% of total issued shares of Weichai Lovol) from Arbos at the consideration of RMB968,199,700 (equivalent to approximately HK\$1,160,896,991.64), and (ii) the Qingte Share Transfer Agreement with Qingte and Weichai Lovol, pursuant to which the Company has agreed to purchase the Qingte Sale Shares (representing approximately 0.69% of total issued shares of Weichai Lovol) from Qingte at the consideration of RMB17,298,200 (equivalent to approximately HK\$20,740,998.31), respectively.

## **II. PRINCIPAL TERMS OF THE ACQUISITIONS**

### **A. THE ARBOS SHARE TRANSFER AGREEMENT**

The principal terms of the Arbos Share Transfer Agreement are as follows:

**Date:** 13 July 2021

**Parties:** (1) the Company, as the purchaser  
(2) Arbos, as the seller  
(3) Weichai Lovol, as the target company

#### **Subject matter**

The Company has agreed to purchase, and Arbos has agreed to sell, the Arbos Sale Shares, namely, 466,838,400 shares of Weichai Lovol (representing approximately 38.62% of total issued shares of Weichai Lovol).

Following completion of the sale and purchase of the Arbos Sale Shares, Arbos will cease to be a shareholder of Weichai Lovol.

#### **Consideration**

The purchase price for the Arbos Sale Shares is RMB968,199,700 (equivalent to approximately HK\$1,160,896,991.64), which was determined after arm's length negotiation between the parties to the Arbos Share Transfer Agreement with reference to the appraised value of Weichai Lovol and its subsidiaries of RMB3,505,939,100 as at the Valuation Reference Date as set out in the Valuation Report.

The purchase price for the Arbos Sale Shares shall be payable by the Company to Arbos in cash in one lump sum within five working days after the date of the Arbos Share Transfer Agreement. The purchase price for the Arbos Sale Shares is expected to be funded out of the Group's financial resources.

On same date as the Arbos Share Transfer Agreement, Weichai Holdings, the Company, Arbos and Weichai Lovol also made certain arrangements in respect of the possible refund and/or deduction of certain value-added tax of Weichai Lovol (up to RMB998,948,500), whereby among others, the Company has agreed to pay to Arbos 38.62% of such amount actually refunded to Weichai Lovol.

### **Completion**

Upon the payment of the purchase price for the Arbos Sale Shares by the Company to Arbos, Weichai Lovol shall register the Arbos Sale Shares under the name of the Company and provide an original copy of the updated register of members to the Company.

## **B. THE QINGTE SHARE TRANSFER AGREEMENT**

The principal terms of the Qingte Share Transfer Agreement are as follows:

**Date:** 13 July 2021

**Parties:** (1) the Company, as the purchaser  
(2) Qingte, as the seller  
(3) Weichai Lovol, as the target company

### **Subject matter**

The Company has agreed to purchase, and Qingte has agreed to sell, the Qingte Sale Shares, namely, 8,400,000 shares of Weichai Lovol (representing approximately 0.69% of total issued shares of Weichai Lovol).

Following completion of the above sale and purchase of the Qingte Sale Shares, Qingte will cease to be a shareholder of Weichai Lovol.

### **Consideration**

The purchase price for the Qingte Sale Shares is RMB17,298,200 (equivalent to approximately HK\$20,740,998.31), which was determined after arm's length negotiation between the parties to the Qingte Share Transfer Agreement with reference to the appraised value of Weichai Lovol and its subsidiaries of RMB3,505,939,100 as at the Valuation Reference Date as set out in the Valuation Report.

The purchase price for the Qingte Sale Shares shall be payable by the Company to Qingte in cash in one lump sum within five working days after the date of the Qingte Share Transfer Agreement. The purchase price for the Qingte Sale Shares is expected to be funded out of the Group's financial resources.

### **Completion**

Upon the payment of the purchase price for the Qingte Sale Shares by the Company to Qingte, Weichai Lovol shall register the Qingte Sale Shares under the name of the Company and provide an original copy of the updated register of members to the Company.

### **III. INFORMATION ON WEICHAI LOVOL**

Weichai Lovol is a joint stock limited company established as in the PRC. As at the date of this announcement, (i) it is held by Weichai Holdings as to approximately 60%, by Arbos as to approximately 38.62% , by Qingte as to approximately 0.69% , and by CITIC Machinery Manufacturing Inc. (中信機電製造公司) as to 0.69%, and (ii) it is accounted for as a subsidiary of Weichai Holdings. Weichai Lovol, together with its subsidiaries, is principally engaged in the design, development, manufacture and sale of agriculture machinery, construction machinery, vehicles, and vehicle parts and components.

Set out below is the audited consolidated financial information of Weichai Lovol for the two financial years ended 31 December 2019 and 31 December 2020 and the three months ended 31 March 2021 prepared based on the generally accepted accounting principles of the PRC:

	<b>For the three months ended 31 March 2021</b>	<b>For the year ended 31 December 2020</b>	<b>For the year ended 31 December 2019</b>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
Revenue	4,970,479,968.53	13,900,327,473.64	12,556,884,171.43
Net profits (loss) before taxation	(237,543,001.80)	82,145,353.02	(1,115,645,165.44)
Net profits (loss) after taxation	(313,560,617.99)	61,620,233.61	(931,095,718.71)

Based on the audited consolidated financial information of Weichai Lovol prepared based on the generally accepted accounting principles of the PRC, as of 31 March 2021, the audited net asset value of Weichai Lovol was approximately RMB780.8 million.

Following completion of the Acquisitions, the Company will become a holder of approximately 39.31% of the total share capital of Weichai Lovol, and Weichai Lovol will be accounted for as an associate of the Company.

#### **IV. REASONS AND BENEFITS FOR THE ACQUISITIONS**

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

As mentioned above, Weichai Lovol and its subsidiaries are principally engaged in, among other things, the development and manufacture of agriculture machinery. The Board is of the view that the Acquisitions are in line with the Company's strategy to further develop the high-end agriculture machinery market and are also expected to generate synergy effect for the Company and Weichai Lovol and enhance their cooperation in the development of high-end powertrain for agriculture equipment in the future.

In light of the above, the Directors (including the independent non-executive Directors) consider that the Acquisitions are fair and reasonable, on normal commercial terms, and in the interests of the Company and its Shareholders as a whole. Although the Acquisitions shall be regarded as an investing activity and not 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 Acquisitions are beneficial to the long-term business strategy of the Group.

#### **V. INFORMATION ON WEICHAI HOLDINGS, ARBOS AND QINGTE**

##### **Weichai Holdings**

Weichai Holdings is principally engaged in the management, investment and the provision of general services.

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 Shandong Provincial People's Government.

##### **Arbos**

Arbos is a joint stock limited liability company established in the PRC. Arbos, together with its subsidiaries, is principally engaged in the manufacture and sale of construction machinery, agriculture machinery, vehicle parts and components, motorcycle parts and components, and electric bicycles.

Insofar as the Company is aware, Arbos is ultimately owned by MaterMacc Industrial Group Co., Ltd., which is in turn principally engaged in the design, manufacture and sale of agriculture machinery.

### **Qingte**

Qingte is a company established in the PRC. It is principally engaged in the manufacturing of special vehicles, truck axles, auto parts, international trade, real estate, etc.

Insofar as the Company is aware, Qingte is ultimately beneficially owned by Aishi Ji, who is a businessman.

To the best knowledge, information and belief of the Board after having made all reasonable enquiries, each of Arbos, Qingte and their respective ultimate beneficial owners is a third party independent of the Group and is not a connected person of the Company.

## **VI. THE LISTING RULES IMPLICATIONS**

Weichai Holding holds approximately 16.30% of the total issued share capital of the Company. As such, Weichai Holdings is a substantial shareholder of the Company and, in turn, a connected person of the Company. As at the date of this announcement, Weichai Holding holds approximately 60% of the total issued shares of Weichai Lovol. Therefore, the Acquisitions constitute connected transactions of the Company under Rule 14A.28(1) of the Listing Rules.

As the highest applicable percentage ratio calculated pursuant to the Listing Rules for the Acquisitions (on an aggregate basis) is more than 0.1% but all of which are less than 5%, the Acquisitions are therefore subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules but are exempt from the independent Shareholders' approval requirement.

At the Board meeting held on 13 July 2021 approving, inter alia, the Acquisitions, Mr. Tan Xuguang, Mr. Jiang Kui, Mr. Zhang Quan, Mr. Xu Xinyu and Mr. Sun Shaojun have abstained from voting in respect of the resolution approving the Acquisitions in view of their respective positions in Weichai Holdings and/or Weichai Lovol. Save as disclosed above, none of the Directors has a material interest in the Acquisitions.

## VII. DEFINITIONS

In this announcement, the following expressions shall have the following meanings, unless the context requires otherwise:

“Acquisitions”	the acquisition by the Company of the Arbos Sale Shares and the acquisition by the Company of the Qingte Sale Shares, and “Acquisition” shall refer to either of such acquisitions
“Arbos”	阿波斯科技集團股份有限公司 (Arbos Technology (Group) Co., Ltd.*) (formerly known as “天津雷沃重工集團股份有限公司” (Tianjin Lovol Heavy Industry Co., Ltd.*)), a joint stock limited company established in the PRC
“Arbos Sale Shares”	466,838,400 shares of Weichai Lovol (representing approximately 38.62% of total issued shares of Weichai Lovol) which are held by Arbos immediately before completion of the Acquisition under the Arbos Share Transfer Agreement
“Arbos Share Transfer Agreement”	the share transfer agreement in respect to the sale by Arbos and the purchase by the Company, of the Arbos Sale Shares
“Board”	the board of Directors
“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
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Qingte”	青特集團有限公司 (Qingte Group Co., Ltd.), a company established in the PRC with limited liability

“Qingte Sale Shares”	8,400,000 shares of Weichai Lovol (representing approximately 0.69% of total issued shares of Weichai Lovol) which are held by Qingte immediately before completion of the Acquisition under the Qingte Share Transfer Agreement
“Qingte Share Transfer Agreement”	the share transfer agreement in respect to the sale by Qingte and the purchase by the Company, of the Qingte Sale Shares
“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
“Shareholder(s)”	holder(s) of the shares in the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Valuation Reference Date”	31 March 2021, being the reference date adopted by the Valuer in the valuation of Weichai Lovol in the Valuation Report
“Valuation Report”	the valuation report dated 20 June 2021 issued by the Valuer in respect of the total appraised value of Weichai Lovol and its subsidiaries for the purpose of the Acquisitions, which is prepared adopting an asset-based approach
“Valuer”	山東中評恒信資產評估有限公司 (Shandong Zhongping Hengxin Asset Appraisal Co., Ltd.*), an independent professional valuer in the PRC
“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”

潍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 Weichai Holdings

“%”

per cent.

\* For identification purposes only

(The exchange rate used for the purpose of this announcement is HK\$1 = RMB0.83401.)

By order of the Board of Directors

**Weichai Power Co., Ltd.**

**Tan Xuguang**

*Chairman and CEO*

The PRC, 13 July 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.*