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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)

CONTINUING CONNECTED TRANSACTION

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Reference is made to the Company's announcement dated 14 June 2022 in respect of the grant of guarantees by the Weichai Lovol Group to the Huiyin Leasing Group in the course of its operation over certain loans made by the Huiyin Leasing Group to the Weichai Lovol Group's customers.

As the Weichai Lovol Group intends to continue in granting the relevant guarantees pursuant to the above arrangements following expiry of the Existing Framework Agreement on 31 December 2022, the Board announces that on 28 December 2022, Weichai Lovol has entered into the New Framework Agreement with Huiyin Leasing in respect of the Continuing Connected Transaction, as more particularly described herein.

LISTING RULES IMPLICATIONS

As the highest percentage ratio calculated in accordance with the Listing Rules for the Continuing Connected Transaction exceeds the 0.1% Threshold but does not exceed the 5% Threshold, such Continuing Connected Transaction is subject to the reporting, announcement and annual review requirements of Chapter 14A of the Listing Rules but is exempt from the independent Shareholders' approval under the Listing Rules.

I. INTRODUCTION

Reference is made to the Company's announcement dated 14 June 2022 in respect of the grant of guarantees by the Weichai Lovol Group to the Huiyin Leasing Group in the course of its operation over certain loans made by the Huiyin Leasing Group to the Weichai Lovol Group's customers.

As the Weichai Lovol Group intends to continue in granting the relevant guarantees pursuant to the above arrangements following expiry of the Existing Framework Agreement on 31 December 2022, the Board announces that on 28 December 2022, Weichai Lovol has entered into the New Framework Agreement with Huiyin Leasing in respect of the Continuing Connected Transaction, as more particularly described herein.

A summary of the Continuing Connected Transaction, the New Framework Agreement, the historical transaction amounts and the New Cap (and its basis) is set out in the section headed "II. Continuing Connected Transaction" in this announcement.

II. CONTINUING CONNECTED TRANSACTION

Summary of the Continuing Connected Transaction and the New Cap

The Continuing Connected Transaction is as follows:

Name of connected person	Name of Group Company	Connected person's relationship with the Group	Nature of the connected transaction with the Group
Huiyin Leasing (and its associates)	Weichai Lovol (for itself and on behalf of its subsidiaries)	Wholly-owned by Shanzhong Leasing which is in turn held as to approximately 56.74% by CNHTC, approximately 32.5% by Shandong Heavy Industry and approximately 10.76% by Weichai Heavy Machinery	The Weichai Lovol Group providing guarantee to the Huiyin Leasing Group in respect of the payment obligations of certain lease payments owed by its customers to the Huiyin Leasing Group

A summary of the proposed New Cap (being the maximum day-end guarantee balance) for the transaction contemplated under the New Framework Agreement is set out below:

Details of the relevant Continuing Connected Transaction	New Cap For the year ending 31 December 2023 RMB
Huiyin Leasing (and its associates)	2,000,000,000

The Weichai Lovol Group providing guarantee to the Huiyin Leasing Group in respect of the payment obligations of certain lease payments owed by its customers to the Huiyin Leasing Group

Details of the Continuing Connected Transaction and the New Framework Agreement

The Company

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

Weichai Lovol

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

As at the date of this announcement, Weichai Lovol is held by the Company as to approximately 61.10%, by Weichai Holdings as to approximately 27.26%, by six strategic investors as to approximately 9.50%, by an employee platform under an employee share incentive scheme of Weichai Lovol as to approximately 1.45%, and by CITIC Machinery Manufacturing Inc. (中信機電製造公司) as to approximately 0.68%.

To the best knowledge, information and belief of the Directors and having made all reasonable enquiries, Weichai Holdings is wholly-owned by Shandong Heavy Industry which is in turn ultimately governed and controlled by the Shandong Provincial People's Government* (山東省人民政府), whilst the ultimate beneficial owner of CITIC Machinery Manufacturing Inc. is the State Council of the People's Republic of China. Insofar as the Company is aware, the six strategic investors and employee platform are all Independent Third Parties.

Huiyin Leasing

Huiyin Leasing is principally engaged in the leasing and financing of engineering machinery, diesel engines and heavy-duty vehicles.

To the best knowledge, information and belief of the Directors and having made all reasonable enquiries, Huiyin Leasing is wholly-owned by Shanzhong Leasing, which is in turn held as to approximately 56.74% by CNHTC, approximately 32.5% by Shandong Heavy Industry and approximately 10.76% by Weichai Heavy Machinery, among which CNHTC and Weichai Heavy Machinery are, in turn, also subsidiaries of Shandong Heavy Industry.

Shandong Heavy Industry is one of the leading automobile and equipment groups in the PRC, and in turn a state-owned enterprise organised under the laws of the PRC with limited liability, and is ultimately governed and controlled by the Shandong Provincial People's Government* (山東省人民政府).

Arrangements under the Existing Framework Agreement

Weichai Lovol is principally engaged in the design, development, manufacture and sale of intelligent agriculture machinery and the supply of intelligent agriculture solutions, with the main products being tractors and different types of harvest machinery and equipment.

At times, certain Customers of the Weichai Lovol Group that have financing needs will seek for financing from the Huiyin Leasing Group (which is principally engaged in the leasing and financing of engineering machinery, diesel engines and heavy-duty vehicles) in purchasing the Weichai Lovol Group's products, and the Huiyin Leasing Group, having considered the credibility of the relevant Customers, may grant certain financing to the Customers through a finance lease arrangement (the "**Underlying Customer Loans**"). The finance lease arrangement shall involve a grant of an Underlying Customer Loan by the Huiyin Leasing Group to such a Customer, which grant is conditional upon the transfer of the ownership of the product (the "**Leased Product**") purchased by such Customer to the Huiyin Leasing Group. The Customer shall repay such Underlying Customer Loan to the Huiyin Leasing Group in the form of a lease payment for the use of the relevant Leased Product, and upon fulfilment of all outstanding lease payment obligations, the Huiyin Leasing Group shall transfer the ownership of the Leased Product back to the Customer at a nominal value.

With an aim to facilitate the sale of its products, the Weichai Lovol Group has, pursuant to the Existing Framework Agreement, provided guarantees to the Huiyin Leasing Group in respect of certain of the Underlying Customer Loans by undertaking to repurchase the Leased Products from the Huiyin Leasing Group or undertaking the Customer's payment obligations in respect of the lease payments.

As the Weichai Lovol Group intends to continue in granting the relevant guarantees pursuant to the above arrangements following expiry of the Existing Framework Agreement on 31 December 2022, the Board announces that on 28 December 2022, Weichai Lovol has entered into the New Framework Agreement with Huiyin Leasing in respect of the Continuing Connected Transaction, as more particularly described herein.

Principal terms of the New Framework Agreement

Date: 28 December 2022

Parties: 1. Weichai Lovol
2. Huiyin Leasing

Term: 1 January 2023 to 31 December 2023

The terms of the New Framework Agreement are substantially the same as those of the Existing Framework Agreement.

Pursuant to the New Framework Agreement, the Weichai Lovol Group has agreed that, in respect of Underlying Customer Loans granted by the Huiyin Leasing Group to the Customers through a finance lease arrangement, the Weichai Lovol Group will provide guarantees to the Huiyin Leasing Group in the following manner, subject to the completion of appropriate approval procedures by the relevant parties:

- (i) in the event of a default on the Customer's part on the repayment of the Underlying Customer Loan and where the relevant distributors fail to perform the repurchase obligations (where applicable), the Weichai Lovol Group shall undertake the relevant repurchase obligations, which involves the repurchase from the Huiyin Leasing Group of the Leased Products at a price equivalent to the outstanding amount of the Underlying Customer Loan (including the lease payments in default, default penalties, outstanding lease payments (being lease payments that had not fallen due but for the default), nominal value of the Lease Products, and the costs and expenses of the Huiyin Leasing Group relating to the enforcement of the relevant guarantee); and/or
- (ii) the Weichai Lovol Group will provide a credit guarantee in favour of the Huiyin Leasing Group for the payment obligations of the relevant Customers in respect of the lease payments, pursuant to which, in the event of a default on a Customers' part on the repayment of the relevant Underlying Customer Loan, the Weichai Lovol Group will be liable to pay the Huiyin Leasing Group the Underlying Customer Loan (including the lease payments in default, default penalties, outstanding lease payments (being lease payments that had not fallen due but for the default), and the costs and expenses of the Huiyin Leasing Group relating to the enforcement of the relevant guarantee).

Insofar as the Company is aware, the amount of the Underlying Customer Loans and the amount and terms of the lease payments are determined after arm's length negotiations between the Huiyin Leasing Group and the Customers with reference to the loan prime rate published by the People's Bank of China and the rates charged by major and independent commercial banks in adjacent areas in the normal course of business for similar types of financing services and the credibility of the relevant Customers.

Pursuant to the New Framework Agreement, the relevant members of the Weichai Lovol Group and the relevant members of the Huiyin Leasing Group will enter into a separate agreement to provide for the detailed terms of the relevant guarantee arrangement in accordance with the principles set out in the New Framework Agreement.

Existing Cap and historical transaction amounts

The following table sets out (i) the Existing Cap, being the maximum day-end guarantee balance of the total outstanding amount of the Underlying Customer Loans under the Existing Framework Agreement, for the period from 14 June 2022 (being the day that Weichai Lovol became a subsidiary of the Company resulting in the relevant transactions between the Weichai Lovol Group with Huiyin Leasing Group becoming a continuing connected transaction) to 31 December 2022; and (ii) the historical maximum day-end guarantee balance of the total outstanding amount of the Underlying Customer Loans under the Existing Framework Agreement, for the period from 14 June 2022 to the date of this announcement:

	For the period from 14 June 2022 to 31 December 2022 <i>RMB</i>
Existing Cap (being the maximum day-end guarantee balance)	1,930,237,931.2
	For the period from 14 June 2022 to 28 December 2022 <i>RMB</i> <i>(unaudited)</i>
Historical transaction amounts (being the maximum day-end guarantee balance)	1,158,372,002

New Cap and basis

The New Cap, being the maximum day-end guarantee balance of the total outstanding amount of the Underlying Customer Loans, for the year ending 31 December 2023 for the transactions contemplated under the New Framework Agreement, was determined after considering the following factors:

- (i) the actual historical transaction amount between the Weichai Lovol Group and the Huiyin Leasing Group for the period from 14 June 2022 to the date of the New Framework Agreement;
- (ii) the expected outstanding balances of the current Underlying Customer Loans (including the costs of the Huiyin Leasing Group relating to the enforcement of the guarantees with respect to the lease payments and other expenses);
- (iii) the Group's business strategy in strengthening its cooperation with other finance services and leasing companies with a view to further support the financing needs of the end-customers of the Group; and
- (iv) based on the Weichai Lovol Group's sales plan for the year ending 31 December 2023 which involves a sale of up to 110,000 units of products, assuming that 18% of such sales shall be supported by the relevant finance lease arrangements involving an average financing of RMB83,000 per unit, the relevant guarantee that is estimated to be made by the Group in 2023 additionally to the expected outstanding balances will amount to approximately RMB1.7 billion.

Taking into account and on the basis of all the aforesaid factors, it is estimated that the maximum day-end guarantee balance of the total outstanding amount of the Underlying Customer Loans, for the year ending 31 December 2023 for the transactions contemplated under the New Framework Agreement will amount to RMB2,000,000,000, representing an increase of approximately 72.7% as compared with the historical maximum day-end guarantee balance for the period from 14 June 2022 to 28 December 2022, and such amount has accordingly been set at the New Cap for the Continuing Connected Transaction.

The following table shows the New Cap, being the maximum day-end guarantee balance of the total outstanding amount of the Underlying Customer Loans, for the year ending 31 December 2023 for the transactions contemplated under the New Framework Agreement:

For the year ending
31 December 2023
RMB

New Cap (being the maximum day-end guarantee balance)	2,000,000,000
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III. REASONS FOR THE CONTINUING CONNECTED TRANSACTION AND THE LISTING RULES IMPLICATIONS

Reference is made to the Company's announcement dated 14 June 2022 in respect of the grant of guarantees by the Weichai Lovol Group to the Huiyin Leasing Group in the course of its operation over certain loans made by the Huiyin Leasing Group to the Weichai Lovol Group's customers.

As the Weichai Lovol Group has cooperated with the Huiyin Leasing Group on financing arrangements for many years and Weichai Lovol has built up a long term strategic and solid business relationship with the Huiyin Leasing Group, the Directors (including the independent non-executive Directors) consider it beneficial to the Group to continue to conduct the Continuing Connected Transaction in order to ensure and maximise the operating efficiency and stability of the Weichai Lovol Group.

Further, taking into account the positive responses received from end customers as a whole on the adoption of finance lease arrangements which facilitates their purchase of products from the Group, as well as the current market conditions and industry trend, the Board contemplates that the demand of the Group's customers for finance lease arrangements is expected to grow. Accordingly, the Group intends to continue to conduct the Continuing Connected Transaction with an enlarged annual cap to cater to the growing market demand.

In light of the above, the Directors (including the independent non-executive Directors) consider that the Continuing Connected Transaction has been subject to arm's length negotiation between Weichai Lovol and Huiyin Leasing and entered into by the Group in the ordinary and usual course of business, and the New Framework Agreement is on normal commercial terms or better, and the transactions contemplated thereunder and the relevant New Cap are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

As the highest percentage ratio calculated in accordance with the Listing Rules for the Continuing Connected Transaction exceeds the 0.1% Threshold but does not exceed the 5% Threshold, such Continuing Connected Transaction is subject to the reporting, announcement and annual review requirements of Chapter 14A of the Listing Rules but is exempt from the independent Shareholders' approval under the Listing Rules.

At the Board meeting held on 28 December 2022 approving, inter alia, the Continuing Connected Transaction, Mr. Tan Xuguang, Mr. Jiang Kui and Mr. Sun Shaojun have abstained from voting in respect of the resolution approving the Continuing Connected Transaction in view of their respective positions in the relevant connected person(s). Save as disclosed above, none of the Directors has a material interest in the Continuing Connected Transaction.

IV. DEFINITIONS

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

“0.1% Threshold”	the thresholds referred to in Rule 14A.76(1)(a) of the Listing Rules
“5% Threshold”	the thresholds referred to in Rule 14A.76(2)(a) of the Listing Rules
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“CNHTC”	中國重型汽車集團有限公司 (China National Heavy Duty Truck Group Company Limited), a state-owned enterprise organised under the laws of the PRC with limited liability and a connected person 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”	the transactions between the Weichai Lovol Group and the Huiyin Leasing Group as set out in the section headed “II. Continuing Connected Transaction” in this announcement
“Customer(s)”	independent third party customer(s) of the Weichai Lovol Group
“Director(s)”	the director(s) of the Company
“Existing Cap”	the existing cap for the Continuing Connected Transaction set out in the section headed “II. Continuing Connected Transaction – Details of the Continuing Connected Transaction and the New Framework Agreement – Existing Cap and historical transaction amounts” in this announcement
“Existing Framework Agreement”	the agreement entered into between Weichai Lovol and Huiyin Leasing on 14 June 2022 pursuant to which the Weichai Lovol Group has provided guarantees to the Huiyin Leasing Group in respect of certain of the Underlying Customer Loans
“Group”	the Company and its subsidiaries, and “Group Company” means any of the same
“Independent Third Parties”	third parties independent of and not connected with the Company and its connected persons
“Huiyin Leasing”	匯銀融資租賃有限公司 (Huiyin Finance Leasing Co., Ltd.), a company established in the PRC and a wholly-owned subsidiary of Shanzhong Leasing
“Huiyin Leasing Group”	Huiyin Leasing and its associates
“Leased Product”	has the meaning ascribed to it in the section headed “II. Continuing Connected Transaction – Details of the Continuing Connected Transaction and the New Framework Agreement – Arrangements under the Existing Framework Agreement” in this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Cap”	the annual cap to the Continuing Connected Transaction as set out in the section headed “II. Continuing Connected Transaction” in this announcement

“New Framework Agreement”	the agreement entered into between Weichai Lovol and Huiyin Leasing on 28 December 2022 as more particularly set out in section II. of this announcement
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Shandong Heavy Industry”	山東重工集團有限公司 (Shandong Heavy Industry Group Co., Ltd.*), a substantial shareholder and connected person of the Company holding the entire capital of Weichai Holdings
“Shanzhong Leasing”	山重融資租賃有限公司 (Shanzhong Finance Leasing Co., Ltd.*), a company established in the PRC and a connected person of the Company
“Shareholder(s)”	holder(s) of the shares in the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Underlying Customer Loan(s)”	has the meaning ascribed to it in the section headed “II. Continuing Connected Transaction – Details of the Continuing Connected Transaction and the New Framework Agreement – Arrangements under the Existing Framework Agreement” in this announcement
“Weichai Heavy Machinery”	濰柴重機股份有限公司 (Weichai Heavy-duty Machinery Co., Ltd.*) (formerly known as 山東巨力股份有限公司 (Shandong Juli Company Limited*)), a company established in the PRC and a connected person of the Company
“Weichai Holdings”	濰柴控股集團有限公司 (Weichai Group Holdings Limited*) (formerly known as 濰坊柴油機廠 (Weifang Diesel Engine Works*)), a legal person established in the PRC, a substantial shareholder of the Company, and a connected person of the Company
“Weichai Lovol”	Weichai Lovol Intelligent Agricultural Technology Co., Ltd.* (濰柴雷沃智慧農業科技股份有限公司) (formerly known as Weichai Lovol Heavy Industry Co., Ltd.* (濰柴雷沃重工股份有限公司)), a joint stock limited company established in the PRC and an approximately 61.1% subsidiary of the Company

“Weichai Lovol Group”

Weichai Lovol and its subsidiaries

“%”

per cent.

* *For identification purposes only*

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

The PRC, 28 December 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.