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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)

DISCLOSEABLE AND CONNECTED TRANSACTION

ACQUISITION OF 22.69% SHARES IN WEICHAI LOVOL

THE ACQUISITION

The Board is pleased to announce that on 18 April 2022, the Company entered into the Share Transfer Agreement with Weichai Holdings and Weichai Lovol, pursuant to which the Company has conditionally agreed to purchase, and Weichai Holdings has conditionally agreed to sell, the Sale Shares (representing approximately 22.69% of total issued shares of Weichai Lovol) at the initial consideration of RMB1,584,461,400 (equivalent to approximately HK\$1,944,840,309) (subject to adjustments).

Upon completion of the Acquisition, the Company will become a holder of approximately 62.00% of the total issued share capital of Weichai Lovol; Weichai Lovol will be accounted for as a subsidiary of the Company and the financial results of Weichai Lovol will be consolidated into the consolidated financial statements of the Company.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio calculated pursuant to the Listing Rules in respect of the Acquisition exceeds 5% but all of such ratios are less than 25%, the Acquisition constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Further, Weichai Holding holds approximately 16.30% of the total issued share capital of the Company and approximately 60.00% of the total issued share capital of Weichai Lovol. As such, Weichai Holdings is a substantial shareholder of the Company and, each of Weichai Holdings and Weichai Lovol is a connected person of the Company. Therefore, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules, and is subject to the reporting, announcement, circular and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

A circular containing, among other things, further details in relation to the terms of the Acquisition, a letter from the Independent Board Committee, the recommendations of the Independent Financial Adviser, together with a notice of the general meeting will be despatched to the Shareholders in accordance with Rule 19A.39A of the Listing Rules. As the Company expects that more time will be needed to prepare the information to be contained in the circular, the circular will be despatched on or before 11 May 2022.

Shareholders and potential investors should note that the Acquisition, which is subject to a number of conditions precedent set out in the Share Transfer Agreement, 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 18 April 2022, the Company entered into the Share Transfer Agreement with Weichai Holdings and Weichai Lovol, pursuant to which the Company has conditionally agreed to purchase, and Weichai Holdings has conditionally agreed to sell, the Sale Shares (representing approximately 22.69% of total issued shares of Weichai Lovol) at the initial consideration of RMB1,584,461,400 (equivalent to approximately HK\$1,944,840,309) (subject to adjustments).

II. PRINCIPAL TERMS OF THE SHARE TRANSFER AGREEMENT

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

Date: 18 April 2022

Parties:

- (1) the Company, as the purchaser
- (2) Weichai Holdings, as the seller
- (3) Weichai Lovol, as the target company

Subject matter

The Company has conditionally agreed to purchase, and Weichai Holdings has conditionally agreed to sell, the Sale Shares, namely, 274,401,120 shares of Weichai Lovol (representing approximately 22.69% of the total issued share capital of Weichai Lovol).

Consideration

The purchase price for the Sale Shares (the “**Initial Consideration**”) is RMB1,584,461,400 (equivalent to approximately HK\$1,944,840,309), which was determined after arm’s length negotiation between the parties to the Share Transfer Agreement based on the appraised value of Weichai Lovol and its subsidiaries of RMB8,520,574,100 as at the Valuation Reference Date as set out in the Valuation Report and taking into account (i) the dividend in the amount of RMB540,000,000 resolved at the general meeting of Weichai Lovol to be distributed in cash for the year 2021, and (ii) the possible refund and/or deduction of certain value-added tax of Weichai Lovol in the amount of up to RMB998,948,500 (please refer to the sub-section headed “Special arrangement regarding refund of value-added tax” below).

The Initial Consideration is subject to the customary adjustment based on the profit/loss during the period from the Valuation Reference Date to the Completion Date (the “**Transitional Period**”) in the following manner:

- (i) if Weichai Lovol makes a profit during the Transitional Period, Weichai Lovol shall make up the profit that Weichai Holdings should enjoy during the Transitional Period according to the shareholding percentage of the Company and Weichai Holdings in Weichai Lovol before the Completion by way of dividend; and
- (ii) otherwise, Weichai Holdings shall make up the loss it should bear during the Transitional Period to the Company.

Weichai Holdings and the Company shall jointly engage auditors to audit the profit/loss during the Transitional Period within 15 days after the Completion Date. The profit/loss in any period less than one calendar month during the Transitional Period shall be calculated by multiplying (i) the profit/loss occurred in the full month in which the Completion Date falls and (ii) the proportion of the number of days between the first day of that month and the Completion Date in the total number of days in that calendar month.

Further, if Weichai Lovol disposes of any of its assets during the Transitional Period, such disposal shall be made in accordance with the relevant appraised value of the relevant assets as set out in the Valuation Report, and adjustments to the Initial Consideration will also be made on the same basis as set out above.

The Board does not expect that the above adjustment to the Initial Consideration, if any, will result in a change in the classification of the Acquisition under Chapter 14 of the Listing Rules.

The Consideration shall be payable by the Company to the designated bank account of Weichai Holdings in cash in one lump sum within 30 working days after the Share Transfer Agreement taking effect in accordance with the relevant conditions precedent set out below.

The Consideration is expected to be funded out of the Group's financial resources.

Conditions precedent to the Share Transfer Agreement taking effect

Apart from the Share Transfer Agreement being signed by the legal representative or authorised representative and affixed with seals of all parties thereto, the Share Transfer Agreement shall only become effective upon satisfaction of the following conditions precedent:

- (i) the Acquisition having been reviewed and approved by each of the parties in accordance with the requirements of the relevant laws, regulations and internal policies (including by the Independent Shareholders at the general meeting of the Company); and
- (ii) the Acquisition having been approved by the National Anti-Monopoly Bureau* (國家反壟斷局) of the PRC.

The parties shall use their reasonable endeavours to fulfill the conditions precedent as soon as possible, and as at the date of this announcement, none of the above conditions has been satisfied.

Completion

Completion shall take place on the date (the “**Completion Date**”) on which the Company pays the Initial Consideration in full in accordance with the Share Transfer Agreement. On the Completion Date, Weichai Lovol shall register the Sale Shares under the name of the Company and provide an original copy of the updated register of members (affixed with company chop and signed by its legal representative) to the Company.

Termination

The Share Transfer Agreement shall be terminated in the following manners:

- (i) all parties to the Share Transfer Agreement agree to terminate the Share Transfer Agreement in writing and agree on the effective date of such termination;
- (ii) if the Company fails to pay the Initial Consideration in full to Weichai Holdings on time in accordance with the Share Transfer Agreement and such delay reaches 20 working days or more, Weichai Holdings may terminate the Share Transfer Agreement unilaterally; or
- (iii) if (a) the Company discovers that any of Weichai Holding's representations and warranties under the Share Transfer Agreement is untrue, inaccurate or misleading in materials aspects, which has caused the failure of the Company to realise its intended purpose in relation to the Acquisition, or (b) Weichai Holdings fails to complete or, as the case maybe, procure that Weichai Lovol the completion procedures and/or the registration procedures in accordance with the requirements of the Share Transfer Agreement, the Company may terminate the Share Transfer Agreement by notifying Weichai Holdings in writing.

If the Share Transfer Agreement is terminated pursuant to the provisions above, the parties shall return the relevant consideration received in accordance with the principles of fairness, reasonableness and integrity, and return to the status before the Share Transfer Agreement is signed. All rights and obligations of the parties under the Share Transfer Agreement shall cease to exist, provided that the termination of the Share Transfer Agreement shall not affect the claim for compensation for breach of the Share Transfer Agreement by complying party(ies) against non-complying party(ies).

Special arrangement regarding refund of value-added tax

As disclosed in the announcement of the Company dated 13 July 2021 in relation to, among other things, the acquisition by the Company of approximately 38.62% of the total issued share capital of Weichai Lovol from Arbos, Weichai Holdings, the Company, Arbos and Weichai Lovol 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.

The parties to the Share Transfer Agreement also agreed that after the completion of the Acquisition, if Weichai Lovol receives any refund of the abovementioned value-added tax, the Company would pay to Weichai Holdings 22.69% of such amount actually refunded to Weichai Lovol before the Company performs its obligations pursuant to the arrangements mentioned in the paragraph above.

III. VALUATION

The appraised value of the Sale Shares of Weichai Lovol was determined by the Valuer based on the income approach. Accordingly, such valuation constitutes a profit forecast under Rule 14.61 of the Listing Rules (the “**Forecast**”).

In compliance with Rule 14A.68(7) of the Listing Rules, the principal assumptions upon which the Forecast was based are set out as follows:

General assumptions

1. Assumption of trading: it is assumed that all the assets to be appraised are in trade, and the Valuer performed the valuation of the assets by simulating market with conditions such as the transaction conditions of the assets.
2. Assumption of open market: assumption of open market is an assumption of the conditions of the market which assets are to enter and the influence on the assets under such market conditions. The open market means fully developed and improved market conditions, and is a competitive market with voluntary buyers and sellers. In this market, buyers and sellers are equal in status and both have opportunities and time in acquiring ample market information; and all the transactions between them are made on a voluntary, rational, non-compulsory and unrestricted basis.
3. Assumption of continuous use: assumption of continuous use is an assumption of the conditions under which the assets are intended to enter the market and the status of assets under such market conditions. Firstly, it is assumed that the assets to be appraised are in use; secondly, it is assumed that such assets in use will continue to be used. Under the assumption of continuous use, the change of assets use and the best conditions for use of the assets are not taken into account. Therefore, the scope of use of the valuation results is restricted.
4. Assumption of going concern: it is an assumption for valuation made by taking the whole assets of the enterprise as the object of valuation. Namely, it is assumed that: the enterprise operates continually in pursuit of its operation objectives under its external environment as a business entity; the operators of the enterprise are responsible and capable of assuming liabilities; and the enterprise conducts lawful operation, and is able to acquire appropriate profits to maintain its capability to operate as a going-concern.
5. Assumption of accuracy of information: the Valuer assumes that the information and materials provided by the client and relevant parties on which the result of the valuation relies are trustworthy and has verified such information and materials in accordance with the valuation procedure to the extent necessary, but the Valuer does not make any promise for the truthfulness, legality, completeness of such information and materials.

Assumptions in relation to the income-based approach

1. There are no significant changes in the prevailing laws, regulations and policies of the PRC, no significant changes in the macro-economic conditions of the PRC and no significant changes in the political, economic and social environment in the regions where the parties to the Acquisition are located; there are no other force majeure or unforeseeable factors that may give rise to material adverse impact.
2. It is assumed that the operators of Weichai Lovol are responsible, and the management of Weichai Lovol is able to perform their duties.
3. Unless otherwise stated, it is assumed that Weichai Lovol fully complies with all relevant laws and regulations.
4. It is assumed that the accounting policies adopted in the future by Weichai Lovol are in all material aspects generally consistent with the accounting policies adopted in the compilation of the Valuation Report.
5. It is assumed that on the basis of Weichai Lovol's existing management approach and standard, the business scope and approach are in line with the current direction.
6. It is assumed that the cash flows of Weichai Lovol in the years covered by the Forecast are even cash inflow and cash outflow.
7. It is assumed that there are no material changes in the interest rates, exchanges rates, taxation benchmark and rates, policy levy, etc.
8. It is assumed that after the Valuation Reference Date, the research and development abilities and the advancement of technological edge of Weichai Lovol will remain at the current level.
9. It is assumed that the amount of the taxable income of Weichai Lovol will be generally consistent with the amount of its profits in its income-generating period in the future and that there are no adjustment events based on material perpetual difference or time difference.
10. It is assumed that the turnover status of accounts receivable and accounts payable of Weichai Lovol in its future income-generating period will remain similar to that in the past and that there will be no defaults on payment for goods that are materially different from the past.
11. It is assumed that the production and sale of Weichai Lovol for the period in the Forecast will remain balanced.

12. It is assumed that there are no material changes in the interest rates, exchanges rates, taxation benchmark and rates, policy levy, etc. According to the “Announcement on the Filing for the Second Batch of High and New Technology Enterprises Recognised in 2021 by Shandong Province”* (《關於對山東省2021年認定的第二批高新技術企業進行備案的公告》), Weichai Lovol has passed the recognition as a “High and New Enterprise”* (高新技術企業) again. Considering factors including the research and development capabilities and the level of research and development expenses, it is assumed that Weichai Lovol can retain its status as a recognised “High and New Technology Enterprise”, so its future income tax rate is estimated to be 15%.
13. It is assumed that the investment, manufacture and sales of Weichai Lovol can be implemented in accordance with its plans.
14. It is assumed that the income, cost, and expense levels of Weichai Lovol in its perpetual period are consistent with those as of 2026.

The results of the valuation in the Valuation Report are based on the above assumptions. If the above assumptions are untenable, then the result of the valuation will be materially affected and it usually will become invalid.

The Board has reviewed the principal assumptions upon which the Forecast was based and is of the view that the Forecast was made after due and careful enquiry.

Deloitte Touche Tohmatsu Certified Public Accountant LLP (“**Deloitte**”), acting as the Company’s auditor, has reported on the arithmetical accuracy of the calculations of the cash flows forecast underlying the Forecast, which does not involve the adoption of accounting policies, set out in the Valuation Report of the Weichai Lovol issued by the Valuer.

A report from Deloitte on the arithmetical accuracy of the calculations of the cash flows forecast underlying the Forecast dated 18 April 2022 for incorporation into this announcement and a letter from the Board in relation to the Forecast are set out as Appendix I and Appendix II to this announcement, respectively.

The qualifications of the Valuer and Deloitte are as follows:

Name	Qualification
北京天健興業資產評估有限公司 (Pan-China Assets Appraisal Co., Ltd.*)	Professional valuer in the PRC
Deloitte Touche Tohmatsu Certified Public Accountant LLP	Certified public accountants

To the best knowledge, information and belief of the Board after having made all reasonable enquiries, each of the Valuer and Deloitte is a third party independent of the Group and is not a connected person of the Company. As at the date of this announcement, neither the Valuer nor Deloitte has any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate person(s) to subscribe for securities in any member of the Group.

Each of the Valuer and Deloitte has given and has not withdrawn its written consent to the publication of this announcement with inclusion of its opinion and advice and all references to its name in the form and context in which it appears in this announcement.

IV. INFORMATION ON WEICHAI LOVOL

Weichai Lovol is a joint stock limited company established in the PRC. As at the date of this announcement, (i) it is held by Weichai Holdings as to approximately 60.00%, by the Company as to approximately 39.31%, 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 2020 and 31 December 2021, respectively, prepared based on the generally accepted accounting principles of the PRC:

	For the year ended 31 December 2021	For the year ended 31 December 2020
	<i>RMB</i>	<i>RMB</i>
	<i>(audited)</i>	<i>(audited)</i>
Revenue	17,343,923,682.54	13,900,327,473.64
Net profits (loss) before taxation	1,115,155,526.35	82,145,353.02
Net profits (loss) after taxation	1,241,141,209.03	61,620,233.61

Based on the audited consolidated financial information of Weichai Lovol 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 Weichai Lovol were approximately RMB16,132 million and approximately RMB2,306 million, respectively.

Insofar as the Company is aware, the original cost of investment incurred by Weichai Holdings in respect of the Sale Shares amounted to approximately RMB631 million.

V. REASONS AND BENEFITS FOR THE ACQUISITION

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

Upon completion of the Acquisition, the Company will hold approximately 62.00% of the total issued share capital of Weichai Lovol and Weichai Holdings will hold approximately 37.31% of the total issued share capital of Weichai Lovol; Weichai Lovol will be accounted for as a subsidiary of the Company and the financial results of Weichai Lovol will be consolidated into the consolidated financial statements of the Company.

As mentioned above, Weichai Lovol and its subsidiaries are principally engaged in, among other things, the development and manufacture of agriculture machinery. Following the acquisition of approximately 39.31% of the share in Weichai Lovol in July 2021, the Company has deepened cooperation with Weichai Lovol in the agriculture machinery market, which has created the desired synergy effect. The Board is of the view that the Acquisition is in line with the Company's strategy to foster an overall solution for the high-end smart agriculture machinery market through utilising the Group's advantages in core technologies and powertrain in terms of engines, CVT, hydraulics and electronic controls, and making use of the competitive edge of end-user resources and product mix of Weichai Lovol, and in turn lead the agriculture machinery market towards further upgrades in terms of size, sophistication and intelligence. Moreover, in light of the significant improvement in the operational results of Weichai Lovol in recent years and the positive market outlook in the agriculture machinery segment, the Acquisition and the consolidation of Weichai Lovol in the consolidated financial statements of the Company following the Completion is expected to be beneficial to the strategic transformation of the Group and, in turn, the operational results and profitability of the Group and enhance return to the Shareholders.

In light of the above and taking into account Weichai Lovol's existing management model, recent year's performance and future prospects, and the fact that the relevant Valuation Report was prepared by a qualified independent valuer, the Directors (excluding the independent non-executive Directors who will express their views in the circular after considering the advice from the Independent Financial Adviser) consider that the Acquisition is fair and reasonable, on normal commercial terms, and in the interests of the Company and its Shareholders as a whole. Although the Acquisition shall be regarded as an investing activity and not in the ordinary and usual course of business of the Group, the Directors (excluding the independent non-executive Directors) are of the view that such Acquisition will facilitate the vertical integration of upstream and downstream production chain and enable the Group to capture market opportunities, and is therefore beneficial to the long-term strategy and success of the Group.

VI. INFORMATION ON 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.

VII. THE LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio calculated pursuant to the Listing Rules in respect of the Acquisition exceeds 5% but all of such ratios are less than 25%, the Acquisition constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Further, Weichai Holding holds approximately 16.30% of the total issued share capital of the Company and approximately 60.00% of the total issued share capital of Weichai Lovol. As such, Weichai Holdings is a substantial shareholder of the Company and, each of Weichai Holdings and Weichai Lovol is a connected person of the Company. Therefore, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules, and is subject to the reporting, announcement, circular and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

At the Board meeting held on 18 April 2022 approving, inter alia, the Acquisition, 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 Acquisition in view of their respective positions in Shandong Heavy Industry, Weichai Holdings and/or Weichai Lovol. Save as disclosed above, none of the Directors has a material interest in the Acquisition.

VIII. APPROVAL BY INDEPENDENT SHAREHOLDERS AND DESPATCH OF CIRCULAR

A general meeting will be convened and held for the Independent Shareholders to consider, and if thought fit, approve the Acquisition. Weichai Holdings and its associates will abstain from voting in relation to the relevant resolutions.

The Independent Board Committee (consisting of all independent non-executive Directors, namely Mr. Li Hongwu, Mr. Wen Daocai, Ms. Jiang Yan, Mr. Yu Zhuoping and Ms. Zhao Huifang) has been formed to advise the Independent Shareholders with respect to the Acquisition. The Independent Financial Adviser has been appointed to make recommendations to the Independent Board Committee and the Independent Shareholders regarding the same.

A circular containing, among other things, further details in relation to the terms of the Acquisition, a letter from the Independent Board Committee, the recommendations of the Independent Financial Adviser, together with a notice of the general meeting will be despatched to the Shareholders in accordance with Rule 19A.39A of the Listing Rules. As the Company expects that more time will be needed to prepare the information to be contained in the circular, the circular will be despatched on or before 11 May 2022.

Shareholders and potential investors should note that the Acquisition, which is subject to a number of conditions precedent set out in the Share Transfer Agreement, may or may not be completed. Shareholders and potential investors are reminded to exercise caution when dealing in the shares of the Company.

IX. DEFINITIONS

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

“Acquisition”	the acquisition by the Company of the Sale Shares from Weichai Holdings in accordance with the Share Transfer Agreement
“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
“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
“Completion”	the completion of the Acquisition pursuant to the Share Transfer Agreement

“Completion Date”	has the meaning ascribed thereto under the section headed “II. Principal terms of the Share Transfer Agreement – Completion” of this announcement
“connected person”	has the meaning ascribed thereto under the Listing Rules
“Consideration”	the total consideration payable by the Company in respect of the Acquisition
“Deloitte”	has the meaning ascribed thereto under the section headed “III. Valuation” of this announcement
“Director(s)”	the director(s) of the Company
“Forecast”	has the meaning ascribed thereto under the section headed “III. Valuation” of this announcement
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Board Committee”	the independent board committee of the Company comprising Mr. Li Hongwu, Mr. Wen Daocai, Ms. Jiang Yan, Mr. Yu Zhuoping and Ms. Zhao Huifang
“Independent Financial Adviser”	Trinity Corporate Finance Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition
“Independent Shareholders”	Shareholders who are not required to abstain from voting at the general meeting of the Company in respect of the Acquisition
“Initial Consideration”	has the meaning ascribed thereto under the section headed “II. Principal terms of the Share Transfer Agreement – Consideration” of this announcement
“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
“Sale Shares”	274,401,120 shares of Weichai Lovol (representing approximately 22.69% of total issued shares of Weichai Lovol) which are held by Weichai Holdings immediately before completion of the Acquisition under the Share Transfer Agreement
“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
“Share Transfer Agreement”	the share transfer agreement in respect to the sale by Weichai Holdings, and the purchase by the Company, of the Sale Shares
“Shareholder(s)”	holder(s) of the shares in the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transitional Period”	has the meaning ascribed thereto under the section headed “II. Principal terms of the Share Transfer Agreement – Consideration” of this announcement
“Valuation Reference Date”	31 December 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 10 March 2022 issued by the Valuer in respect of the total appraised value of Weichai Lovol and its subsidiaries for the purpose of the Acquisition
“Valuer”	北京天健興業資產評估有限公司 (Pan-China Assets 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”

潍柴雷沃股份有限公司 (Weichai Lovol Heavy Industry Co., Ltd.*), a joint stock limited company established in the PRC and a currently subsidiary of Weichai Holdings

“%”

per cent.

* For identification purposes only

(The exchange rate used for the purpose of this announcement is HK\$1= RMB0.8147.)

By order of the Board of Directors

Weichai Power Co., Ltd.

Tan Xuguang

Chairman and CEO

The PRC, 18 April 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.

APPENDIX I – REPORT FROM THE REPORTING ACCOUNTANTS

INDEPENDENT ASSURANCE REPORT ON THE CALCULATIONS OF DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN CONNECTION WITH THE VALUATION OF 22.69% SHARES IN WEICHAI LOVOL

TO THE DIRECTORS OF WEICHAI POWER CO., LTD.

We have examined the calculations of the discounted future estimated cash flows on which the valuation prepared by Pan-China Assets Appraisal Co., Ltd. (北京天健興業資產評估有限公司) dated 10 March 2022, of a 22.69% shares in Weichai Lovol as at 31 December 2021 (the “Valuation”) is based. Weichai Lovol is a company incorporated in the People’s Republic of China whose principal assets are inventories, cash, property, plant and equipment. The Valuation based on the discounted future estimated cash flows is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and will be included in an announcement dated 18 April 2022 to be issued by Weichai Power Co., Ltd. (the “Company”) in connection with the acquisition of 22.69% shares in Weichai Lovol Industry Co., Ltd. (the “Announcement”).

Directors’ Responsibility for the Discounted Future Estimated Cash Flows

The directors of the Company are responsible for the preparation of the discounted future estimated cash flows in accordance with the bases and assumptions determined by the directors and set out in the Announcement (the “Assumptions”). This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future estimated cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibility

Our responsibility is to express an opinion on whether the calculations of the discounted future estimated cash flows have been properly compiled, in all material respects, in accordance with the Assumptions on which the Valuation is based and to report solely to you, as a body, as required by Rule 14.62(2) of the Listing Rules, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Our engagement was conducted in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the HKICPA. This standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain reasonable assurance on whether the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled in accordance with the Assumptions. Our work was limited primarily to making inquiries of the Company's management, considering the analyses and assumptions on which the discounted future estimated cash flows are based and checking the arithmetic accuracy of the compilation of the discounted future estimated cash flows. Our work does not constitute any valuation of Weichai Lovol.

Because the Valuation relates to discounted future estimated cash flows, no accounting policies of the Company have been adopted in its preparation. The Assumptions include hypothetical assumptions about future events and management actions which cannot be confirmed and verified in the same way as past results and these may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Valuation and the variation may be material. Accordingly, we have not reviewed, considered or conducted any work on the reasonableness and the validity of the Assumptions and do not express any opinion whatsoever thereon.

Opinion

Based on the foregoing, in our opinion, the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled, in all material respects, in accordance with the Assumptions.

Deloitte Touche Tohmatsu Certified Public Accountants LLP

18 April 2022

APPENDIX II – LETTER FROM THE BOARD



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)

18 April 2022

The Listing Division
The Stock Exchange of Hong Kong Limited
12th Floor, Two Exchange Square,
8 Connaught Place,
Central, Hong Kong

Dear Sirs,

DISCLOSEABLE CONNECTED TRANSACTION

ACQUISITION OF 22.69% SHARES IN WEICHAI LOVOL

We refer to the announcement of the Company dated 18 April 2022 (the “**Announcement**”). Unless the context otherwise requires, terms defined in the Announcement shall have the same meanings in this letter when used herein.

We refer to the valuation report dated 10 March 2022 issued by 北京天健興業資產評估有限公司 (Pan-China Assets Appraisal Co., Ltd.), an independent professional valuer in the PRC (the “**Valuer**”) in relation to the valuation (the “**Valuation**”) of 潍柴雷沃股份有限公司 (Weichai Lovol Heavy Industry Co., Ltd.*) (“**Weichai Lovol**”) as at the Valuation Reference Date. As the Valuation adopts the income approach, it is regarded as a profit forecast under Rule 14.61 of the Listing Rules (the “**Forecast**”).

We have discussed with the Valuer about different aspects including the basis and assumptions upon which the Valuation has been prepared, and reviewed the Valuation prepared by the Valuer for which the Valuer is responsible. We have also engaged Deloitte to review and report on the arithmetical accuracy of the calculations of the discounted cash flows forecast underlying the Forecast, and considered the report from Deloitte as set out in Appendix I to the Announcement.

On the basis of the foregoing, in accordance with the requirements under Rule 14.62(3) of the Listing Rules, we confirm that the Forecast has been made after our due and careful enquiry.

Yours faithfully,

For and on behalf of the Board

Weichai Power Co., Ltd.

Tan Xuguang

Chairman and CEO