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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)

ANNOUNCEMENT CONTINUING CONNECTED TRANSACTIONS

SUMMARY

The Board announces that on 27 August 2020, the Group has entered into the Supplemental Agreements in respect of the Continuing Connected Transactions as more particularly described herein.

The Group has also entered into the PRC Supplemental Agreements pursuant to the requirements of the Shenzhen Listing Rules. Certain Continuing Connected Transactions have been aggregated with the PRC Continuing Connected Transactions, and such PRC Continuing Connected Transactions (including the relevant agreements) are subject to the approval of the Independent Shareholders.

As the highest percentage ratio calculated in accordance with the Listing Rules for the Continuing Connected Transaction as set out in section II.1.(a) of this announcement 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. However, according to the relevant laws and regulations of the PRC and the Shenzhen Listing Rules, such Continuing Connected Transaction constitutes a PRC Continuing Connected Transaction and is subject to the approval by the Independent Shareholders at the EGM.

As the highest percentage ratio calculated in accordance with the Listing Rules for the Continuing Connected Transactions as set out in sections II.1.(b), II.2., II.3.(a), (b) and (c), and II.4.(a) and (b) of this announcement exceeds the 5% Threshold on an aggregated basis, such Continuing Connected Transactions constitute Non-exempt Continuing Connected Transactions of the Company and their respective Supplemental Agreement and proposed New Caps will be subject to the reporting and announcement requirements, the annual review requirements, and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

A circular containing, *inter alia*, (i) further details of the Non-exempt Continuing Connected Transactions; (ii) a letter from the Independent Board Committee to the Independent Shareholders in relation to the Non-exempt Continuing Connected Transactions; and (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Non-exempt Continuing Connected Transactions, will be despatched to the Shareholders on or before 27 October 2020 in accordance with Rule 19A.39A of the Listing Rules.

I. INTRODUCTION

Reference is made to the announcements of the Company dated 14 July 2017, 28 March 2018 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 (i) the Non-exempt Continuing Connected Transactions are conditional upon the approval of the Independent Shareholders at the EGM and (ii) the Exempt Continuing Connected Transactions which constitute PRC Continuing Connected Transactions are conditional upon the approval of the Independent 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:

| Name of connected person | Name of Group Company | Connected person's relationship with the Group | Nature of the connected transaction with the Group |
|---|--|--|--|
| 1. Weichai Holdings (and its associates) (<i>note 1</i>) (as the case may be) | The Company, Weichai Casting, Weichai Reproduction, Huadong Casting and Weichai Logistics (<i>note 2</i>) (as the case may be) | Holder of 17.72% of the equity of the Company | (a) Supply and/or connection of utilities by Weichai Holdings (and its associates) to the Company (and its subsidiaries) (b) Sale of diesel engines, diesel engine parts and components, materials, semi-finished products, hydraulic products and related products and provision of processing services by the Company (and its subsidiaries) to Weichai Holdings (and its associates) |
| 2. Weichai Heavy Machinery (and its subsidiaries) (<i>note 3</i>) | The Company, Weichai Casting, Weichai Reproduction, Huadong Casting, Weichai Logistics and Baudouin China (<i>note 2</i>) (as the case may be) | Held as to 30.59% by Weichai Holdings | Purchase of diesel engine parts and components, materials, steel and scrap metal, etc., diesel engines and related products and labour and processing services by the Company (and its subsidiaries) from Weichai Heavy Machinery (and its subsidiaries) |
| 3. Yangzhou Yaxing and its subsidiaries | The Company and Weichai Logistics (<i>note 2</i>) SFGC (<i>note 4</i>) Hande Axle (<i>note 5</i>) | Yangzhou Yaxing is indirectly held as to 51% by Weichai Holdings | (a) Sale of engines, new energy powertrain and related products by the Company and its subsidiaries to Yangzhou Yaxing and its subsidiaries (b) Sale of transmissions by SFGC to Yangzhou Yaxing and its subsidiaries (c) Sale of axles by Hande Axle to Yangzhou Yaxing and its subsidiaries |

| Name of connected person | Name of Group Company | Connected person's relationship with the Group | Nature of the connected transaction with the Group |
|--------------------------|---|--|---|
| 4. Weichai Westport | The Company, Weichai Reproduction and Weichai Freshen Air (as the case may be) (note 2) | Weichai Westport is held as to 51% by Weichai Holdings | <p>(a) Supply of base engines, gas engine parts, utility and labour services, technology development services and related products and services by the Company (and its subsidiaries and/or associates) to Weichai Westport</p> <p>(b) Purchase of gas engines, gas engine parts, labour services and related products and services by the Company (and its subsidiaries and/or associates) from Weichai Westport</p> |

Notes:

1. *The associates of Weichai Holdings are Chongqing Weichai, Weichai Import and Export, Yangzhou Special Vehicles and Dezhou Degong.*
2. *Each of Weichai Casting, Weichai Reproduction, Huadong Casting, Weichai Logistics and Weichai Freshen Air is a wholly-owned subsidiary of the Company. Baudouin China is directly held as to approximately 50.98% and indirectly held as to approximately 49.02% by the Company.*
3. *The subsidiary of Weichai Heavy Machinery is Weichai Electric Equipment, being a wholly-owned subsidiary of Weichai Heavy Machinery.*
4. *SFGC is a 51% subsidiary of the Company.*
5. *Hande Axle is held as to approximately 3.06% by the Company and as to approximately 94% by Shaanxi Zhongqi, which 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:

| Connected person and details of the relevant Continuing Connected Transactions | New Caps | | |
|--|----------------|----------------|----------------|
| | 2021 RMB | 2022 RMB | 2023 RMB |
| 1. Weichai Holdings (and its associates) | | | |
| (a) Supply and/or connection of utilities by Weichai Holdings (and its associates) to the Company (and its subsidiaries) | 750,000,000* | 790,000,000* | 831,000,000* |
| (b) Sale of diesel engines, diesel engine parts and components, materials, semi-finished products, hydraulic products and related products and provision of processing services by the Company (and its subsidiaries) to Weichai Holdings (and its associates) | 3,900,000,000# | 5,200,000,000# | 6,900,000,000# |
| 2. Weichai Heavy Machinery (and its subsidiaries) | | | |
| Purchase of diesel engine parts and components, materials, steel and scrap metal, etc., diesel engines and related products and labour and processing services by the Company (and its subsidiaries) from Weichai Heavy Machinery (and its subsidiaries) | 640,000,000# | 695,000,000# | 760,000,000# |
| 3. Yangzhou Yaxing and its subsidiaries | | | |
| (a) Sale of engines, new energy powertrain and related products by the Company and its subsidiaries to Yangzhou Yaxing and its subsidiaries | 660,000,000# | 675,000,000# | 690,000,000# |
| (b) Sale of transmissions by SFGC to Yangzhou Yaxing and its subsidiaries | 50,000,000# | 60,000,000# | 72,000,000# |
| (c) Sale of axles by Hande Axle to Yangzhou Yaxing and its subsidiaries | 77,000,000# | 90,000,000# | 101,000,000# |
| 4. Weichai Westport | | | |
| (a) Supply of base engines, gas engine parts, utility and labour services, technology development services and related products and services by the Company (and its subsidiaries and/or associates) to Weichai Westport | 580,000,000# | 630,000,000# | 680,000,000# |
| (b) Purchase of gas engines, gas engine parts, labour services and related products and services by the Company (and its subsidiaries and/or associates) from Weichai Westport | 5,270,000,000# | 6,320,000,000# | 7,570,000,000# |

Note:

- 1. Where a New Cap is marked “*”, that means the proposed New Caps for the relevant Continuing Connected Transactions do not exceed the 5% Threshold and are exempt from the approval by the Independent Shareholders under the Listing Rules. However, since the relevant Continuing Connected Transaction constitutes a PRC Continuing Connected Transaction, the same is subject to the approval by the Independent Shareholders at the EGM.*
- 2. Where a New Cap is marked “#”, that means the proposed New Caps for the relevant Continuing Connected Transaction exceed the 5% Threshold and are subject to the approval by the Independent Shareholders.*
- 3. For the purposes of ascertaining whether a Continuing Connected Transaction would exceed the 5% Threshold, the transactions under (i) paragraphs 1.(b), 3.(a), 3.(b), 3.(c) and 4.(a) have been aggregated, and (ii) paragraphs 2 and 4.(b) have been aggregated.*

DETAILS OF THE CONTINUING CONNECTED TRANSACTIONS AND THE RELEVANT SUPPLEMENTAL AGREEMENTS

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 was principally engaged in the sales of parts and components of diesel engines. It has now been deregistered.

Weichai Casting is a wholly-owned subsidiary of the Company and is principally engaged in the manufacture and sale of casting; manufacture, sale, hot treatment and cleansing of forging and stamping parts.

Weichai Reproduction is a wholly-owned subsidiary of the Company and is principally engaged in the reproduction of parts and components of vehicles.

Huadong Casting 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.

Weichai Yangzhou is indirectly held as to approximately 71.06% by the Company 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, design, sale, development and maintenance of diesel engines and related products.

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

Hande Axle is principally engaged in the research and development, production, sale and services of vehicle axles and their parts and components. Hande Axle is held as to approximately 3.06% by the Company and as to approximately 94% by Shaanxi Zhongqi, which is a 51% subsidiary of the Company.

Weichai Freshen Air is a wholly-owned subsidiary of the Company and is principally engaged in the research, design, sale and repair of air purification products, consultation in respect of transfer of air purification technology, import and export trade of goods and technology permitted by the State.

1. Continuing Connected Transactions between Weichai Holdings (and its associates) and the Group

Weichai Holdings and its associates

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

Chongqing Weichai is principally engaged in the manufacture and sale of diesel engines and related products.

Weichai Import and Export is principally engaged in the import and export of certain products including diesel engine parts and components and the provision of the relevant service.

Yangzhou Special Vehicles is principally engaged in the manufacturing and sale of special vehicles, semi-trailers and modified vehicles.

Dezhou Degong is principally engaged in the research and manufacture, production, sale, maintenance, lease of wheel-loaders, road building and maintenance machineries and components, and relevant technical consulting and services (excluding intermediaries); leasing of houses; loading and unloading services; import and export of goods and technology.

Weichai Holdings is a substantial shareholder of the Company, and is accordingly a connected person of the Company. Chongqing Weichai, Weichai Import and Export and Yangzhou Special Vehicles are wholly-owned subsidiaries of Weichai Holdings and are, accordingly, associates of Weichai Holdings and connected persons of the Company.

Dezhou Degong is a wholly-owned subsidiary of Shandong Heavy Industry, the holding company of Weichai Holdings. Hence, Dezhou Degong is an associate of Weichai Holdings and a connected person of the Company.

(a) *Supply and/or connection of utilities by Weichai Holdings (and its associates) to the Company (and its subsidiaries)*

Agreement: Supplemental Agreement to:

- (i) the utility services agreement between the Company and Weichai Holdings dated 17 November 2003 (“**Weichai Holdings Utilities Services Agreement**”) (as supplemented by the supplemental agreements dated 15 September 2004, 21 September 2005, 12 November 2006, 27 November 2008, 23 August 2010, 29 August 2013, 27 August 2015, 30 August 2016 and 13 July 2018, respectively); and
- (ii) the utility services agreement between the Company and Chongqing Weichai dated 17 November 2003 (“**Chongqing Weichai Utilities Services Agreement**”) (as supplemented by the supplemental agreements dated 15 September 2004, 21 September 2005, 12 November 2006, 27 November 2008, 23 August 2010, 29 August 2013, 27 August 2015, 30 August 2016 and 13 July 2018, respectively)

Date: 27 August 2020

Parties:

1. (a) The Company
(b) Weichai Casting
(c) Weichai Reproduction
(d) Huadong Casting
(e) Weichai Logistics
2. (a) Weichai Holdings
(b) Chongqing Weichai

Term: 1 January 2021 to 31 December 2023

Other terms and details:

- (i) *Supply and/or connection of utilities by Weichai Holdings to the Company and Weichai Casting*

Pursuant to the Weichai Holdings Utilities Services Agreement (as supplemented by the abovementioned supplemental agreements but prior to the entering into of this latest Supplemental Agreement), Weichai Holdings (and its associates) (as the case may be) has provided or provided the connection of (as the case may be) certain utility and energy services to the Company, Weichai Casting, Weichai Reproduction, Huadong Casting, Weichai Logistics and/or other Group Company (as the case may be), namely, water, electricity, gas, steam, oxygen, nitrogen, compressed air, waste water treatment and supply of treated waste water, etc., for a term ending 31 December 2020, upon the expiry of which the parties shall have an option to renew the same for a term of three years on a mutually agreed basis.

Pursuant to this latest Supplemental Agreement, Weichai Holdings (and its associates) (as the case may be) shall provide or provide the connection of (as the case may be) the said services to the Company, Weichai Casting, Weichai Reproduction, Huadong Casting, Weichai Logistics and/or other Group Company (as the case may be) for a period of three years ending 31 December 2023. Save as set out herein, all other terms of the Weichai Holdings Utilities Services Agreement (as supplemented by the abovementioned supplemental agreements but prior to the entering into of this latest Supplemental Agreement) remain unchanged.

The fees payable by the Company, Weichai Casting, Weichai Reproduction, Huadong Casting, Weichai Logistics and/or other Group Company (as the case may be) to Weichai Holdings (and its associates) (as the case may be) with respect to the provision and/or connection of the said utility and energy services are determined based on the actual usage by the Company, Weichai Casting, Weichai Reproduction, Huadong Casting, Weichai Logistics and/or other Group Company (as the case may be) and by reference to the market prices of such utilities. If only government published rates are available with respect to certain utilities, the fees payable would be determined by reference to the government published rates plus the wastage, depreciation and repair expenses incurred by Weichai Holdings (and its associates) (as the case may be) in relation thereto. If no market price or government published rates with respect to the above utility and energy services are available, the Company, Weichai Casting, Weichai Reproduction, Huadong Casting, Weichai Logistics and/or other Group Company (as the case may be) will pay the actual costs incurred by Weichai Holdings (and its associates) (as the case may be) in relation to the provision of

such utility and energy services plus a service charge representing not more than 20% of such costs. The fees are settled on a monthly basis. 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.

(ii) *Supply and/or connection of utilities by Chongqing Weichai to the Company*

Pursuant to the Chongqing Weichai Utilities Services Agreement (as supplemented by the abovementioned supplemental agreements but prior to the entering into of this latest Supplemental Agreement), Chongqing Weichai (and its associates) (as the case may be) has provided or provided the connection of (as the case may be) certain utility and energy services to the Chongqing Branch and/or other Group Company (as the case may be), namely, water, electricity, natural gas, steam, oxygen, nitrogen and compressed air, etc. for a term ending 31 December 2020, upon the expiry of which the parties shall have an option to renew the same for a term of three years on a mutually agreed basis.

Pursuant to this latest Supplemental Agreement, Chongqing Weichai (and its associates) (as the case may be) shall provide or provide the connection of (as the case may be) the said services to the Chongqing Branch and/or other Group Company (as the case may be) for a period of three years ending 31 December 2023. Save as set out herein, all other terms of the Chongqing Weichai Utilities Services Agreement (as supplemented by the abovementioned supplemental agreements but prior to the entering into of this latest Supplemental Agreement) remain unchanged.

The fees payable by the Company and/or other Group Company (as the case may be) to Chongqing Weichai (and its associates) (as the case may be) in respect of the relevant utility and energy services are determined based on the usage thereof by the Chongqing Branch and/or other Group Company (as the case may be) or, if it is not possible to measure such usage, pro-rated according to the respective sales of Chongqing Weichai and the Chongqing Branch and/or other Group Company (as the case may be) and by reference to the market prices of such utilities. If only government published rates are available with respect to certain utilities, the fees payable will be determined by reference to the government published rates plus the wastage, depreciation and repair expenses incurred by Chongqing Weichai (and its associates) (as the case may be) in relation to the provision of the relevant utilities. If no market prices or government published rates with respect to any of the above utilities are available, the Company and/or other Group Company (as the case may be) will pay the costs

incurred by Chongqing Weichai (and its associates) (as the case may be) in relation to the provision of the above utility and energy services plus a service charge representing not more than 20% of such costs. The fees are settled on a monthly basis. 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 2020 for the Continuing Connected Transaction set out in paragraphs (i) and (ii) in this sub-section 1.(a):

| | 2018 <i>RMB</i> | 2019 <i>RMB</i> | 2020 <i>RMB</i> |
|--------------|---------------------------|---------------------------|---------------------------|
| Existing Cap | 650,000,000 | 740,000,000 | 840,000,000 |

The table below summarises the actual transaction amounts involved for each of the two years ended 31 December 2019 (audited) and the six months ended 30 June 2020 (unaudited) for the Continuing Connected Transaction set out in paragraphs (i) and (ii) in this sub-section 1.(a):

| | For the year ended 31 December 2018 <i>RMB</i> <i>(audited)</i> | For the year ended 31 December 2019 <i>RMB</i> <i>(audited)</i> | For the six months ended 30 June 2020 <i>RMB</i> <i>(unaudited)</i> |
|---------------------------|--|--|--|
| Actual transaction amount | 395,372,610 | 406,247,733 | 217,768,995 |

The Company estimates that the transaction amounts in respect of the Continuing Connected Transaction set out in paragraphs (i) and (ii) in this sub-section 1.(a) for the three years ending 31 December 2023 will not exceed RMB750 million, RMB790 million and RMB831 million, respectively, and such amounts have accordingly been set as the proposed New Caps for this Continuing Connected Transaction.

The above proposed New Caps have been estimated by the Company primarily based on (i) the relevant historical costs incurred plus a service charge by Weichai Holdings and Chongqing Weichai representing not exceeding 20% of such costs, and (ii) the estimate of the sales of the Group's products in view of the implementation the Group's procurement plan for the years 2021 to 2023. Taking into account and on the basis of all the aforesaid factors, it is estimated that the overall transaction amount of the said provision of services will increase by approximately 5.3% and 5.2% for each of the years ending 31 December 2022 and 31 December 2023, respectively.

The table below summarises the proposed New Caps for the Continuing Connected Transaction set out in paragraphs (i) and (ii) in this subsection 1.(a) for the three years ending 31 December 2023:

| | 2021 | 2022 | 2023 |
|---------|-------------|-------------|-------------|
| | <i>RMB</i> | <i>RMB</i> | <i>RMB</i> |
| New Cap | 750,000,000 | 790,000,000 | 831,000,000 |

As the New Caps for this Continuing Connected Transaction for the three years ending 31 December 2023 do not exceed the 5% Threshold, this Continuing Connected Transaction constitutes an Exempt Continuing Connected Transaction of the Company under Chapter 14A of the Listing Rules and will be subject to the reporting, announcement and annual review requirements of Chapter 14A of the Listing Rules.

Since this Continuing Connected Transaction for the three years ending 31 December 2023 is an Exempt Continuing Connected Transaction, the New Caps are not subject to the approval of Independent Shareholders under the Listing Rules.

However, since this Continuing Connected Transaction constitutes a PRC Continuing Connected Transaction, pursuant to be requirements of the Shenzhen Listing Rules, such PRC Continuing Connected Transaction has been aggregated with certain Continuing Connected Transactions, and the relevant New Caps and the Supplemental Agreement are subject to the approval by the Independent Shareholders at the EGM.

- (b) *Sale of diesel engines, diesel engine parts and components, materials, semi-finished products, hydraulic products and related products and provision of processing services by the Company (and its subsidiaries) to Weichai Holdings (and its associates)*

Agreement: Supplemental Agreement to the diesel engines, diesel engine parts and components, materials and related products sale and provision of processing services agreement between (i) the Company, Weichai After-sales Services and (ii) Weichai Holdings, Chongqing Casting, Weichai Import and Export and Chongqing Weichai (“**Weichai Sale and Processing Services Agreement**”) dated 27 November 2008 (as supplemented by the supplemental agreements dated 23 August 2010, 29 August 2013, 30 August 2016, 30 August 2017 and 13 July 2018, respectively)

Date: 27 August 2020

- Parties:
1. (a) The Company
(b) Weichai Casting
(c) Weichai Reproduction
(d) Weichai Logistics
 2. (a) Weichai Holdings
(b) Weichai Import and Export
(c) Chongqing Weichai
(d) Yangzhou Special Vehicles
(e) Dezhou Degong

Term: 1 January 2021 to 31 December 2023

Other terms and details:

Pursuant to the Weichai Sale and Processing Services Agreement (as supplemented by the above supplemental agreements but prior to the entering into of this Supplemental Agreement), the Company (and Chongqing Branch), Weichai After-sales Services, Weichai Casting, Weichai Reproduction, Weichai Logistics and/or other Group Company (as the case may be) has sold diesel engines, diesel engine parts and components, materials, semi-finished products, hydraulic products and related products and to provide the processing services (as the case may be) to Weichai Holdings, Weichai Import and Export, Chongqing Weichai Yangzhou Special Vehicles, Dezhou Degong and/or other associates of Weichai Holdings (as the case may be) at market prices and settled on a monthly basis, for a term ending 31 December 2020, upon the expiry of which the parties shall have an option to renew the same for a period of three years on a mutually agreed basis.

Pursuant to this Supplemental Agreement, the Company (and Chongqing Branch), Weichai Casting, Weichai Reproduction, Weichai Logistics and/or other Group Company (as the case may be) shall sell the said diesel engines, diesel engine parts and components, materials, semi-finished products, hydraulic products and related products and to provide the said processing services (as the case may be) to Weichai Holdings, Weichai Import and Export, Chongqing Weichai, Yangzhou Special Vehicles, Dezhou Degong and/or other associates of Weichai Holdings (as the case may be) at market prices and settled on a monthly basis. The said Supplemental Agreement shall be effective for a term of three years ending 31 December 2023. Save as set out herein, all other terms of the Weichai Sale and Processing Services Agreement (as supplemented by the abovementioned supplemental agreements but prior to the entering into of this latest Supplemental Agreement) as set out above 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, submits a price suggestion after its analysis to the Company's price management department 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 Continuing Connected Transaction set out in this sub-section 1.(b) for the three years ending 31 December 2020:

| | 2018 | 2019 | 2020 |
|--------------|---------------|---------------|---------------|
| | <i>RMB</i> | <i>RMB</i> | <i>RMB</i> |
| Existing Cap | 2,610,000,000 | 3,475,000,000 | 4,610,000,000 |

The table below summarises the actual transaction amounts involved for each of the two years ended 31 December 2019 (audited) and the six months ended 30 June 2020 (unaudited) for the Continuing Connected Transaction set out in this sub-section 1.(b):

| | For the year ended 31 December 2018 | For the year ended 31 December 2019 | For the six months ended 30 June 2020 |
|---------------------------|--|--|--|
| | <i>RMB</i> | <i>RMB</i> | <i>RMB</i> |
| | <i>(audited)</i> | <i>(audited)</i> | <i>(unaudited)</i> |
| Actual transaction amount | 1,516,092,915 | 1,753,889,371 | 743,269,773 |

The Company estimates that the transaction amounts for the Continuing Connected Transaction set out in this sub-section 1.(b) for the three years ending 31 December 2023 will not exceed RMB3,900 million, RMB5,200 million and RMB6,900 million, respectively, and such amounts have accordingly been set as the proposed New Caps for this Continuing Connected Transaction.

The above proposed New Caps have been estimated by the Company primarily based on (i) the relevant historical costs, and (ii) the estimate of the number of diesel engines, diesel engine parts and components, materials, semi-finished products and hydraulic products required by Weichai Holdings, Weichai Import and Export, Chongqing Weichai, Yangzhou Special Vehicles and Dezhou Degong (as the case may be) in view of the implementation of the Group's sales plan for the years 2021 to 2023, having taken into account the estimated market conditions and export performance, the average unit prices of the same, and the costs of the processing services to be provided. Taking into account and on the basis of all the aforesaid factors, it is estimated that the overall transaction amount of the said sale of products and services will grow by approximately 33.3% and 32.7% for each of the years ending 31 December 2022 and 31 December 2023, respectively.

The table below summarises the proposed New Caps for the Continuing Connected Transaction set out in this sub-section 1.(b) for the three years ending 31 December 2023:

| | 2021 | 2022 | 2023 |
|---------|---------------|---------------|---------------|
| | <i>RMB</i> | <i>RMB</i> | <i>RMB</i> |
| New Cap | 3,900,000,000 | 5,200,000,000 | 6,900,000,000 |

As the highest percentage ratio calculated in accordance with the Listing Rules for this Continuing Connected Transaction for the three years ending 31 December 2023 (when aggregated with the proposed New Caps for the same period under sub-sections 3.(a), 3.(b), 3.(c) and 4.(a) herein) exceeds the 5% Threshold, this Continuing Connected Transaction constitutes a Non-exempt Continuing Connected Transaction of the Company for the relevant period, and the proposed New Caps for the relevant period are subject to the reporting and announcement requirements, the annual review requirements, and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Since this Continuing Connected Transaction for the three years ending 31 December 2023 (on an aggregated basis) is a Non-exempt Continuing Connected Transaction, and the proposed New Caps for the relevant period are subject to the approval of the Independent Shareholders, this Supplemental Agreement is conditional upon the relevant resolution being passed at the EGM.

2. ***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.

Purchase of diesel engine parts and components, materials, steel and scrap metal etc., diesel engines and related products and labour and processing services by the Company (and its subsidiaries) from Weichai Heavy Machinery (and its subsidiaries)

Agreement: Supplemental Agreement to the diesel engine parts and components, materials, steel and scrap metal, etc. and related products purchase and processing services agreement between (i) the Company and Weichai After-sales Services and (ii) Weichai Heavy Machinery dated 27 November 2008 (as supplemented by the supplemental agreements dated 23 August 2010, 29 August 2013, 30 August 2016 and 13 July 2018, respectively) (“**Weichai Heavy Machinery Purchase and Processing Services Agreement**”)

Date: 27 August 2020

Parties:

1. (a) The Company
(b) Weichai Casting
(c) Weichai Reproduction
(d) Huadong Casting
(e) Weichai Logistics
(f) Baudouin China
2. (a) Weichai Heavy Machinery
(b) Weichai Electric Equipment

Term: 1 January 2021 to 31 December 2023

Other terms and details:

Pursuant to the Weichai Heavy Machinery Purchase and Processing Services Agreement (as supplemented by the above supplemental agreements but prior to the entering into of this Supplemental Agreement), the Company (and Chongqing Branch), Weichai After-sales Services, Weichai Casting, Weichai Reproduction, Huadong Casting, Weichai Logistics, Baudouin China and/or other Group Company (as the case may be) have purchased certain diesel engine parts and components, steel and scrap metal etc., materials, diesel engines and labour and processing services from 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 2020, upon the expiry of which the parties shall have an option to renew the term for another three years on a mutually agreed basis.

Pursuant to this Supplemental Agreement, the Company (and Chongqing Branch), Weichai Casting, Weichai Reproduction, Huadong Casting, Weichai Logistics, Baudouin China and/or other Group Company (as the case may be) shall purchase the said parts and components, steel and scarp metal etc., materials, diesel engines and labour and processing services from 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. This Supplemental Agreement shall be effective for a term of three years ending 31 December 2023. Save as set out herein, all other terms of the Weichai Heavy Machinery Purchase and Processing Services Agreement (as supplemented by the abovementioned 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, submits a price suggestion after its analysis to the Company's price management department 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 2020 the Continuing Connected Transaction set out in this sub-section 2:

| | 2018 <i>RMB</i> | 2019 <i>RMB</i> | 2020 <i>RMB</i> |
|--------------|---------------------------|---------------------------|---------------------------|
| Existing Cap | 550,000,000 | 630,000,000 | 720,000,000 |

The table below summarises the aggregate actual transaction amounts involved for the purchases and processing services for the two years ended 31 December 2019 (audited) and the six months ended 30 June 2020 (unaudited) for the Continuing Connected Transaction set out in this sub-section 2:

| | For the year ended 31 December 2018 <i>RMB</i> <i>(audited)</i> | For the year ended 31 December 2019 <i>RMB</i> <i>(audited)</i> | For the six months ended 30 June 2020 <i>RMB</i> <i>(unaudited)</i> |
|---------------------------|--|--|--|
| Actual transaction amount | 388,463,876 | 412,470,453 | 195,623,176 |

The Company estimates that the aggregate transaction amounts in respect of the Continuing Connected Transaction set out in this sub-section 2 will not exceed RMB640 million, RMB695 million and RMB760 million for each of the three years ending 31 December 2023 and therefore such amount has accordingly been set as the proposed New Caps for this Continuing Connected Transaction.

The above proposed New Caps have been estimated by the Company primarily based on (i) the relevant historical costs, (ii) the estimate of its production volume, having taken into account the development of the heavy-duty truck and construction machinery markets, the average unit prices of finished diesel engine parts in view of the implementation of the Group's procurement plan for the years 2021 to 2023, and (iii) the market prices of the relevant raw materials, steel, scrap metal, diesel engines and related products and the costs of labour and processing services to be purchased by the Group. Taking into account and on the basis of all the aforesaid factors, it is estimated that the overall transaction amount of the said purchase of products and services will increase by approximately 8.6% and 9.4%, for each of the years ending 31 December 2022 and 31 December 2023, respectively.

The table below summarises the proposed New Caps for the Continuing Connected Transaction set out in this sub-section 2 for the three years ending 31 December 2023:

| | 2021 <i>RMB</i> | 2022 <i>RMB</i> | 2023 <i>RMB</i> |
|---------|---------------------------|---------------------------|---------------------------|
| New Cap | 640,000,000 | 695,000,000 | 760,000,000 |

As the highest percentage ratio calculated in accordance with the Listing Rules for this Continuing Connected Transaction for the three years ending 31 December 2023 (when aggregated with the proposed New Caps for the same period under sub-section 4.(b) herein) exceeds the 5% Threshold, this Continuing Connected Transaction constitutes a Non-exempt Continuing Connected Transaction of the Company for the relevant period, and the proposed New Caps for the relevant period are subject to the reporting and announcement requirements, the annual review requirements, and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Since this Continuing Connected Transaction for the three years ending 31 December 2023 (on an aggregated basis) is a Non-exempt Continuing Connected Transaction and the proposed New Caps for the relevant period are subject to the approval of the Independent Shareholders, this Supplemental Agreement is conditional upon the relevant resolution being passed at the EGM.

3. *Continuing Connected Transactions between Yangzhou Yaxing (and its subsidiaries) and the Group*

Yangzhou Yaxing and its subsidiaries

Yangzhou Yaxing and its subsidiaries are principally engaged in the development, manufacture and sale of passenger vehicles. Yangzhou Yaxing is indirectly held as to 51% by Weichai Holdings, a substantial shareholder of the Company. Accordingly, Yangzhou Yaxing and its subsidiaries are associates of Weichai Holdings and connected persons of the Company.

(a) Sale of engines, new energy powertrain and related products by the Company and its subsidiaries to Yangzhou Yaxing and its subsidiaries

| | | |
|-----------|---|--|
| Agreement | : | Supplemental Agreement to the Weichai Power Diesel Engines Supply Framework Agreement and the Weichai Yangzhou Diesel Engines Supply Framework Agreement (as supplemented by the supplemental agreements dated 21 March 2013, 28 March 2014, 30 March 2015, 29 September 2016 and 28 March 2018, respectively) |
| Date | : | 27 August 2020 |
| Parties | : | 1. (a) The Company (b) Weichai Logistics 2. Yangzhou Yaxing |
| Term | : | 1 January 2021 to 31 December 2023 |

Other terms and details:

Pursuant to the Weichai Power Diesel Engines Supply Framework Agreement and the Weichai Yangzhou Diesel Engines Supply Framework Agreement (as supplemented by the abovementioned supplemental agreements but prior to the entering into of this Supplemental Agreement), the Company, Weichai Logistics and/or other subsidiaries of the Company has sold certain engines, new energy powertrain and related products to Yangzhou Yaxing and its subsidiaries at market prices and/or prices agreed according to the principle of fairness and reasonableness and settled on a monthly basis for a term of three years ending 31 December 2020. This Continuing Connected Transaction was conducted on normal commercial terms and on terms no less favourable to the Group than those available to the Group from independent third parties.

Pursuant to this Supplemental Agreement, the Company, Weichai Logistics and/or other subsidiaries of the Company shall sell engines, new energy powertrain and related products to Yangzhou Yaxing and its subsidiaries on the same terms for a term of three years ending 31 December 2023, upon the expiry of which the parties may renew the term for a period of three years on a mutually agreed basis. Save as set out herein, all other terms of the Weichai Power Diesel Engines Supply Framework Agreement and the Weichai Yangzhou Diesel Engines Supply Framework Agreement (as supplemented by the abovementioned supplemental agreements but prior to the entering into of this Supplemental Agreement) remain unchanged.

The price of the said products shall be determined according to the following mechanism: the Group, through its specific department, shall regularly collect market information, including conducting price consultation and inspection in the PRC market in respect of the relevant products, and analyse the results. After discussion with the price management department, the Group will then negotiate and determine the price with the other parties taking into account the market price and relevant product cost on the basis of fully considering the mutual interests of both parties. The said department shall review the reasonableness of the sale price of the said products 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 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 2020 for the Continuing Connected Transaction set out in this sub-section 3.(a):

| | 2018 | 2019 | 2020 |
|--------------|-------------|-------------|---------------|
| | <i>RMB</i> | <i>RMB</i> | <i>RMB</i> |
| Existing Cap | 710,000,000 | 870,000,000 | 1,090,000,000 |

The table below summarises the actual transaction amounts involved for the two years ended 31 December 2019 (audited) and the six months ended 30 June 2020 (unaudited) for the Continuing Connected Transaction set out in this sub-section 3.(a):

| | For the year ended 31 December 2018 RMB (audited) | For the year ended 31 December 2019 RMB (audited) | For the six months ended 30 June 2020 RMB (unaudited) |
|---------------------------|--|--|--|
| Actual transaction amount | 443,387,107 | 579,906,385 | 74,927,754 |

The Company estimates that the transaction amount involved in this Continuing Connected Transaction as set out in this sub-section 3.(a) for the three years ending 31 December 2023 will not exceed RMB660,000,000, RMB675,000,000 and RMB690,000,000, respectively, and such amounts have accordingly been set as the New Caps for this Continuing Connected Transaction.

Yangzhou Yaxing and its subsidiaries purchase the said engines, new energy powertrain and related products from the Group as components for the production of passenger vehicles. Taking into account (i) that the passenger vehicle industry was quite severely affected by the COVID-19 pandemic in the first half of 2020, but the market is expected to recover gradually in the second half of 2020, (ii) the expected increase in the sales of passenger vehicles by Yangzhou Yaxing and its subsidiaries according to the sales plan of Yangzhou Yaxing, (iii) the expected increase in the demand for the said products by Yangzhou Yaxing and its subsidiaries from the Group, on the basis of an expected increase in the production volume of passenger vehicles using new energy powertrain by Yangzhou Yaxing, and (iv) the sales plan of the Group for the coming three years having taken into consideration the expected market conditions, the Company expects that the transaction amount for this Continuing Connected Transaction would continue to increase steadily for the three years ending 31 December 2023.

The New Caps for this Continuing Connected Transaction have been prepared by the Company based on the relevant historical transaction amount and the abovementioned expectations. Taking into account and on the basis of all the aforesaid factors, it is estimated that the overall transaction amount of the sale of the engines, new energy powertrain and related products by the Group to Yangzhou Yaxing and its subsidiaries on an annual basis will increase by approximately 2.3% and 2.2% for each of the two years ending 31 December 2023, respectively.

The table below summarises the New Caps for the Continuing Connected Transaction as set out in this sub-section 3.(a) for the three years ending 31 December 2023:

| | 2021 <i>RMB</i> | 2022 <i>RMB</i> | 2023 <i>RMB</i> |
|---------|---------------------------|---------------------------|---------------------------|
| New Cap | 660,000,000 | 675,000,000 | 690,000,000 |

As the highest percentage ratio calculated in accordance with the Listing Rules for this Continuing Connected Transaction for the three years ending 31 December 2023 (when aggregated with the proposed New Caps for the same period under sub-sections 1.(b), 3.(b), 3.(c) and 4.(a) herein) exceeds the 5% Threshold, this Continuing Connected Transaction constitutes a Non-exempt Continuing Connected Transaction of the Company for the relevant period, and the proposed New Caps for the relevant period are subject to the reporting and announcement requirements, the annual review requirements, and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Since this Continuing Connected Transaction for the three years ending 31 December 2023 (on an aggregated basis) is a Non-exempt Continuing Connected Transaction and the proposed New Caps for the relevant period are subject to the approval of the Independent Shareholders, this Supplemental Agreement is conditional upon the relevant resolution being passed at the EGM.

(b) Sale of transmissions by SFGC to Yangzhou Yaxing and its subsidiaries

| | | |
|-----------|---|--|
| Agreement | : | Supplemental Agreement to the Transmissions Supply Framework Agreement (as supplemented by the supplemental agreements dated 21 March 2013, 28 March 2014, 30 March 2015 and 28 March 2018 respectively) |
| Date | : | 27 August 2020 |
| Parties | : | 1. SFGC 2. Yangzhou Yaxing |
| Term | : | 1 January 2021 to 31 December 2023 |

Other terms and details:

Pursuant to the Transmissions Supply Framework Agreement (as supplemented by the abovementioned supplemental agreements but prior to the entering into of this Supplemental Agreement), SFGC agreed to sell transmissions to Yangzhou Yaxing and its subsidiaries at market prices and/or prices agreed according to the principle of fairness and reasonableness and settled on a monthly basis for a term of three years ending 31 December 2020. This Continuing Connected Transaction was conducted on normal commercial terms and on terms no less favourable to the Group than those available to the Group from independent third parties.

Pursuant to this Supplemental Agreement, SFGC has agreed to sell the said transmissions to Yangzhou Yaxing and its subsidiaries on the same terms for a term of three years ending 31 December 2020, upon the expiry of which the parties may renew the term for a period of three years on a mutually agreed basis. Save as set out herein, all other terms of the Transmissions Supply Framework Agreement (as supplemented by the abovementioned supplemental agreements but prior to the entering into of this Supplemental Agreement) remain unchanged.

The price of the said products shall be determined according to the following mechanism: SFGC shall conduct price consultation and inspection in the PRC market in respect of transmissions and analyse the results. After discussion with the pricing committee, SFGC will then negotiate and determine the price with the other parties taking into account the market price and relevant product cost on the basis of fully considering the mutual interests of both parties. The said pricing committee shall review the reasonableness of the sale price of the said products 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 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 2020 for the Continuing Connected Transaction set out in this sub-section 3.(b):

| | 2018 | 2019 | 2020 |
|--------------|-------------|-------------|-------------|
| | <i>RMB</i> | <i>RMB</i> | <i>RMB</i> |
| Existing Cap | 61,000,000 | 76,000,000 | 95,000,000 |

The table below summarises the actual transaction amounts involved for the two years ended 31 December 2019 (audited) and the six months ended 30 June 2020 (unaudited) for this Continuing Connected Transaction set out in this sub-section 3.(b):

| | For the year ended 31 December 2018 RMB (audited) | For the year ended 31 December 2019 RMB (audited) | For the six months ended 30 June 2020 RMB (unaudited) |
|---------------------------|--|--|--|
| Actual transaction amount | 5,886,976 | 26,021,971 | 15,515,603 |

The Company estimates that the transaction amount involved in this Continuing Connected Transaction as set out in this sub-section 3.(b) for the three years ending 31 December 2023 will not exceed RMB50,000,000, RMB60,000,000 and RMB72,000,000, respectively, and such amounts have accordingly been set as the New Caps for this Continuing Connected Transaction.

Yangzhou Yaxing and its subsidiaries purchase the said transmissions from SFGC as one of the components for the production of passenger vehicles. Taking into account (i) the expected increase in the sales of passenger vehicles by Yangzhou Yaxing and its subsidiaries according to the sales plan of Yangzhou Yaxing, (ii) the expected increase in the demand for the said transmissions by Yangzhou Yaxing and its subsidiaries, and (iii) the sales plan of the Group for the coming three years having taken into consideration the expected market conditions, the Company expects that the transaction amount for this Continuing Connected Transaction would increase for the three years ending 31 December 2023.

The New Caps for this Continuing Connected Transaction have been prepared by the Company based on the relevant historical transaction amount and the abovementioned expectations. Taking into account and on the basis of all the aforesaid factors, it is estimated that the overall transaction amount of the sale of transmissions by SFGC to Yangzhou Yaxing and its subsidiaries on an annual basis will increase by approximately 20.0% and 20.0% for each of the two years ending 31 December 2023, respectively.

The table below summarises the New Caps for the Continuing Connected Transaction as set out in this sub-section 3.(b) for the three years ending 31 December 2023:

| | 2021 RMB | 2022 RMB | 2023 RMB |
|---------|---------------------|---------------------|---------------------|
| New Cap | 50,000,000 | 60,000,000 | 72,000,000 |

As the highest percentage ratio calculated in accordance with the Listing Rules for this Continuing Connected Transaction for the three years ending 31 December 2023 (when aggregated with the proposed New Caps for the same period under sub-sections 1.(b), 3.(a), 3.(c) and 4.(a) herein) exceeds the 5% Threshold, this Continuing Connected Transaction constitutes a Non-exempt Continuing Connected Transaction of the Company for the relevant period, and the proposed New Caps for the relevant period are subject to the reporting and announcement requirements, the annual review requirements, and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Since this Continuing Connected Transaction for the three years ending 31 December 2023 (on an aggregated basis) is a Non-exempt Continuing Connected Transaction and the proposed New Caps for the relevant period are subject to the approval of the Independent Shareholders, this Supplemental Agreement is conditional upon the relevant resolution being passed at the EGM.

(c) *Sale of axles by Hande Axle to Yangzhou Yaxing and its subsidiaries*

Agreement : Supplemental Agreement to the Axles Supply Framework Agreement (as supplemented by the supplemental agreements dated 21 March 2013, 28 March 2014, 30 March 2015 and 28 March 2018 respectively)

Date : 27 August 2020

Parties : 1. Hande Axle
2. Yangzhou Yaxing

Term : 1 January 2021 to 31 December 2023

Other terms and details:

Pursuant to the Axles Supply Framework Agreement (as supplemented by the abovementioned supplemental agreements but prior to the entering into of this Supplemental Agreement), Hande Axle agreed to sell axles to Yangzhou Yaxing and its subsidiaries at market prices and/or prices agreed according to the principle of fairness and reasonableness with a payment term of two months for a term of three years ending 31 December 2020. This Continuing Connected Transaction was conducted on normal commercial terms and on terms no less favourable to the Group than those available to the Group from independent third parties.

Pursuant to this Supplemental Agreement, Hande Axle has agreed to sell the said axles to Yangzhou Yaxing and its subsidiaries on the same terms for a term of three years ending 31 December 2023, upon the expiry of which the parties may renew the term for a period of three years on a mutually agreed basis. Save as set out herein, all other terms of the Axles Supply Framework Agreement (as supplemented by the abovementioned supplemental agreements but prior to the entering into of this Supplemental Agreement) remain unchanged.

The price of the said products shall be determined according to the following mechanism: Hande Axle, through its specific department, shall conduct an analysis of the price of the relevant products in the PRC market and submit a proposal on the sale price of the relevant products, taking into account the relevant production cost and potential profit, to its price management department for approval. Hande Axle shall then negotiate and determine the price with the other parties on the basis of such proposal, fully considering the mutual interests of both parties. The price management department shall review the reasonableness of the sale price of the said products 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 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 2020 for the Continuing Connected Transaction set out in this sub-section 3.(c):

| | 2018 <i>RMB</i> | 2019 <i>RMB</i> | 2020 <i>RMB</i> |
|--------------|---------------------------|---------------------------|---------------------------|
| Existing Cap | 72,000,000 | 88,000,000 | 110,000,000 |

The table below summarises the actual transaction amounts involved for the two years ended 31 December 2019 (audited) and the six months ended 30 June 2020 (unaudited) for the Continuing Connected Transaction set out in this sub-section 3.(c):

| | For the year ended 31 December 2018 <i>RMB</i> <i>(audited)</i> | For the year ended 31 December 2019 <i>RMB</i> <i>(audited)</i> | For the six months ended 30 June 2020 <i>RMB</i> <i>(unaudited)</i> |
|---------------------------|--|--|--|
| Actual transaction amount | 55,043,096 | 59,230,086 | 31,593,147 |

The Company estimates that the transaction amount involved in this Continuing Connected Transaction as set out in this sub-section 3.(c) for the three years ending 31 December 2023 will not exceed RMB77,000,000, RMB90,000,000 and RMB101,000,000, respectively, and such amounts have accordingly been set as the New Caps for this Continuing Connected Transaction.

Yangzhou Yaxing and its subsidiaries purchase the said axles from Hande Axle as components for the production of passenger vehicles. In recent years, Hande Axle mainly supplies its products to heavy-duty trucks market, passenger vehicle market and the offhighway market, and Yangzhou Yaxing and its subsidiaries are key clients of Hande Axle in respect of its development of the passenger vehicle market. Taking into account (i) the expected increase in the sales of passenger vehicles by Yangzhou Yaxing and its subsidiaries according to the sales plan of Yangzhou Yaxing, (ii) expected increase in the demand for axles by Yangzhou Yaxing and its subsidiaries, and (iii) the sales plan of the Group for the coming three years having taken into consideration the expected market conditions, the Company expects that the transaction amount for this Continuing Connected Transaction would increase for the three years ending 31 December 2023.

The New Caps for this Continuing Connected Transaction have been prepared by the Company based on the relevant historical transaction amount and the abovementioned expectations. Taking into account and on the basis of all the aforesaid factors, it is estimated that the overall transaction amount of the sale of axles by Hande Axle to Yangzhou Yaxing and its subsidiaries on an annual basis will increase by approximately 16.9% and 12.2% for each of the two years ending 31 December 2023, respectively.

The table below summarises the New Caps for the Continuing Connected Transaction as set out in this sub-section 3.(c) for the three years ending 31 December 2023:

| | 2021 | 2022 | 2023 |
|---------|-------------|-------------|-------------|
| | <i>RMB</i> | <i>RMB</i> | <i>RMB</i> |
| New Cap | 77,000,000 | 90,000,000 | 101,000,000 |

As the highest percentage ratio calculated in accordance with the Listing Rules for this Continuing Connected Transaction for the three years ending 31 December 2023 (when aggregated with the proposed New Caps for the same period under sub-sections 1.(b), 3.(a), 3.(b) and 4.(a) herein) exceeds the 5% Threshold, this Continuing Connected Transaction constitutes a Non-exempt Continuing Connected Transaction of the Company for the relevant period, and the proposed New Caps for the relevant period are subject to the reporting and announcement requirements, the annual review requirements, and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Since this Continuing Connected Transaction (on an aggregated basis) is a Non-exempt Continuing Connected Transaction, this Supplemental Agreement and the proposed New Caps are subject to the relevant resolution being passed at the EGM.

4. *Continuing Connected Transactions between Weichai Westport and the Group*

Weichai Westport

Weichai Westport is principally engaged in the business of research and development, manufacture and sale of gas engines and parts used in motor vehicles, power generation and marine vessels and relevant parts and components, modification of gas engines, business consultation and services. Weichai Westport is held as to 51% by Weichai Holdings, a substantial Shareholder of the Company. Accordingly, Weichai Westport is a connected person of the Company.

(a) *Supply of base engines, gas engine parts, utility and labour services, technology development services and related products and services by the Company (and its subsidiaries and/or associates) to Weichai Westport*

Agreement: Supplemental Agreement to the framework agreement in relation to the supply of base engines, gas engine parts and related products by the Company (and its subsidiaries and/or associates) to Weichai Westport (the “**Weichai Westport Supply Agreement**”) dated 25 December 2012 (as supplemented by the supplemental agreements dated 8 December 2014 and 14 July 2017, respectively)

Date: 27 August 2020

Parties: 1. (a) The Company
(b) Weichai Reproduction
(c) Weichai Freshen Air
2. Weichai Westport

Term: 1 January 2021 to 31 December 2023

Other terms and details:

Pursuant to the Weichai Westport Supply Agreement (as supplemented by the abovementioned supplemental agreements but prior to the entering into of this latest Supplemental Agreement), each of the Company, Weichai After-sales Services, Weichai Reproduction and Weichai Freshen Air (and/or other associates of the Company) has supplied certain base engines, gas engine parts, utility and labour services, technology development services and related products and services to Weichai Westport, at market prices and/or prices agreed according to the principle of fairness and reasonableness and settled on a monthly basis for a term from 1 January 2018 to 31 December 2020, upon the expiry of which the parties may extend the term for three years on a mutually agreed basis. This Continuing Connected Transaction has been conducted on normal commercial terms and terms no less favourable to the Company than those available to the Company from independent third parties.

Pursuant to this Supplemental Agreement, each of the Company, Weichai Reproduction and Weichai Freshen Air (and/or other associates of the Company) shall supply certain base engines, gas engine parts, utility and labour services, technology development services and related products and services to Weichai Westport, on the same terms for a term from 1 January 2021 to 31 December 2023, upon the expiry of which the parties may extend the term for three years on a mutually agreed basis. Save as set out herein, all other terms of the Weichai Westport Supply Agreement (as supplemented by the abovementioned supplemental agreement but prior to the entering into of this latest Supplemental Agreement) remain unchanged.

The sale price of the said products and services is determined according to the following mechanism: through market analysis of specific products by the market management department of the Company on a quarterly basis in general, a proposal on the price, which is formulated taking into account an analysis of a number of factors (including the prices of at least one to two relevant products in the market in general, market share, orders situation and performance of major competitors in the market), shall be submitted to the price management department of the Company for approval. 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 Continuing Connected Transaction is conducted on normal commercial terms and not prejudicial to the interests of the Company and the minority Shareholders.

The table below summarises the Existing Caps for the Continuing Connected Transaction set out in this sub-section 4.(a) for the three years ending 31 December 2020:

| | 2018 <i>RMB</i> | 2019 <i>RMB</i> | 2020 <i>RMB</i> |
|--------------|---------------------------|---------------------------|---------------------------|
| Existing Cap | 2,600,000,000 | 3,000,000,000 | 3,500,000,000 |

The table below summarises the actual transaction amounts involved for each of the two years ended 31 December 2019 (audited) and the six months ended 30 June 2020 (unaudited) for the Continuing Connected Transaction set out in this sub-section 4.(a):

| | For the year ended 31 December 2018 <i>RMB</i> <i>(audited)</i> | For the year ended 31 December 2019 <i>RMB</i> <i>(audited)</i> | For the six months ended 30 June 2020 <i>RMB</i> <i>(unaudited)</i> |
|---------------------------|--|--|--|
| Actual transaction amount | 322,279,891 | 1,147,911,086 | 771,880,852 |

The Company estimates that the transaction amount of this Continuing Connected Transaction for the three years ending 31 December 2023 shall not exceed RMB580,000,000, RMB630,000,000 and RMB680,000,000 respectively, and the same have been accordingly set as the proposed New Caps for this Continuing Connected Transaction.

In the past, the Group mainly sold the said base engines, gas engine parts, related products and provided related services to Weichai Westport, and Weichai Westport modified and assembled them into gas engines, which were in turn sold by Weichai Westport back to the Group for onward sale to its customers. The transaction model between Weichai Westport and the Group has been adjusted: (i) the Group focuses on the purchase of relevant processing services from Weichai Westport to modify the base engines to gas engines for onward sale to the customers of the Group, and (ii) due to the relevant upgrade in emission standards for base engines, it is expected that the amount of services required to be provided by the Group to Weichai Westport will decrease gradually and the relevant transaction amount will thus decrease gradually in the future. Despite the aforesaid, it is expected that there will be a steady increase in demand for the gas engines modified and assembled by Weichai Westport as described above, and in turn, Weichai Westport will continue to have an increasing demand in the Group's gas engine parts and related products and services for its production.

The proposed New Caps have been prepared by the Company primarily based on (i) the historical transaction amounts and the abovementioned adjustments in the transaction model, (ii) the estimate of the volume of base engines, gas engine parts, utility and labour services, technology development services and related products and services required by Weichai Westport, and (iii) the average unit prices of such base engines, gas engine parts and related products. Taking into account and on the basis of all the aforesaid factors, it is estimated that the overall transaction amount of the sale of the Group's base engines, gas engine parts, utility and labour services, technology development services and related products to Weichai Westport on an annual basis will increase by approximately 8.6% and 7.9% for each of the two years ending 31 December 2023, respectively.

The table below summarises the proposed New Caps for the Continuing Connected Transaction as set out in this sub-section 4.(a) for the three years ending 31 December 2023:

| | 2021 | 2022 | 2023 |
|---------|-------------|-------------|-------------|
| | <i>RMB</i> | <i>RMB</i> | <i>RMB</i> |
| New Cap | 580,000,000 | 630,000,000 | 680,000,000 |

As the highest percentage ratio calculated in accordance with the Listing Rules for this Continuing Connected Transaction for the three years ending 31 December 2023 (when aggregated with the proposed New Caps for the same period under sub-sections 1.(b), 3.(a), 3.(b) and 3.(c) herein) exceeds the 5% Threshold, the Continuing Connected Transaction constitutes a Non-exempt Continuing Connected Transaction of the Company for the relevant period, and the proposed New Caps for the relevant period are subject to the reporting and announcement, the annual review requirements, and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Since this Continuing Connected Transaction for the three years ending 31 December 2023 (on an aggregated basis) is a Non-exempt Continuing Connected Transaction and the proposed New Caps for the relevant period are subject to the approval of the Independent Shareholders, this Supplemental Agreement is conditional upon the relevant resolution being passed at the EGM.

Pursuant to the requirements of the Shenzhen Listing Rules, this Continuing Connected Transaction has also been aggregated with the PRC Continuing Connected Transactions, and such transactions (including the relevant agreements) are subject to the approval of the Independent Shareholders.

- (b) *Purchase of gas engines, gas engine parts, labour services and related products and services by the Company (and its subsidiaries and/or associates) from Weichai Westport*

Agreement: Supplemental Agreement to the framework agreement in relation to the purchase of gas engines, gas engine parts and related products by the Company (and its subsidiaries and/or associates) from Weichai Westport (“**Weichai Westport Purchase Agreement**”) dated 25 December 2012 (as supplemented by the supplemental agreements dated 8 December 2014 and 14 July 2017, respectively)

Date: 27 August 2020

Parties: 1. (a) The Company
(b) Weichai Reproduction
2. Weichai Westport

Term: 1 January 2021 to 31 December 2023

Other terms and details:

Pursuant to the Weichai Westport Purchase Agreement (as supplemented by the abovementioned supplemental agreements but prior to the entering into of this latest Supplemental Agreement), each of the Company, Weichai Reproduction and Weichai After-sales Services (and/or other associates of the Company) has purchased certain gas engines, gas engine parts, labour services and related products from Weichai Westport, at market prices and/or prices agreed according to the principle of fairness and reasonableness and settled on a monthly basis, for a term from 1 January 2018 to 31 December 2020, upon the expiry of which the parties may extend the term for three years on a mutually agreed basis. This Continuing Connected Transaction has been conducted on normal commercial terms and terms no less favourable to the Company than those available to the Company from independent third parties.

Pursuant to this Supplemental Agreement, each of the Company and Weichai Reproduction (and/or other associates of the Company) shall purchase certain gas engines, gas engine parts, labour services and related products and services from Weichai Westport, on the same terms for a term from 1 January 2021 to 31 December 2023, upon the expiry of which the parties may extend the term for three years on a mutually agreed basis. Save as set out herein, all other terms of the Weichai Westport Purchase Agreement (as supplemented by the abovementioned supplemental agreements but prior to the entering into of this latest Supplemental Agreement) remain unchanged.

The sale price of the said products and services is determined according to the following mechanism: the market management department of the Company shall regularly carry out market research and analysis on a quarterly basis, taking into account a number of factors (including the prices of at least one to two relevant products in the market in general, market share, orders situation and performance of major competitors in the market). 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 Continuing Connected Transaction is conducted on normal commercial terms and not prejudicial to the interests of the Company and the minority Shareholders.

The table below summarises the Existing Caps for the three years ending 31 December 2020 for the Continuing Connected Transaction set out in this sub-section 4.(b):

| | 2018 <i>RMB</i> | 2019 <i>RMB</i> | 2020 <i>RMB</i> |
|--------------|---------------------------|---------------------------|---------------------------|
| Existing Cap | 5,400,000,000 | 6,300,000,000 | 7,000,000,000 |

The table below summarises the actual transaction amounts involved for each of the two years ended 31 December 2019 (audited) and the six months ended 30 June 2020 (unaudited) for the Continuing Connected Transaction set out in this sub-section 4.(b):

| | For the year ended 31 December 2018 <i>RMB</i> <i>(audited)</i> | For the year ended 31 December 2019 <i>RMB</i> <i>(audited)</i> | For the six months ended 30 June 2020 <i>RMB</i> <i>(unaudited)</i> |
|---------------------------|--|--|--|
| Actual transaction amount | 2,129,634,365 | 2,826,830,688 | 1,234,499,030 |

The Company estimates that the transaction amount of this Continuing Connected Transaction for the three years ending 31 December 2023 shall not exceed RMB5,270,000,000, RMB6,320,000,000 and RMB7,570,000,000 respectively, and the same have been accordingly set as the proposed New Caps for this Continuing Connected Transaction.

According to the sales projection of the Group's heavy-duty vehicles (with gas engines installed) and gas engines, the Company expects that the transaction amount of the said gas engines, gas engine parts and related products purchased by the Group from Weichai Westport to maintain a steady growth for the three years ending 31 December 2023, in line with an increase in the volume of these products to be sold by the Group to third party customers after purchasing the relevant services to modify and assemble the same from Weichai Westport, and the national policies of the PRC and the Group's development plans which are expected to be favourable to the market of the Group's gas engines.

The proposed New Caps have been prepared by the Company primarily based on (i) the historical transaction amounts, (ii) the estimate of the volume of gas engines, gas engine parts, labour services and related products and services to be purchased by the Group from Weichai Westport, and (iii) the average unit prices of such gas engines, gas engine parts and related products. Taking into account and on the basis of all the aforesaid factors, it is estimated that the overall transaction amount of the purchase of gas engines, gas engine parts, labour services and related products and services by the Group from Weichai Westport on an annual basis will increase approximately 19.9% and 19.8% for each of the two years ending 31 December 2023, respectively.

The table below summarises the proposed New Caps for the Continuing Connected Transaction as set out in this sub-section 4.(b) for the three years ending 31 December 2023:

| | 2021 | 2022 | 2023 |
|---------|---------------|---------------|---------------|
| | <i>RMB</i> | <i>RMB</i> | <i>RMB</i> |
| New Cap | 5,270,000,000 | 6,320,000,000 | 7,570,000,000 |

As the highest percentage ratio calculated in accordance with the Listing Rules for this Continuing Connected Transaction for the three years ending 31 December 2023 (when aggregated with the proposed New Caps for the same period under sub-section 2) exceeds the 5% Threshold, this Continuing Connected Transaction constitutes a Non-exempt Continuing Connected Transaction of the Company for the relevant period, and the proposed New Caps for the relevant period are subject to the reporting and announcement requirements, the annual review requirements, and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Since this Continuing Connected Transaction for the three years ending 31 December 2023 (on an aggregated basis) is a Non-exempt Continuing Connected Transaction and the proposed New Caps are subject to the approval of the Independent Shareholders, this Supplemental Agreement is conditional upon the relevant resolution being passed at the EGM.

Pursuant to the requirements of the Shenzhen Listing Rules, this Continuing Connected Transaction has also been aggregated with the PRC Continuing Connected Transactions, and such transactions (including the relevant agreements) are subject to the approval of the Independent Shareholders.

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

Continuing Connected Transactions between Weichai Holding (and its associates) and/or Weichai Heavy Machinery (and its subsidiaries) and the Group

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 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 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 Continuing Connected Transactions with Weichai Holdings were transferred to Weichai Heavy Machinery.

As the Company has conducted these 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 (excluding the independent non-executive Directors in respect of the Non-exempt Continuing Connected Transaction) consider it beneficial to the Company to continue to conduct these Continuing Connected Transactions in order to ensure and maximize operating efficiency and stability of the operations of the Company. The Directors (excluding the independent non-executive Directors in respect of the Non-exempt Continuing Connected Transaction) are not aware of any disadvantage to the Group in continuing to conduct the Continuing Connected Transactions.

Continuing Connected Transactions between Yangzhou Yaxing (and its subsidiaries) and the Group

As at the date of this announcement, Weichai Holdings is a substantial shareholder and a connected person of the Company. Since Yangzhou Yaxing is a subsidiary of Weichai Holdings, Yangzhou Yaxing and its subsidiaries are associates of Weichai Holdings and connected persons of the Company under Chapter 14A of the Listing Rules. The entering into of the Supplemental Agreements between the Group and Yangzhou Yaxing and the transactions contemplated thereunder constitute continuing connected transactions of the Company.

The Group is engaged in, *inter alia*, the manufacture and sale of diesel engines, transmissions, axles and related products. Yangzhou Yaxing and its subsidiaries are principally engaged in the development, manufacture and sale of passenger vehicles. Yangzhou Yaxing and its subsidiaries purchase engines, new energy powertrain and related products, transmissions and axles from the Group as components for the production of passenger vehicles. The sales of passenger vehicles by Yangzhou Yaxing and its subsidiaries are expected to increase according to its sales plan, and the demand for engines, new energy powertrain and related products, transmissions and axles and the proportion of vehicles of Yangzhou Yaxing utilising the Group's products are also expected to increase. The Directors (excluding the independent non-executive Directors) consider that such Continuing Connected Transactions will create synergy potential and strategic benefits between Yangzhou Yaxing and the Group, and will also provide a secured source of revenue for the Group.

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

In respect of the Continuing Connected Transactions between the Group and Weichai Westport, the Board is of the view that (i) the sale of base engines, gas engine parts, utility and labour services, technology development services and related products and services to Weichai Westport; and (ii) the purchase of gas engines, gas engine parts and related products manufactured by Weichai Westport by modifying and utilising the base engines, gas engine parts, labour services and related products and services it purchased from the Group, and the onward sale of the gas engines, gas engine parts and related products by the Group to its customers will allow the Group to maintain a strong strategic and business relationship with Weichai Westport, thereby generating synergy potential and mutual economic benefits between the Group and Weichai Westport. The Board considers that such Continuing Connected Transactions under the relevant Supplemental Agreements will also provide a secure source of revenue for the Group, and the Group will also be able to secure a stable and reliable supply of quality gas engines from Weichai Westport instead of sourcing from other market suppliers.

The Directors (excluding the independent non-executive Directors in respect of the Non-exempt Continuing Connected Transactions) 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 27 August 2020 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 Transactions with Weichai Holdings (and its associates) set out under section II.1. in this announcement — Tan Xuguang, Jiang Kui, Zhang Quan, Xu Xinyu and Sun Shaojun;
2. Continuing Connected Transaction with Weichai Heavy Machinery (and its subsidiaries) set out under section II.2. in this announcement — Tan Xuguang, Zhang Liangfu, Jiang Kui, Zhang Quan, Xu Xinyu and Sun Shaojun;
3. Continuing Connected Transactions with Yangzhou Yaxing (and its subsidiaries) set out under section II.3. in this announcement – Tan Xuguang, Jiang Kui, Zhang Quan, Xu Xinyu and Sun Shaojun; and
4. Continuing Connected Transactions with Weichai Westport set out under section II.4. in this announcement – Tan Xuguang, Jiang Kui, Zhang Quan, Xu Xinyu and Sun Shaojun.

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 the Continuing Connected Transactions as set out in sub-section II.1.(a) in this announcement 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. However, according to the relevant laws and regulations of the PRC and the Shenzhen Listing Rules, such Continuing Connected Transaction constitutes a PRC Continuing Connected Transaction and is subject to the approval by the Independent Shareholders at the EGM.

As the highest percentage ratio calculated in accordance with the Listing Rules for the Continuing Connected Transactions as set out in sub-sections II.1.(b), II.2., II.3.(a), (b) and (c), and II.4.(a) and (b) of this announcement exceeds the 5% Threshold on an aggregated basis, they constitute Non-exempt Continuing Connected Transactions of the Company and their respective Supplemental Agreement and proposed New Caps will be subject to the reporting and announcement requirements, the annual review requirements, and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

IV. PRC CONTINUING CONNECTED TRANSACTIONS

As set out in announcements of the Company dated 8 December 2014 and 14 July 2017 and the circular of the Company dated 7 January 2015, in addition to the Continuing Connected Transactions, certain transactions which have been conducted between the Group and Weichai Westport in the ordinary course of business are set out under this section. On 27 August 2020, the Group has entered into the PRC Supplemental Agreements to (i) the framework agreement in relation to the provision of logistics and storage services by Weichai Logistics (and its associates) to Weichai Westport (“**Weichai Westport Logistics Agreement**”) dated 25 December 2012 (as supplemented by the supplemental agreements dated 28 November 2013, 8 December 2014 and 14 July 2017, respectively); and (ii) the framework agreement in relation to the leasing of factory buildings by the Company to Weichai Westport (“**Weichai Westport Leasing Agreement**”) dated 25 December 2012 (as supplemented by the supplemental agreements dated 8 December 2014 and 14 July 2017, respectively), and shall apply for the new caps for such PRC Continuing Connected Transactions for the three years ending 31 December 2023. The proposed new caps for each of such transactions for the term from 1 January 2021 to 31 December 2023 do not exceed the 0.1% Threshold, and, accordingly, are not subject to the reporting, announcement and independent shareholders’ approval requirements of the Listing Rules. Further, each of such PRC Continuing Connected Transactions is of a different nature from and is carried out independently of the Continuing Connected Transactions. However, pursuant to the requirements of the Shenzhen Listing Rules, the PRC Continuing Connected Transactions have been aggregated with the Continuing Connected Transactions, and such PRC Continuing Connected Transactions (including the relevant agreements) are subject to the approval of the Independent Shareholders. For further details of the PRC Continuing Connected Transactions and the PRC Supplemental Agreements, please refer to the announcement of the Company dated 27 August 2020 on the website of The Shenzhen Stock Exchange.

Summary of the PRC Continuing Connected Transactions and the proposed new caps

The PRC Continuing Connected Transactions will include the following:

| Name of connected person | Name of Group Company | Connected person’s relationship with the Group | Nature of the connected transaction with the Group |
|--------------------------|--|--|--|
| Weichai Westport | The Company and Weichai Logistics (and/or its associates) (as the case may be) (<i>note 1</i>) | Weichai Westport is held as to 51% by Weichai Holdings, a substantial shareholder of the Company | (a) Provision of logistics, storage, etc. services by Weichai Logistics (and/or its associates) to Weichai Westport (b) Leasing of factory buildings by the Company to Weichai Westport |

Note:

1. *Weichai Logistics is a wholly-owned subsidiary of the Company.*

A summary of the proposed new caps for each of the PRC Continuing Connected Transactions is set out below:

Details of the relevant PRC Continuing Connected Transactions with Weichai Westport

| | Proposed new caps | | |
|--|---|---|---|
| | For the year ending 31 December 2021 | For the year ending 31 December 2022 | For the year ending 31 December 2023 |
| | <i>RMB</i> | <i>RMB</i> | <i>RMB</i> |
| 1. Provision of logistics, storage, etc. services by Weichai Logistics (and/or its associates) to Weichai Westport | 30,000,000 | 37,000,000 | 44,000,000 |
| 2. Leasing of factory buildings by the Company to Weichai Westport | 9,000,000 | 9,000,000 | 9,000,000 |

V. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

An Independent Board Committee comprising the independent non-executive Directors (namely, Mr. Li Hongwu, Mr. Wen Daocai, Ms. Jiang Yan, Mr. Yu Zhuoping and Ms. Zhao Huifang) will be appointed to consider the Non-exempt Continuing Connected Transactions and its New Caps. An Independent Financial Adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of the Non-exempt Continuing Connected Transactions and their New Caps.

VI. DESPATCH OF CIRCULAR

A circular containing, *inter alia*, (i) further details of the Non-exempt Continuing Connected Transactions; (ii) a letter from the Independent Board Committee to the Independent Shareholders in relation to the Non-exempt Continuing Connected Transactions; and (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Non-exempt Continuing Connected Transactions, will be despatched to the Shareholders on or before 27 October 2020 in accordance with Rule 19A.39A of the Listing Rules.

VII. DEFINITIONS

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

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|--|--|
| “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 |
| “Axles Supply Framework Agreement” | the axles supply framework agreement between Hande Axle and Yangzhou Yaxing dated 26 October 2012 |
| “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 |
| “Chongqing Branch” | the Company’s facility (being its branch office) in Chongqing Municipality, the PRC |
| “Chongqing Casting” | 重慶市江津區重濰鑄造有限公司 (Chongqing City Jiangjin District Chongwei Casting Co. Ltd.*), a company established in the PRC which was subsequently deregistered |
| “Chongqing Weichai” | 重慶濰柴發動機有限公司 (Chongqing Weichai Diesel Engine Company Limited*) (formerly known as 重慶濰柴發動機廠 (Chongqing Weichai Diesel Engine Factory*)), a company established in the PRC and a connected person of the Company |
| “Chongqing Weichai Utilities Services Agreement” | has the meaning ascribed to it under the section headed “II.1.(a). Supply and/or connection of utilities by Weichai Holdings (and its associates) to the Company (and its subsidiaries)” in this announcement |
| “Company” | 濰柴動力股份有限公司 (Weichai Power Co., Ltd.), a company established in the PRC with limited liability |

| | |
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| “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 |
| “Director(s)” | the director(s) of the Company |
| “Dezhou Degong” | 德州德工機械有限公司 (Dezhou Degong Machinery Co., Ltd.*), a company established in the PRC and a connected person 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 Non-exempt Continuing Connected Transactions and the PRC Continuing Connected Transactions |
| “Exempt Continuing Connected Transaction(s)” | being those Continuing Connected Transaction(s) with New Caps 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, 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 |
| “Group” | the Company and its subsidiaries, and “Group Company” means any of the same |
| “Hande Axle” | 陝西漢德車橋有限公司 (Shaanxi Hande Axle Co., Ltd.), a company established in the PRC and is held as to approximately 3.06% by the Company and as to approximately 94% by Shaanxi Zhongqi |
| “Huadong Casting” | 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 |
| “Independent Board Committee” | a committee of the Board comprising Mr. Li Hongwu, Mr. Wen Daocai, Ms. Jiang Yan, Mr. Yu Zhuoping and Ms. Zhao Huifang, being the independent non-executive Directors |

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| “Independent Financial Adviser” | the independent financial adviser to be appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Non-exempt Continuing Connected Transactions |
| “Independent Shareholders” | Shareholders who are not required to abstain from voting at the EGM in respect of the Non-exempt Continuing Connected Transactions and the PRC Continuing Connected Transactions (as the case may be) |
| “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 assets and liabilities of TAGC, were absorbed by the Company |
| “New Cap(s)” | the new cap(s) for the Continuing Connected Transactions set out in the section headed “II. Continuing Connected Transactions” in this announcement |
| “Non-exempt Continuing Connected Transaction(s)” | being those Continuing Connected Transaction(s) at the Company level, the proposed New Caps for which exceed the 5% Threshold, and accordingly, they will be subject to the reporting requirements, the announcement requirement and the annual review requirements under the Listing Rules, and approval from the Independent Shareholders at the EGM will be required |
| “PRC” | the People’s Republic of China |
| “PRC Continuing Connected Transaction(s)” | the transaction(s) set out under the sections headed “II. Continuing Connected Transactions” and “IV. PRC Continuing Connected Transactions” in 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 Independent 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 27 August 2020 on the Shenzhen Stock Exchange |

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| “PRC Supplemental Agreement(s)” | the supplemental agreement(s) in respect of the PRC Continuing Connected Transaction(s) |
| “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 |
| “Shaanxi Zhongqi” | 陝西重型汽車有限公司 (Shaanxi Heavy Duty Motor Company Limited), a company established in the PRC and a subsidiary of the Company |
| “Shandong Heavy Industry” | 山東重工集團有限公司 (Shandong Heavy Industry Group Co., Ltd.), a substantial shareholder and connected person of the Company holding the entire capital of Weichai Holdings |
| “Shareholder(s)” | holder(s) of the shares 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 |
| “Transmissions Supply Framework Agreement” | the transmissions supply framework agreement entered into between SFGC and Yangzhou Yaxing dated 26 October 2012 |
| “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 which used to be a subsidiary of the Company and has now been deregistered |

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| “Weichai Casting” | 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 |
| “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 Freshen Air” | 濰柴動力空氣淨化科技有限公司(Weichai Power Freshen Air Technology Co., Ltd.*), a company established in the PRC and a wholly-owned subsidiary 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 Heavy Machinery Purchase and Processing Services Agreement” | has the meaning ascribed to it under the section headed “II.2. Purchase of diesel engine parts and components, materials, steel and scrap metal etc., diesel engines and related products and labour and processing services by the Company (and its subsidiaries) from Weichai Heavy Machinery (and its subsidiaries)” in this announcement |
| “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 Holdings Utilities Services Agreement” | has the meaning ascribed to it under the section headed “II.1.(a). Supply and/or connection of utilities by Weichai Holdings (and its associates) to the Company (and its subsidiaries)” in this announcement |

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| “Weichai Import and Export” | 山東濰柴進出口有限公司 (Shandong Weichai Import and Export Co., Ltd.*), a company established in the PRC wholly-owned by Weichai Holdings and a connected person of the Company |
| “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 |
| “Weichai Power Diesel Engines Supply Framework Agreement” | the diesel engines supply framework agreement entered into between the Company and Yangzhou Yaxing dated 26 October 2012 |
| “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 |
| “Weichai Sale and Processing Services Agreement” | has the meaning ascribed to it under the section headed “II.1.(b) Sale of diesel engines, diesel engine parts and components, materials, semi-finished products, hydraulic products and related products and provision of processing services by the Company (and its subsidiaries) to Weichai Holdings (and its associates)” in this announcement |
| “Weichai Westport” | 濰柴西港新能源動力有限公司 (formerly known as “濰柴動力西港新能源發動機有限公司”) (Weichai Westport Inc.), a company established in the PRC and a connected person of the Company |
| “Weichai Westport Leasing Agreement” | has the meaning as ascribed to it under the section headed “IV. PRC Continuing Connected Transactions” in this announcement |
| “Weichai Westport Logistics Agreement” | has the meaning as ascribed to it under the section headed “IV. PRC Continuing Connected Transactions” in this announcement |
| “Weichai Westport Purchase Agreement” | has the meaning ascribed to it under the section headed “II.4.(b) Purchase of gas engines, gas engine parts, labour services and related products and services by the Company (and its subsidiaries and/or associates) from Weichai Westport” in this announcement |

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| “Weichai Westport Supply Agreement” | has the meaning ascribed to it under the section headed “II.4.(a) Supply of base engines, gas engine parts, utility and labour services, technology development services and related products and services by the Company (and its subsidiaries and/or associates) to Weichai Westport” in this announcement |
| “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 |
| “Weichai Yangzhou Diesel Engines Supply Framework Agreement” | the diesel engines supply framework agreement entered into between Weichai Yangzhou and Yangzhou Yaxing dated 26 October 2012 |
| “Yangzhou Special Vehicles” | 濰柴(揚州)特種車有限公司 (Weichai (Yangzhou) Special Vehicles Co., Ltd.*) (formerly known as 揚州盛達特種車有限公司 (Yangzhou Shengda Special Vehicles Co., Ltd.)), a company established in the PRC, wholly-owned by Weichai Holdings and a connected person of the Company |
| “Yangzhou Yaxing” | 揚州亞星客車股份有限公司 (Yangzhou Yaxing Motor Coach Co. Ltd.), a company established in the PRC, a subsidiary of Weichai Holdings and a connected person of the Company |

* For identification purposes only

By order of the Board
Tan Xuguang
 Chairman and CEO

Hong Kong, 27 August 2020

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.