

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)

ANNOUNCEMENT
CONTINUING CONNECTED TRANSACTIONS

SUMMARY

The Board announces that on 30 August 2021, the Group has entered into the Supplemental Agreements in respect of the Continuing Connected Transactions as more particularly described herein.

As the highest percentage ratio calculated in accordance with the Listing Rules for the Weichai Continuing Connected Transactions as set out in section II.A. of this announcement exceeds the 0.1% Threshold but does not exceed the 5% Threshold on an aggregated basis, such Weichai Continuing Connected Transactions constitute Exempt Continuing Connected Transactions of the Company and will be subject to the reporting, announcement and annual review requirements, but are exempt from the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Further, since (i) Fast Transmission is regarded as a connected person of the Company at subsidiary level; (ii) the Board (including all the independent non-executive Directors) has approved the TAGC Continuing Connected Transactions; and (iii) the independent non-executive Directors have confirmed that the terms of the TAGC Continuing Connected Transactions and the relevant New Caps are fair and reasonable, on normal commercial terms or better and in the interests of the Company and the Shareholders as a whole, the TAGC Continuing Connected Transactions are subject to the reporting and announcement requirements but are exempt from circular, independent financial advice and shareholders' approval requirements pursuant to Rule 14A.101 of the Listing Rules. However, according to the relevant laws and regulations of the PRC and the Shenzhen Listing Rules, such TAGC Continuing Connected Transactions constitute PRC Continuing Connected Transactions and are subject to the approval by the Shareholders at the EGM.

I. INTRODUCTION

Reference is made to the announcements of the Company dated 27 August 2015, 30 August 2016, 30 August 2017 and 13 July 2018, respectively, in respect of, *inter alia*, the Continuing Connected Transactions of the Company where the Existing Caps for such Continuing Connected Transactions were set.

For these Continuing Connected Transactions, the Company proposes to apply for New Caps. For such purposes, the Group entered into the Supplemental Agreements. The Supplemental Agreements and the relevant New Caps in respect of the Exempt Continuing Connected Transactions which constitute PRC Continuing Connected Transactions are conditional upon the approval of the Shareholders at the EGM.

A summary of the Continuing Connected Transactions, the Supplemental Agreements, the Existing Caps, the actual transaction amounts of the Continuing Connected Transactions for the relevant periods and the New Caps (and their bases) is set out in the section headed “II. Continuing Connected Transactions” in this announcement.

II. CONTINUING CONNECTED TRANSACTIONS

SUMMARY OF THE CONTINUING CONNECTED TRANSACTIONS AND THE NEW CAPS

The Continuing Connected Transactions include the following:

A. Weichai Continuing Connected Transactions

Name of connected person	Name of Group Company	Connected person's relationship with the Group	Nature of the connected transaction with the Group
Weichai Heavy Machinery (and its subsidiaries) (note 2)	The Company, Weifang Material Forming, Anqiu Material Forming, Weichai Yangzhou and Baudouin China (note 1) (as the case may be)	Held as to 30.59% by Weichai Holdings	(a) Sale of diesel engines and related products by the Company (and its subsidiaries) to Weichai Heavy Machinery (and its subsidiaries) (b) Supply of semi-finished diesel engine parts, diesel engine parts and components, reserve parts and related products and provision of labour services by the Company (and its subsidiaries) to Weichai Heavy Machinery (and its subsidiaries)

B. TAGC Continuing Connected Transactions

Name of connected person	Name of Group Company	Connected person's relationship with the Group	Nature of the connected transaction with the Group
Fast Transmission	SFGC (note 3)	Holder of 49% of the equity of SFGC	<p>(a) Sale of parts and components of transmissions and related products by SFGC to Fast Transmission</p> <p>(b) Purchase of parts and components of transmissions and related products and labour services by SFGC from Fast Transmission</p>

Notes:

- Each of Weifang Material Forming and Anqiu Material Forming is a wholly-owned subsidiary of the Company. Weichai Yangzhou is indirectly held as to approximately 71.06% by the Company. Baudouin China is directly held as to approximately 50.98% and indirectly held as to approximately 49.02% by the Company.
- The subsidiary of Weichai Heavy Machinery is Weichai Electric Equipment, being a wholly-owned subsidiary of Weichai Heavy Machinery.
- SFGC is a 51% subsidiary of the Company.

A summary of the (proposed) New Caps for each of the Continuing Connected Transactions is set out below:

A. Weichai Continuing Connected Transactions

Connected person and details of the relevant Continuing Connected Transactions		2022 <i>RMB</i>	New Caps	
			2023 <i>RMB</i>	2024 <i>RMB</i>
Weichai Heavy Machinery (and its subsidiaries)				
(a)	Sale of diesel engines and related products by the Company (and its subsidiaries) to Weichai Heavy Machinery (and its subsidiaries)	900,000,000	1,060,000,000	1,200,000,000
(b)	Supply of semi-finished diesel engine parts, diesel engine parts and components, reserve parts and related products and provision of labour services by the Company (and its subsidiaries) to Weichai Heavy Machinery (and its subsidiaries)	200,000,000	210,000,000	240,000,000

B. TAGC Continuing Connected Transactions

Connected person and details of the relevant Continuing Connected Transactions		2022 <i>RMB</i>	New Caps	
			2023 <i>RMB</i>	2024 <i>RMB</i>
Fast Transmission				
(a)	Sale of parts and components of transmissions and related products by SFGC to Fast Transmission	6,192,000,000*	7,536,000,000*	9,000,000,000*
(b)	Purchase of parts and components of transmissions and related products and labour services by SFGC from Fast Transmission	15,000,000,000*	18,120,000,000*	22,080,000,000*

Note:

1. Where a New Cap is marked “*”, that means in respect of the TAGC Continuing Connected Transactions, pursuant to Rule 14A.101 of the Listing Rules, the relevant Continuing Connected Transactions are exempt from the approval by the independent Shareholders under the Listing Rules. However, since the relevant Continuing Connected Transactions constitute PRC Continuing Connected Transactions, the same are subject to the approval by the Shareholders at the EGM.
2. For the purposes of ascertaining whether a Continuing Connected Transaction would exceed the 5% Threshold, the transactions under paragraphs A.(a) and A.(b) have been aggregated.

DETAILS OF THE CONTINUING CONNECTED TRANSACTIONS AND THE RELEVANT SUPPLEMENTAL AGREEMENTS

A. Weichai Continuing Connected Transactions

The Company and its subsidiaries

The Company is principally engaged in the research and development, manufacture and sale of high-speed heavy-duty diesel engines and engine parts. Chongqing Branch is the Company’s facility (being its branch office) in Chongqing Municipality.

Weichai After-sales Services was a wholly-owned subsidiary of the Company and principally engaged in the sales of parts and components of diesel engines, and has now been deregistered.

Weifang Material Forming is a wholly-owned subsidiary of the Company and is principally engaged in the supply of casting products and related services.

Weichai Reproduction is a wholly-owned subsidiary of the Company and is principally engaged in the reproduction of parts and components of vehicles. As approved at the 2020 annual general meeting of the Company held on 28 June 2021, Weichai Reproduction will be merged and absorbed by the Company.

Anqiu Material Forming is an indirect wholly-owned subsidiary of the Company and is principally engaged in casting and sale of engine parts.

Weichai Logistics is a wholly-owned subsidiary of the Company and is principally engaged in general transportation, storage, delivery and basic assembly of machine accessories and power. As approved at the 2020 annual general meeting of the Company held on 28 June 2021, Weichai Logistics will be merged and absorbed by the Company.

Weichai Yangzhou is indirectly held as to approximately 71.06% by the Company and ultimately beneficially held as to approximately 28.94% by various PRC government institutions including the State-owned Assets Supervision and Administration Commission of Shandong Provincial People's Government (山東省人民政府國有資產監督管理委員會) and the State-owned Assets Supervision and Administration Commission of Yangzhou Municipal People's Government (揚州市人民政府國有資產監督管理委員會), and is principally engaged in the design, development, manufacture, sale and maintenance of diesel engines.

Baudouin China is directly held as to approximately 50.98% and indirectly held as to approximately 49.02% by the Company and is principally engaged in the manufacture, sale, design, research and development of diesel engines and related products.

To the best knowledge, information and belief of the Directors and having made all reasonable enquiries: (1) the parent company of the Company is Weichai Holdings, which is, in turn, wholly owned by Shandong Heavy Industry; and (2) Shandong Heavy Industry is ultimately controlled and governed by Shandong Provincial People's Government (山東省人民政府).

Continuing Connected Transactions between Weichai Heavy Machinery (and its subsidiaries) and the Group

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 Electric Equipment is a wholly-owned subsidiary of Weichai Heavy Machinery and is principally engaged in the research and development, production, sale and repair of power generators, pump units, air compressor units, hydraulic pump units and their respective components and the import and export of permitted goods and technology.

Weichai Heavy Machinery is an associate of Weichai Holdings (a substantial shareholder of the Company), and accordingly, Weichai Heavy Machinery and Weichai Electric Equipment are connected persons of the Company. The shares of Weichai Heavy Machinery are listed on the Shenzhen Stock Exchange (stock code: 000880).

(a) Sale of diesel engines and related products by the Company (and its subsidiaries) to Weichai Heavy Machinery (and its subsidiaries)

Agreement: Supplemental Agreement to the framework agreement between the Company and Weichai Holdings dated 17 November 2003 (“**Weichai Heavy Machinery Sale Agreement**”) (as supplemented by the supplemental agreements dated 15 September 2004, 12 November 2006, 9 June 2007, 27 November 2008, 13 August 2009, 23 August 2010, 30 August 2012, 29 August 2013, 27 August 2015 and 13 July 2018, respectively)

Date: 30 August 2021

Parties: 1. (a) The Company
(b) Weichai Yangzhou
(c) Baudouin China
2. (a) Weichai Heavy Machinery
(b) Weichai Electric Equipment

Term: 1 January 2022 to 31 December 2024

Other terms and details:

Pursuant to the Weichai Heavy Machinery Sale Agreement (as supplemented by the abovementioned supplemental agreements but prior to the entering into of this latest Supplemental Agreement), the Company, Weichai Reproduction, Weichai Yangzhou and Baudouin China (and/or other Group Company) (as the case may be) has sold certain diesel engines and related products to Weichai Heavy Machinery, Weichai Electric Equipment and/or other associates of Weichai Heavy Machinery (as the case may be) at market prices and settled on a monthly basis, for a term ending 31 December 2021, upon the expiry of which the parties may renew the term for another three years on a mutually agreed basis.

Pursuant to this latest Supplemental Agreement, the Company, Weichai Yangzhou and Baudouin China (and/or other Group Company) (as the case may be) shall sell to Weichai Heavy Machinery, Weichai Electric Equipment and/or other associates of Weichai Heavy Machinery (as the case may be) the said diesel engines and related products at market prices and settled on a monthly basis, for a term of three years ending 31 December 2024, upon the expiry of which the parties may renew the term for another three years on a mutually agreed basis. Save as set out herein, all other terms of the Weichai Heavy Machinery Sale Agreement (as supplemented by the abovesaid supplemental agreements but prior to the entering into of this latest Supplemental Agreement) shall remain unchanged.

The price of the said products shall be determined according to the following mechanism: the marketing department of the Company regularly conducts market research and analysis regarding specific products and comprehensively considers the costs of such products in order to formulate its pricing proposal which will be put before the price management department of the Company for approval, and the final prices are determined at arm's length negotiation among the parties. The price management department of the Company regularly reviews the reasonableness of prices and makes amendments when necessary. The Directors are of the view that the abovementioned methods and procedures under the pricing policies can ensure that this Continuing Connected Transaction is conducted on normal commercial terms and not prejudicial to the interests of the Company and its minority Shareholders.

The table below summarises the Existing Caps for the three years ending 31 December 2021 for the Weichai Continuing Connected Transaction set out in this sub-section (a):

	2019 <i>RMB</i>	2020 <i>RMB</i>	2021 <i>RMB</i>
Existing Cap	570,000,000	650,000,000	750,000,000

The table below summarises the actual transaction amounts involved for the two years ended 31 December 2020 (audited) and the six months ended 30 June 2021 (unaudited) for the Weichai Continuing Connected Transaction set out in this sub-section (a):

	Year ended 31 December 2019 <i>RMB</i> (audited)	2020 <i>RMB</i> (audited)	Six months ended 30 June 2021 <i>RMB</i> (unaudited)
Actual transaction amount	427,151,000	559,949,000	297,528,546

The Company is a leading manufacturer of diesel engines in the PRC and this evidences the quality and competitiveness of the Group's diesel engines generally. With the proximity between the Company's production facilities and those of Weichai Heavy Machinery, and in view of the high quality and the competitiveness of the Company's engines, the Company believes that Weichai Heavy Machinery will continue to purchase the Group's diesel engines for the manufacture of power generators and there will be further expansion of the business cooperation between the Group and the Weichai Heavy Machinery (and its subsidiaries). In addition, increase in demand for the vessels sold by Weichai Heavy Machinery will also in turn lead to an increase in the sales of the vessel engines by the Group to Weichai Heavy Machinery. The Group has also sold certain diesel engines to Weichai Generator Equipment for its manufacture of generator sets.

In line with the current market conditions in respect of the said diesel engines, the Company estimates that the transaction amounts for the Weichai Continuing Connected Transaction set out in this sub-section (a) for the three years ending 31 December 2024 will not exceed RMB900,000,000, RMB1,060,000,000 and RMB1,200,000,000, respectively, and such amounts have accordingly been set as the New Caps for this Weichai Continuing Connected Transaction. These estimates have also referred to the estimated salary growth rate and an expected increase in the sales of the said diesel engines by the Company to Weichai Heavy Machinery and Weichai Electric Equipment by approximately 17.8% and 13.2% for each of the years ending 31 December 2023 and 31 December 2024, respectively.

The table below summarises the New Caps for the Weichai Continuing Connected Transaction set out in this sub-section (a) for the three years ending 31 December 2024:

	2022	2023	2024
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
New Cap	900,000,000	1,060,000,000	1,200,000,000

As the highest percentage ratio calculated in accordance with the Listing Rules for this Weichai Continuing Connected Transaction for the three years ending 31 December 2024 (when aggregated with the New Caps for the same period under sub-section A.(b)) exceeds the 0.1% Threshold but does not exceed the 5% Threshold, this Weichai Continuing Connected Transaction constitutes an Exempt Continuing Connected Transaction of the Company for the relevant period, and will be subject to the reporting, announcement, and annual review requirements under Chapter 14A of the Listing Rules.

Since this Weichai Continuing Connected Transaction (on an aggregated basis) is an Exempt Continuing Connected Transaction, this Supplemental Agreement and the New Caps are not subject to the approval of independent Shareholders under the Listing Rules.

- (b) *Supply of semi-finished diesel engine parts, diesel engine parts and components, reserve parts and related products and provision of labour services by the Company (and its subsidiaries) to Weichai Heavy Machinery (and its subsidiaries)*

Agreement: Supplemental Agreement to the semi-finished diesel engine parts supply agreement (“**Weichai Heavy Machinery Supply Agreement**”) dated 17 November 2003 between the Company and Weichai Holdings (as supplemented by supplemental agreements dated 15 September 2004, 12 November 2006, 9 June 2007, 9 November 2009, 29 August 2011, 29 August 2013, 27 August 2015 and 13 July 2018, respectively)

Date: 30 August 2021

Parties: 1. (a) The Company
(b) Weifang Material Forming
(c) Anqiu Material Forming
2. (a) Weichai Heavy Machinery
(b) Weichai Electric Equipment

Term: 1 January 2022 to 31 December 2024

Other terms and details:

Pursuant to the Weichai Heavy Machinery Supply Agreement (as supplemented by the abovesaid supplemental agreements but prior to the entering into of this latest Supplemental Agreement), each of the Company, Weichai Reproduction, Weichai After-sales Services, Weichai Casting, Huadong Casting and Weichai Logistics (and/or their subsidiaries) has sold certain semi-finished diesel engine parts, diesel engine parts and components, reserve parts and related products and provided the relevant labour services (as the case may be) to Weichai Heavy Machinery, Weichai Electric Equipment and/or other associates of Weichai Heavy Machinery (as the case may be) at market prices and settled on a monthly basis for a term ending 31 December 2021, upon the expiry of which the parties may renew the term for another three years on a mutually agreed basis.

Pursuant to this latest Supplemental Agreement, each of the Company, Weifang Material Forming and Anqiu Material Forming (and/or other Group companies) has agreed to sell the said semi-finished diesel engine parts, diesel engine parts and components, reserve parts and related products and to provide the relevant labour services (as the case may be) to Weichai Heavy Machinery, Weichai Electric Equipment and/or other associates of Weichai Heavy Machinery (as the case may be) at market prices and settled on a monthly basis for a term of three years ending 31 December 2024, upon the expiry of which the parties may renew the term for another three years on a mutually agreed basis. Save as set out herein, all other terms of the Weichai Heavy Machinery Supply Agreement (as supplemented by the abovesaid supplemental agreements, but prior to the entering into of this latest Supplemental Agreement) remain unchanged.

The price of the said products shall be determined according to the following mechanism: the marketing department of the Company regularly conducts market research and analysis regarding specific products, in which a number of factors, including the overall market prices, market shares, ordering situation and performance of major competitors of such products, are comprehensively considered in order to formulate its pricing proposal which will be put before the price management department of the Company for approval, and the final prices are determined at arm's length negotiation among the parties. The price management department of the Company regularly reviews the reasonableness of prices and makes amendments when necessary. The Directors are of the view that the abovementioned methods and procedures under the pricing policies can ensure that this Continuing Connected Transaction is conducted on normal commercial terms and not prejudicial to the interests of the Company and its minority Shareholders.

The table below summarises the Existing Caps for the three years ending 31 December 2021 for the Weichai Continuing Connected Transaction set out in this sub-section (b):

	2019 <i>RMB</i>	2020 <i>RMB</i>	2021 <i>RMB</i>
Existing Cap	150,000,000	180,000,000	220,000,000

The table below summarises the actual transaction amounts involved for the two years ended 31 December 2020 (audited) and the six months ended 30 June 2021 (unaudited) for the Weichai Continuing Connected Transaction set out in this sub-section (b):

	Year ended 31 December 2019 <i>RMB</i> (audited)	2020 <i>RMB</i> (audited)	Six months ended 30 June 2021 <i>RMB</i> (unaudited)
Actual transaction amount	89,175,000	79,436,000	40,306,121

The Company is a leading manufacturer of diesel engines in the PRC and this evidences the quality and competitiveness of the Company's diesel engines generally. With the proximity between the Company's production facilities and those of Weichai Heavy Machinery, and in view of the high quality and the competitiveness of the Company's products, the Company believes that Weichai Heavy Machinery and its subsidiaries will continue to purchase the Group's semi-finished diesel engine parts, diesel engine parts and components, reserve parts and related products for the manufacture of its products, including medium-speed diesel engines and power generators. In view of the economic growth in the PRC in recent years and the strong demand for the products of Weichai Heavy Machinery and its subsidiaries, which shall in turn drive the demand for the Group's said products and labour services by Weichai Heavy Machinery and its subsidiaries, it is expected that there will be further expansion of the business cooperation between

the Group and Weichai Heavy Machinery (and its subsidiaries) and the transaction amount for this Weichai Continuing Connected Transaction will increase steadily for the three years ending 31 December 2024.

The Company estimates that the sale of the said semi-finished diesel engine parts, diesel engine parts and components, reserve parts and related products and the provision of the relevant labour services by the Group to Weichai Heavy Machinery and its associates for the three years ending 31 December 2024 will not exceed RMB200,000,000, RMB210,000,000 and RMB240,000,000, respectively, and such amounts have accordingly been set as the New Caps for this Weichai Continuing Connected Transaction.

The New Caps have been prepared by the Company primarily based on (i) the historical costs, (ii) the estimate of the volume of the said semi-finished diesel engine parts, diesel engine parts and components, reserve parts and related products required by Weichai Heavy Machinery and its subsidiaries, (iii) the average unit prices of the said semi-finished diesel engine parts, diesel engine parts and components, reserve parts and related products, and (iv) the assumption that the transaction amount of the provision of the said products and labour services by the Group to Weichai Heavy Machinery and its subsidiaries will increase by approximately 5.0% and 14.3% for each of the years ending 31 December 2023 and 31 December 2024, respectively.

The table below summarises the New Caps for the Weichai Continuing Connected Transaction set out in this sub-section (b) for the three years ending 31 December 2024:

	2022	2023	2024
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
New Cap	200,000,000	210,000,000	240,000,000

As the highest percentage ratio calculated in accordance with the Listing Rules for this Weichai Continuing Connected Transaction for the three years ending 31 December 2024 (when aggregated with the New Caps for the same period under sub-section A.(a)) exceeds the 0.1% Threshold but does not exceed the 5% Threshold, this Weichai Continuing Connected Transaction constitutes an Exempt Continuing Connected Transaction of the Company for the relevant period, and will be subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules.

Since this Weichai Continuing Connected Transaction (on an aggregated basis) is an Exempt Continuing Connected Transaction, this Supplemental Agreement and the New Caps are not subject to the approval of independent Shareholders under the Listing Rules.

B. TAGC Continuing Connected Transactions

Continuing Connected Transactions between SFGC and Fast Transmission

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

Fast Transmission is principally engaged in the manufacture and sale of transmission products and parts and components of vehicles. Fast Transmission, holding 49% interest in SFGC, is a substantial shareholder of SFGC (which is a subsidiary of the Company) and is accordingly a connected person of the Company. Fast Transmission is ultimately beneficially owned by the State-owned Assets Supervision and Administration Commission of Shaanxi Provincial People's Government (陝西省人民政府國有資產監督管理委員會).

(a) Sale of parts and components of transmissions and related products by SFGC to Fast Transmission

Agreement: Supplemental Agreement to the parts and components sale agreement (“**Fast Transmission Sale Agreement**”) dated 1 August 2007 (as supplemented by the supplemental agreements dated 27 November 2008, 9 November 2009, 23 August 2010, 30 August 2012, 27 August 2015 and 13 July 2018, respectively)

Date: 30 August 2021

Parties: 1. SFGC
2. Fast Transmission

Term: 1 January 2022 to 31 December 2024

Other terms and details:

Pursuant to the Fast Transmission Sale Agreement (as supplemented by the abovementioned supplemental agreements but prior to the entering into of this latest Supplemental Agreement), SFGC has sold to Fast Transmission certain parts and components of transmissions, namely, gearboxes, and related products at market prices and settled by the parties generally every two to three months, for a term ending 31 December 2021, upon the expiry of which the parties shall have an option to renew the agreement for a term of three years on a mutually agreed basis.

Pursuant to this Supplemental Agreement, SFGC has agreed to sell and Fast Transmission has agreed to purchase such parts and components and related products on the same terms for a term of three years ending 31 December 2024, upon the expiry of which the parties may renew the term for another three years on a mutually agreed basis. Save as set out herein, all other terms of the Fast Transmission Sale Agreement remain unchanged.

The price of the said products shall be determined according to the following mechanism: SFGC regularly conducts research and analysis regarding product prices in the market. Upon discussions with the price committee with reference to market prices and product costs, and on the basis of the thorough consideration of the interests of both parties, the final prices are determined at arm's length negotiation among the parties. The price management department of SFGC regularly reviews the reasonableness of prices and makes amendments when necessary. The Directors are of the view that the abovementioned methods and procedures under the pricing policies can ensure that this TAGC Continuing Connected Transaction is conducted on normal commercial terms and not prejudicial to the interests of the Company and its minority Shareholders.

The table below summarises the Existing Caps for the three years ending 31 December 2021 for the TAGC Continuing Connected Transaction set out in this sub-section (a):

	2019	2020	2021
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Existing Cap	3,850,000,000	5,000,000,000	6,420,000,000

The table below summarises the actual transaction amounts involved for the two years ended 31 December 2020 (audited) and the six months ended 30 June 2021 (unaudited) for the TAGC Continuing Connected Transaction set out in this sub-section (a):

	Year ended 31 December	Six months
	2019	ended 30 June
	<i>RMB</i>	<i>2021</i>
	(audited)	(unaudited)
Actual transaction amount	2,016,927,000	2,753,065,000 1,512,645,663

The Company estimates that the transaction amount for the TAGC Continuing Connected Transaction set out in this sub-section (a) for the three years ending 31 December 2024 will not exceed RMB6,192,000,000, RMB7,536,000,000 and RMB9,000,000,000, respectively and such amounts have accordingly been set as the proposed New Caps for this TAGC Continuing Connected Transaction.

The parts and components sold by SFGC to Fast Transmission pursuant to this TAGC Continuing Connected Transaction are used by Fast Transmission in its manufacture of transmission products and parts and components of vehicles. With the expected increase in the production of heavy duty hydraulic automatic transmissions of SFGC and the expected improvement in the market, the Company expects that the business cooperation between SFGC and Fast Transmission will further expand and that the sales of SFGC will increase by approximately 20% for each of the years ending 31 December 2023 and 31 December 2024. Accordingly, it is expected that the volume of the parts and components to be sold by SFGC to Fast Transmission for its processing will increase accordingly.

The proposed New Caps have been prepared by the Company primarily based on (i) the historical transaction amounts, (ii) the estimate of the volume and amount of the said parts and components of transmissions to be sold by SFGC to Fast Transmission, and (iii) the assumption that the overall transaction amount of the sale of the said parts and components will increase by approximately 21.7% and 19.4% for each of the years ending 31 December 2023 and 31 December 2024, respectively.

The table below summarises the proposed New Caps for the TAGC Continuing Connected Transaction set out in this sub-section (a) for the three years ending 31 December 2024:

	2022	2023	2024
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
New Cap	6,192,000,000	7,536,000,000	9,000,000,000

Since (i) Fast Transmission is regarded as a connected person of the Company at subsidiary level; (ii) the Board (including all the independent non-executive Directors) has approved this TAGC Continuing Connected Transaction; and (iii) the independent non-executive Directors have confirmed that the terms of this TAGC Continuing Connected Transaction and the proposed New Caps are fair and reasonable, on normal commercial terms or better and in the interests of the Company and the Shareholders as a whole, this TAGC Continuing Connected Transaction is subject to the reporting and announcement requirements but is exempt from circular, independent financial advice and shareholders' approval requirements pursuant to Rule 14A.101 of the Listing Rules.

Since this TAGC Continuing Connected Transaction for the three years ending 31 December 2024 is an Exempt Continuing Connected Transaction, this Supplemental Agreement is not subject to the approval of the independent Shareholders under the Listing Rules.

However, since this TAGC Continuing Connected Transaction constitutes a PRC Continuing Connected Transaction, the relevant proposed New Caps and the Supplemental Agreement are subject to the approval by the Shareholders at the EGM.

(b) *Purchase of parts and components of transmissions and related products and labour services by SFGC from Fast Transmission*

Agreement: Supplemental Agreement to the parts and components sale agreement (“**Fast Transmission Purchase Agreement**”) dated 1 August 2007 (as supplemented by the supplemental agreements dated 27 November 2008, 9 November 2009, 23 August 2010, 30 August 2012, 27 August 2015 and 13 July 2018, respectively)

Date: 30 August 2021

Parties: 1. SFGC
2. Fast Transmission

Term: 1 January 2022 to 31 December 2024

Other terms and details:

Pursuant to the Fast Transmission Purchase Agreement (as supplemented by the abovementioned supplemental agreements but prior to the entering into of this latest Supplemental Agreement), SFGC has purchased from Fast Transmission certain parts and components of transmissions and gears, namely, power take off assemblies and castings, and related products at market prices and settled by the parties generally every two to three months, for a term ending 31 December 2021, upon the expiry of which the parties shall have an option to renew the agreement for a term of three years on a mutually agreed basis.

Pursuant to this Supplemental Agreement, SFGC has agreed to purchase and Fast Transmission has agreed to sell such parts and components and related products and labour services on the same terms for a term of three years ending 31 December 2024, upon the expiry of which the parties may renew the term for another three years on a mutually agreed basis. Save as set out herein, all other terms of the Fast Transmission Purchase Agreement remain unchanged.

The price of the said products shall be determined according to the following mechanism: through the analysis of the products in the market, taking into account other factors including the raw materials, remuneration cost, processing cost, SFGC shall conduct an analysis on the reasonableness of the relevant prices. A proposal on the price shall then be submitted to the price management department of SFGC for approval, after an analysis of the products and comparison of such costs with the costs submitted by Fast Transmission. The final price shall be determined based on arm’s length negotiations between the parties. The price management department shall review the reasonableness of the price on a regular basis and make adjustments where necessary. The Directors are of the view that the abovementioned methods and procedures under the pricing policies can ensure that this TAGC Continuing Connected Transaction is conducted on normal commercial terms and not prejudicial to the interests of the Company and its minority Shareholders.

The table below summarises the Existing Caps for the three years ending 31 December 2021 for the TAGC Continuing Connected Transaction set out in this sub-section (b):

	2019	2020	2021
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Existing Cap	7,100,000,000	9,150,000,000	11,700,000,000

The table below summarises the actual transaction amounts involved for the two years ended 31 December 2020 (audited) and the six months ended 30 June 2021 (unaudited) for the TAGC Continuing Connected Transaction set out in this sub-section (b):

	Year ended 31 December	Six months ended 30 June
	2019	2020
	<i>RMB</i>	<i>RMB</i>
	(audited)	(unaudited)
Actual Transaction Amount	4,924,417,000	3,651,485,272

The Company estimates that the transaction amount for the TAGC Continuing Connected Transaction set out in this sub-section (b) for the three years ending 31 December 2024 will not exceed RMB15,000,000,000, RMB18,120,000,000 and RMB22,080,000,000 respectively and such amounts have accordingly been set as the proposed New Caps for this TAGC Continuing Connected Transaction.

The parts and components purchased by SFGC from Fast Transmission pursuant to this TAGC Continuing Connected Transaction are used in its production. With the expected increase in the production of heavy duty hydraulic automatic transmissions of SFGC and the expected improvement in the market, the Company expects that the sales of SFGC will increase by approximately 20% for each of the years ending 31 December 2024. Accordingly, it is expected that the volume of the parts and components to be purchased by SFGC from Fast Transmission for its production will increase accordingly.

The proposed New Caps have been prepared by the Company primarily based on (i) the historical transaction amounts, (ii) the estimate of the volume and amount of the said parts and components of transmissions and labour services to be purchased by SFGC from Fast Transmission, and (iii) the assumption that the overall transaction amount of the purchase of the said parts and components by SFGC will increase by approximately 20.8% and 21.9% for each of the years ending 31 December 2023 and 31 December 2024, respectively.

The table below summarises the proposed New Caps for the TAGC Continuing Connected Transaction set out in this sub-section (b) for the three years ending 31 December 2024:

	2022	2023	2024
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
New Cap	15,000,000,000	18,120,000,000	22,080,000,000

Since (i) Fast Transmission is regarded as a connected person of the Company at subsidiary level; (ii) the Board (including all the independent non-executive Directors) has approved this TAGC Continuing Connected Transaction; and (iii) the independent non-executive Directors have confirmed that the terms of this TAGC Continuing Connected Transaction and the proposed New Caps are fair and reasonable, on normal commercial terms or better and in the interests of the Company and the Shareholders as a whole, this TAGC Continuing Connected Transaction is subject to the reporting and announcement requirements but is exempt from circular, independent financial advice and shareholders' approval requirements pursuant to Rule 14A.101 of the Listing Rules.

Since this TAGC Continuing Connected Transaction for the three years ending 31 December 2021 is an Exempt Continuing Connected Transaction, this Supplemental Agreement is not subject to the approval of the independent Shareholders under the Listing Rules.

However, since this TAGC Continuing Connected Transaction constitutes a PRC Continuing Connected Transaction, the relevant proposed New Caps and the Supplemental Agreement are subject to the approval by the Shareholders at the EGM.

III. REASONS FOR THE CONTINUING CONNECTED TRANSACTIONS AND LISTING RULES IMPLICATIONS

The Company is principally engaged in the research and development, manufacture and sale of high-speed, heavy-duty diesel engines. Prior to the incorporation of the Company and the listing of the Shares on the Stock Exchange, the Company has had business relationships with certain entities. Under the Listing Rules, such entities have become connected persons of the Company since the listing of the Company and the transactions between the Company and such entities constitute continuing connected transactions of the Company. In respect of the Weichai Continuing Connected Transactions between the Company and Weichai Holdings, since their production facilities are located in close proximity to each other and in view of the PRC Government's policy not to duplicate construction of production and other facilities, certain Weichai Continuing Connected Transactions have been continuing since the listing of the Company on the Stock Exchange. After the completion of the Weichai Holdings Juli Restructuring in 2007, certain of these Weichai Continuing Connected Transactions with Weichai Holdings were transferred to Weichai Heavy Machinery.

As the Company has conducted these Weichai Continuing Connected Transactions with the relevant entities for many years and the Company has built up a long term strategic and solid business relationship with these entities, the Directors (including the independent non-executive Directors) consider it beneficial to the Company to continue to conduct these Weichai Continuing Connected Transactions in order to ensure and maximise operating efficiency and stability of the operations of the Company. The Directors (including the independent non-executive Directors) are not aware of any disadvantage to the Group in continuing to conduct the Weichai Continuing Connected Transactions.

As prior to completion of the Merger, SFGC has conducted the TAGC Continuing Connected Transaction with Fast Transmission (and its associates) (as the case may be) for many years and the Company has taken up such TAGC Continuing Connected Transaction after completion of the Merger, the Directors (including the independent non-executive Directors), consider it to be beneficial to the Company to continue to conduct the TAGC Continuing Connected Transaction in order to ensure and maximise operating efficiency and stability of the operations of the Group.

The Directors (including the independent non-executive Directors) have confirmed that all the Continuing Connected Transactions have been subject to arm's length negotiation between the Group and the relevant parties, and have been entered into by the Group in the ordinary and usual course of business and either (i) on normal commercial terms or better, or (ii) on terms no less favourable to the Group than those available to or from (as appropriate) independent third parties. The Directors are of the view that the abovementioned methods and procedures under the pricing policies can ensure that these Continuing Connected Transactions are conducted on normal commercial terms and not prejudicial to the interests of the Company and its minority Shareholders.

The Directors (including the independent non-executive Directors) are of the view that all the Continuing Connected Transactions, and the relevant (proposed) New Caps, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

At the meeting of the Board on 30 August 2021 approving, *inter alia*, the Continuing Connected Transactions, the following Directors have abstained from voting on the resolutions in respect of certain Continuing Connected Transactions as follows, for the reasons of their respective interest and/or position (as the case may be) in the relevant connected persons:

1. Continuing Connected Transaction with Weichai Heavy Machinery (and its subsidiaries) set out under section II.A. in this announcement — Tan Xuguang, Zhang Liangfu, Jiang Kui, Zhang Quan, Xu Xinyu, Sun Shaojun; and
2. Continuing Connected Transactions with Fast Transmission set out under section II.B. in this announcement — Yan Jianbo.

Save as disclosed, no other Directors have any material interest in the Continuing Connected Transactions.

As the highest percentage ratio calculated in accordance with the Listing Rules for each of the Weichai Continuing Connected Transactions as set out in sections II.A exceeds the 0.1% Threshold but do not exceed the 5% Threshold, such Weichai Continuing Connected Transactions are subject to the reporting, announcement and annual review requirements of Chapter 14A of the Listing Rules but are exempt from the independent Shareholders' approval under the Listing Rules.

Further, since (i) Fast Transmission is regarded as a connected person of the Company at subsidiary level; (ii) the Board (including all the independent non-executive Directors) has approved the TAGC Continuing Connected Transactions; and (iii) the independent non-executive Directors have confirmed that the terms of the TAGC Continuing Connected Transactions and the relevant New Caps are fair and reasonable, on normal commercial terms or better and in the interests of the Company and the Shareholders as a whole, the TAGC Continuing Connected Transactions are subject to the reporting and announcement requirements but are exempt from circular, independent financial advice and shareholders' approval requirements pursuant to Rule 14A.101 of the Listing Rules. However, according to the relevant laws and regulations of the PRC and the Shenzhen Listing Rules, the TAGC Continuing Connected Transactions constitute PRC Continuing Connected Transactions and are subject to the approval by the Shareholders at the EGM.

IV. DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“0.1% Threshold”	the thresholds referred to in Rule 14A.76(1)(a) of the Listing Rules
“1% Threshold”	the threshold referred to in Rule 14A.76(1)(b) of the Listing Rules
“5% Threshold”	the thresholds referred to in Rule 14A.76(2) of the Listing Rules
“Anqiu Material Forming”	濰柴（安丘）材料成型有限公司（Weichai (Anqiu) Material Forming Co., Ltd.*) (formerly known as “山東華動鑄造有限公司 (Shandong Huadong Casting Co., Ltd*)”), a company established in the PRC and a subsidiary of the Company
“Baudouin China”	博杜安（濰坊）動力有限公司 (Baudouin (Weifang) Power Co., Ltd.*), a company established in the PRC and a subsidiary of the Company

“Company”	濰柴動力股份有限公司 (Weichai Power Co., Ltd.), a company established in the PRC with limited liability
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Continuing Connected Transaction(s)”	the continuing connected transaction(s) of the Group set out in the section headed “II. Continuing Connected Transactions” in this announcement, comprising the Weichai Continuing Connected Transaction(s) and the TAGC Continuing Connected Transaction(s)
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held to consider and, if thought fit, approve, <i>inter alia</i> , the New Caps and the Supplemental Agreements in respect of the PRC Continuing Connected Transactions
“Exempt Continuing Connected Transaction(s)”	being those Continuing Connected Transaction(s) exempt from circular, independent financial advice and shareholders’ approval requirements pursuant to Rule 14A.101 of the Listing Rules, or the New Caps for which do not exceed the 5% Threshold and, accordingly, are not subject to the approval by the independent Shareholders under the Listing Rules, and, where such New Caps exceed the 0.1% Threshold or the 1% Threshold, are only subject to the reporting, announcement and annual review requirements of Chapter 14A of the Listing Rules
“Existing Cap(s)”	the existing cap(s) for the Continuing Connected Transactions set out in the section headed “II. Continuing Connected Transactions” in this announcement
“Fast Transmission”	陝西法士特汽車傳動集團有限責任公司 (Shaanxi Fast Gear Automotive Transmission Co. Ltd.), a company established in the PRC and a connected person of the Company
Group”	the Company and its subsidiaries, and “Group Company” means any of the same
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

“Merger”	the Merger on 24 April 2007 (as announced in the announcement of the Company dated 25 April 2007), as a result of which the original subsidiaries of TAGC, together with other the assets and liabilities of TAGC, were absorbed by the Company
“New Cap(s)”	as defined in the section headed “II. Continuing Connected Transactions” in this announcement
“PRC”	the People’s Republic of China
“PRC Continuing Connected Transaction(s)”	the Continuing Connected Transaction(s) set out under the section II.B. of this announcement, which constitute continuing connected transaction(s) of the Company under the relevant laws and regulations of the PRC and the Shenzhen Listing Rules and are subject to the approval by the Shareholders at the EGM. For details, please refer to the announcement of the Company entitled 《濰柴動力股份有限公司日常持續性關聯交易公告》 (“Announcement of Weichai Power Co., Ltd. in respect of its Continuing Connected Transactions in the Ordinary Course of Business”) dated 30 August 2021 on the Shenzhen Stock Exchange
“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
“Shareholder(s)”	holder(s) of the shares of the Company
“Shenzhen Listing Rules”	《股票上市規則》 (“listing rules”) of the Shenzhen Stock Exchange
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Agreements”	the supplemental agreements relating to the Continuing Connected Transactions entered into between the Group and the relevant connected persons as more particularly set out in the section headed “II. Continuing Connected Transactions” in this announcement and “Supplemental Agreement” means any of them
“TAGC”	湘火炬汽車集團股份有限公司 (Torch Automotive Group Co., Ltd.*), a company established in the PRC and has ceased to exist

“TAGC Continuing Connected Transaction(s)”	the Continuing Connected Transaction(s) under section II.B. of this announcement
“Weichai After-sales Services”	濰柴(濰坊)後市場服務有限公司 (Weichai (Weifang) After-sales Market Services Co., Ltd.*) (formerly known as 濰柴動力備品資源公司 (Weichai Power Reserves and Resources Company*)), a company established in the PRC and a subsidiary of the Company which has now been deregistered
“Weichai Continuing Connected Transaction(s)”	the Continuing Connected Transaction(s) under section II.A. of this announcement
“Weichai Electric Equipment”	濰柴電力設備有限公司 (Weichai Electric Equipment Co., Ltd.*) (formerly known as 濰柴重機(濰坊)發電設備有限公司 (Weichai Heavy-duty Machinery (Weifang) Generator Equipment Co., Ltd.*) and 濰柴發電設備有限公司 (Weichai Generator Equipment Co., Ltd.*)), a company established in the PRC and a connected person of the Company
“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 Holdings Juli Restructuring”	the restructuring of the assets of Weichai Holding and the group of entities concerning Weichai Heavy Machinery as more particularly set out in the announcement of Weichai Heavy Machinery on the Shenzhen Stock Exchange dated 8 September 2006
“Weichai Logistics”	濰柴動力(濰坊)集約配送有限公司 (Weichai Power (Weifang) Intensive Logistics Co., Ltd.*), a company established in the PRC and a wholly-owned subsidiary of the Company which will be merged and absorbed by the Company

“Weichai Reproduction”	濰柴動力(濰坊)再製造有限公司 (Weichai Power (Weifang) Reconstruction Co., Ltd.*), a company established in the PRC and a subsidiary of the Company which will be merged and absorbed by the Company
“Weichai Yangzhou”	濰柴動力揚州柴油機有限責任公司 (Weichai Power Yangzhou Diesel Engine Co., Ltd.), a company established in the PRC and a subsidiary of the Company
“Weifang Material Forming”	濰柴(濰坊)材料成型製造中心有限公司 (Weichai (Weifang) Material Forming and Manufacturing Co., Ltd.*) (formerly known as “濰柴動力(濰坊)鑄鍛有限公司 (Weichai Power (Weifang) Casting Co., Ltd.*)”), a company established in the PRC and a subsidiary of the Company

* For identification purposes only

By order of the Board
Tan Xuguang
Chairman and CEO

Hong Kong, 30 August 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.