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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

Reference is made to the announcement of the Company dated 30 October 2022 in respect of, *inter alia*, the making of the Capital Contribution by Ji'nan Power into Weichai Freshen Air. Upon completion of the making of the Capital Contribution on 31 October 2022, Weichai Freshen Air has become a non wholly-owned subsidiary of the Company being held as to 70% by the Company and 30% by Ji'nan Power.

Ji'nan Power is a subsidiary of Sinotruk HK, which is in turn controlled by Shandong Heavy Industry. Shandong Heavy Industry indirectly holds approximately 16.30% of the total issued share capital of the Company, and is a substantial shareholder and a connected person of the Company. Ji'nan Power, being a fellow subsidiary of the Company, is also a connected person of the Company. Therefore, upon completion of the making of the Capital Contribution, Weichai Freshen Air has become an associate of Ji'nan Power, and also a connected subsidiary of the Company pursuant to Rule 14A.16 of the Listing Rules, and hence a connected person of the Company.

Prior to the making of the Capital Contribution, the Group has been conducting certain transactions with Weichai Freshen Air, then being a wholly-owned subsidiary of the Company. Given that Weichai Freshen Air has become a connected person of the Company following making of the Capital Contribution, such transactions constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules upon completion of the Capital Contribution. As the Group intends to continue to conduct such transactions with Weichai Freshen Air, the Company has entered into the Framework Agreements with Weichai Freshen Air to govern the principal terms of the Continuing Connected Transactions as more particularly detailed herein.

As all percentage ratios calculated in accordance with the Listing Rules for the Continuing Connected Transaction as set out in section II.(a). of this announcement exceed the 5% Threshold, such Continuing Connected Transaction constitutes a Non-exempt Continuing Connected Transaction of the Company and the Weichai Freshen Air Purchase Agreement and the relevant 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.

As the highest percentage ratio calculated in accordance with the Listing Rules for the Continuing Connected Transaction as set out in section II.(b). 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.

A circular containing, *inter alia*, (i) further details of the Non-exempt Continuing Connected Transaction; (ii) a letter from the Independent Board Committee to the Independent Shareholders in relation to the Non-exempt Continuing Connected Transaction; 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 Transaction, will be despatched to the Shareholders on or before 14 December 2022 in accordance with Rule 19A.39A of the Listing Rules.

I. INTRODUCTION

Reference is made to the announcement of the Company dated 30 October 2022 in respect of, *inter alia*, the making of a capital contribution by Ji'nan Power into Weichai Freshen Air (the "**Capital Contribution**"). Upon completion of the making of the Capital Contribution on 31 October 2022, Weichai Freshen Air has become a non wholly-owned connected subsidiary of the Company and is held as to 70% by the Company and 30% by Ji'nan Power.

Prior to the making of the Capital Contribution, the Group has been conducting certain transactions with Weichai Freshen Air, then being a wholly-owned subsidiary of the Company. Given that Weichai Freshen Air has become a connected person of the Company following making of the Capital Contribution, such transactions constitute a continuing connected transaction of the Company under Chapter 14A of the Listing Rules upon completion of the Capital Contribution. As the Group intends to continue to conduct such transactions with Weichai Freshen Air, the Company has entered into the Framework Agreements with Weichai Freshen Air to govern the principal terms of the Continuing Connected Transactions.

A summary of the Continuing Connected Transactions, the Framework Agreements, the actual transaction amounts of the Continuing Connected Transactions for the relevant periods and the New Caps (and their basis) is set out in the section headed "II. Continuing Connected Transactions" of this announcement.

II. CONTINUING CONNECTED TRANSACTIONS

Summary of the Continuing Connected Transactions and the (proposed) 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
Weichai Freshen Air (and its subsidiaries)	The Company (for itself and on behalf of its subsidiaries)	The Company is the holder of 70% of the equity interest of Weichai Freshen Air. Ji'nan Power, a fellow subsidiary of the Company, is the holder of 30% of the equity interest of Weichai Freshen Air	(a) Purchase of vehicle parts and components and related products, engines, engine parts and components and related products and receiving relevant services by the Company (and its subsidiaries) from Weichai Freshen Air (and its subsidiaries) (b) Sale of vehicle parts and components and related products, engines, engine parts and components and related products and provision of relevant services by the Company (and its subsidiaries) to Weichai Freshen Air (and its subsidiaries)

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

Details of the relevant Continuing Connected Transactions	For the year ending 31 December 2023 RMB	For the year ending 31 December 2024 RMB	For the year ending 31 December 2025 RMB
Weichai Freshen Air (and its subsidiaries)			
(a) Purchase of vehicle parts and components and related products, engines, engine parts and components and related products and receiving relevant services by the Company (and its subsidiaries) from Weichai Freshen Air (and its subsidiaries)	9,500,000,000 [#]	13,450,000,000 [#]	18,985,000,000 [#]
(b) Sale of vehicle parts and components and related products, engines, engine parts and components and related products and provision of relevant services by the Company (and its subsidiaries) to Weichai Freshen Air (and its subsidiaries)	310,000,000	520,000,000	830,000,000

Notes: 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.

Details of the Continuing Connected Transactions and the relevant New Framework Agreements

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

The Company

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

Weichai Freshen Air

Weichai Freshen Air was established on 16 August 2013 as a limited liability company in the PRC. Weichai Freshen Air 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.

As disclosed in the section headed “I. Introduction” above, Weichai Freshen Air has since 31 October 2022 become a non wholly-owned subsidiary of the Company, held as to 70% by the Company and 30% by Ji’nan Power.

Ji’nan Power is a wholly-owned subsidiary of Sinotruk HK. To the best knowledge, information and belief of the Directors and having made all reasonable enquiries, Sinotruk HK is held as to approximately 51% by CNHTC, a commercial vehicles manufacturer, which is held as to 65% by Shandong Heavy Industry. Shandong Heavy Industry indirectly holds approximately 16.30% of the total issued share capital of the Company, and is a substantial shareholder and a connected person of the Company. Ji’nan Power, being a fellow subsidiary of the Company, is also a connected person of the Company. Therefore, Weichai Freshen Air is an associate of Ji’nan Power, and also a connected subsidiary of the Company pursuant to Rule 14A.16 of the Listing Rules, and, in turn, a connected person of the Company.

Sinotruk HK together with its subsidiaries primarily specialise in the research, development and manufacturing of heavy duty trucks, medium-heavy duty trucks, light duty trucks, etc. and related key assemblies, parts and components including engines, cabins, axles, steel frames and gearboxes as well as the provision of financial services. Sinotruk HK is a company whose shares are listed on the Main Board of the Stock Exchange.

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

- (a) *Purchase of vehicle parts and components and related products, engines, engine parts and components and related products and receiving relevant services by the Company (and its subsidiaries) from Weichai Freshen Air (and its subsidiaries)*

Agreement: Weichai Freshen Air Purchase Agreement

Date: 23 November 2022

Parties: 1. The Company
2. Weichai Freshen Air

Term: 1 January 2023 to 31 December 2025

Pursuant to the Weichai Freshen Air Purchase Agreement, the Weichai Freshen Air Group shall supply certain vehicle parts and components and related products, engines, engine parts and components and related products and provide relevant services (as the case may be) to the Company and/or other Group Company (as the case may be) at market prices, for a term of three years ending 31 December 2025. Upon the expiry of the term of the Weichai Freshen Air Purchase Agreement, the parties shall have an option to renew the same for a period of three years on a mutually agreed basis. Depending on the terms of the definitive agreements to be entered into by the parties, the relevant price for the relevant products and/or services shall, as the case maybe, be settled on a monthly or quarterly basis or in accordance with the progress of the provision of the relevant products and/or services.

The price of the said products and/or services shall be determined according to the following mechanism: the procurement department of the Company regularly conducts market research regarding specific products and/or services, in which a number of factors, including the overall market prices, market shares, ordering situation and performance of major competitors of such products and/or services, are comprehensively considered and 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 actual transaction amounts involved for the two years ended 31 December 2021 and nine months ended 30 September 2022 (unaudited) in respect of the Group's purchase of relevant products and services from the Weichai Freshen Air Group:

	For the year ended 31 December 2020 RMB (unaudited)	For the year ended 31 December 2021 RMB (unaudited)	For the nine months ended 30 September 2022 RMB (unaudited)
Actual transaction amount	8,130,345,600	7,224,409,487	2,096,831,116

Based on the consolidated management accounts of the Company, during the period since completion of the Capital Contribution on 31 October 2022 to the date of this announcement, the Group's purchase of relevant products and services from the Weichai Freshen Air Group amounted to approximately RMB240 million, which amount is subject to the final invoiced amount to be confirmed by Weichai Freshen Air Group.

Reference is made to the announcement of the Company dated 2 August 2019 in respect of certain continuing connected transactions, pursuant to which the Company and its subsidiaries shall purchase diesel engine parts and components, gas and scrap metals etc., materials, diesel engines and related products, processing services and import and export agency services from Weichai Holdings and its associates for a term of three years ending 31 December 2022 ("**Weichai Holdings Purchase CCT**"), and an annual cap of RMB2,650,000,000 for the year ending 31 December 2022 was set therein.

As Weichai Freshen Air has become a connected person following completion of the Capital Contribution on 31 October 2022, the Group's purchase of relevant products and services from the Weichai Freshen Air Group for the period from 31 October 2022 onwards constitutes part of the Weichai Holdings Purchase CCT. As at the date of this announcement, the approved annual cap for the year ending 31 December 2022 under the Weichai Holdings Purchase CCT has not been exceeded, and the Company will ensure that the approved annual cap under the Weichai Holdings Purchase CCT is not exceeded having taken into account the purchase of relevant products and services by the Group from the Weichai Freshen Air Group from 31 October 2022 onwards.

In 2021, affected by the structural change in respect of the sales of engines, the proportion of engines that require installation of aftertreatment products have decreased, accordingly, there has been a slight drop in the Group's purchase of products and services from the Weichai Freshen Air Group in 2021 when compared to that in 2020. Further, the Board also noted the substantial decrease in the transaction amount for the nine months ended 30 September 2022, which was mainly due to the dual pressure exerted by the macro economy and the maintenance of a high-level oil price which, in turn, adversely affected the diesel engine market and led to a decline in demand of the products and services purchased from Weichai Freshen Air by the Group for the nine months ended 30 September 2022.

However, the Board is of the view that the potential of and the fundamentals for a long-term economic upturn have not changed for China. Market expectations and confidence are expected to recover due to the optimisation of pandemic prevention policies, the implementation of measures to stabilise the economy and boost consumption and the accelerated recovery of infrastructure investment. Hence, the Board expects that the exceptional decrease in 2022 will not continue as the market's demand is expected to revive from 2023 onwards. Under the influence of favorable factors such as the recovery of logistics and transportation support from infrastructure, the implementation of relevant supporting policies, and continual growth of export markets, the suppressed demand in the industry will be released and a rebound in 2023 is expected.

The Company estimates that the transaction amounts in respect of the Continuing Connected Transaction set out in this sub-section (a) for the three years ending 31 December 2025 will not exceed RMB9,500 million, RMB13,450 million and RMB18,985 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 transaction amounts, (ii) the expectation that the diesel engine market will revive for the years 2023 to 2025 and the demand of the Group for the products and services provided by Weichai Freshen Air will return to a normal or even higher level in the future; and (iii) the expected increase in the estimated transaction amounts for the purchase of relevant products and services in light of the implementation of the Group's sales plan for the years 2023 to 2025 and based on the forecast of the production level, raw material costs, processing costs and the numbers of the diesel engines to be sold for the three years ending 31 December 2025.

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 by the Group from Weichai Freshen Air will increase by approximately 31.5% for the year ending 31 December 2023 as compared with the actual transaction amount in 2021, and further by approximately 41.6% and 41.2% for each of the years ending 31 December 2024 and 31 December 2025, respectively.

The table below sets out the proposed New Caps for the Continuing Connected Transaction set out in this sub-section (a) for the three years ending 31 December 2025:

	2023 <i>RMB</i>	2024 <i>RMB</i>	2025 <i>RMB</i>
Proposed New Caps	9,500,000,000	13,450,000,000	18,985,000,000

As all percentage ratios calculated in accordance with the Listing Rules for the Continuing Connected Transaction as set out in this sub-section (a) exceed the 5% Threshold, such Continuing Connected Transaction constitutes a Non-exempt Continuing Connected Transaction of the Company and the Weichai Freshen Air Purchase Agreement and the relevant 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.

Since this Continuing Connected Transaction is a Non-exempt Continuing Connected Transaction and the proposed New Caps are subject to the approval of the Independent Shareholders, the Weichai Freshen Air Purchase Agreement is conditional upon the relevant resolution being passed at the EGM.

- (b) *Sale of vehicle parts and components and related products, engines, engine parts and components and related products and provision of relevant services by the Company (and its subsidiaries) to Weichai Freshen Air (and its subsidiaries)*

Agreement: Weichai Freshen Air Supply Agreement

Date: 23 November 2022

Parties:

1. The Company
2. Weichai Freshen Air

Term: 1 January 2023 to 31 December 2025

Pursuant to the Weichai Freshen Air Supply Agreement, the Company and/or other Group Company (as the case may be) shall sell vehicle parts and components and related products, engines, engine parts and components and related products and provide relevant services (as the case may be) to the Weichai Freshen Air Group at market prices, for a term of three years ending 31 December 2025. Upon the expiry of the term of the Weichai Freshen Air Supply Agreement, the parties shall have an option to renew the same for a period of three years on a mutually agreed basis. Depending on the terms of the definitive agreements to be entered into by the parties, the relevant price for the relevant products and/or services shall, as the case maybe, be settled on a monthly or quarterly basis or in accordance with the progress of the provision of the relevant products and/or services.

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 and 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 actual transaction amounts involved for the two years ended 31 December 2021 and nine months ended 30 September 2022 (unaudited) in respect of the Group's sale of relevant products and services to the Weichai Freshen Air Group:

	For the year ended 31 December 2020 RMB (unaudited)	For the year ended 31 December 2021 RMB (unaudited)	For the nine months ended 30 September 2022 RMB (unaudited)
Actual transaction amount	227,886,143	105,931,040	6,137,835

Based on the consolidated management accounts of the Company, during the period since completion of the Capital Contribution on 31 October 2022 to the date of this announcement, the Group has not made any sale of relevant products and services to the Weichai Freshen Air Group.

Reference is made to the announcement of the Company dated 27 August 2020 and the circular of the Company dated 23 October 2020 in respect of certain continuing connected transactions pursuant to which the Company and its subsidiaries shall sell diesel engines, diesel engine parts and components, materials, semi-finished products, hydraulic products and related products and to provide processing services to Weichai Holdings and its associates for the term of three years ending 31 December 2023 ("**Weichai Holdings Sale CCT**"). Reference is also made to the extraordinary general meeting of the Company held on 13 November 2020, pursuant to which the Weichai Holdings Sale CCT (with an annual cap of RMB5,200,000,000 for the year ending 31 December 2022) was approved.

As Weichai Freshen Air has become a connected person following completion of the Capital Contribution on 31 October 2022, the Group's sale of relevant products and services to the Weichai Freshen Air Group for the period from 31 October 2022 onwards constitutes part of the Weichai Holdings Sale CCT. As at the date of this announcement, the approved annual cap for the year ending 31 December 2022 under the Weichai Holdings Sale CCT has not been exceeded, and the Company will ensure that the approved annual cap under the Weichai Holdings Sale CCT is not exceeded having taken into account the sales of relevant products and services by the Group to the Weichai Freshen Air Group from 31 October 2022 onwards.

The Board noted the substantial decrease in the transaction amount for the year ended 31 December 2021 and the nine months ended 30 September 2022, which was mainly due to the dual pressure exerted by the macro economy and the maintenance of a high-level oil price which, in turn, adversely affected the diesel engine market and led to a decline in demand of the products and services supplied by the Group to Weichai Freshen Air for the year 2021 and the nine months ended 30 September 2022.

However, the Board is of the view the potential of and the fundamentals for a long-term economic upturn have not changed for China. Market expectations and confidence are expected to recover due to the optimisation of pandemic prevention policies, the implementation of measures to stabilise the economy and boost consumption and the accelerated recovery of infrastructure investment. Hence, the Board expects that the exceptional decrease in 2022 will not continue as the market's demand is expected to revive from 2023 onwards. Under the influence of favorable factors such as the recovery of logistics and transportation support from infrastructure, the implementation of relevant supporting policies, and continual growth of export markets, the suppressed demand in industry will be released and a rebound in 2023 is expected.

The Company estimates that the transaction amounts in respect of the Continuing Connected Transaction set out in this sub-section (b) for the three years ending 31 December 2025 will not exceed RMB310 million, RMB520 million and RMB830 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 transaction amounts, (ii) the expectation that the diesel engine market will revive for the years 2023 to 2025 and the demand of Weichai Freshen Air for the products and services supplied by the Group will return to a normal or even higher level in the future; and (iii) the expected increase in the estimated transaction amounts for the sale of relevant products and services in light of the implementation of the Group's sales plan for the years 2023 to 2025.

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 by the Group to Weichai Freshen Air will increase by approximately 1.9 times for the year ending 31 December 2023 as compared with the actual transaction amount in 2021, and further by approximately 67.7% and 59.6% for each of the years ending 31 December 2024 and 31 December 2025, respectively.

The table below sets out the proposed New Caps for the Continuing Connected Transaction set out in this sub-section (b) for the three years ending 31 December 2025:

	2023	2024	2025
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Proposed New Caps	310,000,000	520,000,000	830,000,000

As the highest percentage ratio calculated in accordance with the Listing Rules for the Continuing Connected Transaction as set out in this sub-section (b) 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.

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

Reference is made to the announcement of the Company dated 30 October 2022 in respect of, *inter alia*, the making of the Capital Contribution. Upon completion of the making of the Capital Contribution on 31 October 2022, Weichai Freshen Air has become a non wholly-owned connected subsidiary of the Company and is held as to 70% by the Company and 30% by Ji'nan Power.

Prior to the making of the Capital Contribution, Weichai Freshen Air had since its establishment in August 2013 been a wholly-owned subsidiary of the Company. The Company is principally engaged in the research and development, manufacture and sale of high-speed, heavy-duty diesel engines, and Weichai Freshen Air, being a member of the Group, focuses on air purification products for vehicles. Being a business operator within the Group that focuses on the research, design, sale and repair of air purification products for vehicles, the Weichai Freshen Air Group has constantly been supplying air purification products and relevant services to other members of the Group, and other members of the Group has constantly been providing research and development support and supplying products including engines and engine parts and components to Weichai Freshen Air.

Given that Weichai Freshen Air has become a connected person of the Company upon completion of the Capital Contribution on 31 October 2022, the abovementioned transactions constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules thereafter.

In continuing to carry out the existing transactions between the Weichai Freshen Air Group and the other members of the Group, the Board is of the view that (i) the purchase of air purification products and relevant services from the Weichai Freshen Air Group will enable the Group to secure a stable and reliable supply of quality air purification products and services, which is essential in supporting the development of the sales of the Group's engine products; and (ii) the provision of processing services including research and development support to the Weichai Freshen Air Group is also necessary in sustaining the Weichai Freshen Air Group's high quality development and production of relevant products, and in turn ensuring a stable supply of quality products and services to the Group. In light of the above and taking into consideration that following the Capital Contribution, Weichai Freshen Air continues to be accounted for as a subsidiary of the Company and Weichai Freshen Air's financial results continue to be consolidated into the Company's consolidated financial statements, the Directors (excluding the independent non-executive Directors in respect of the Non-exempt Continuing Connected Transaction) consider it beneficial to the Group to continue to conduct the Continuing Connected Transaction in order to ensure and maximise operating efficiency and stability of the operations of the Group as a whole.

The Directors (excluding the independent non-executive Directors in respect of the Non-exempt Continuing Connected Transaction) have confirmed that all the Continuing Connected Transactions have been subject to arm's length negotiation between the Company and Weichai Freshen Air, and have been entered into by the Group in the ordinary and usual course of business and the Framework Agreements are either (i) on normal commercial terms or better, or (ii) on terms no less favourable to the Group than those available to or from (as appropriate) independent third parties, and the Continuing Connected Transactions and the relevant 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 23 November 2022 approving, *inter alia*, the Continuing Connected Transactions, Tan Xuguang, Jiang Kui and Sun Shaojun have abstained from voting on the resolutions in respect of the Continuing Connected Transactions for the reasons of their respective interest and/or position (as the case may be) in the relevant connected person(s). Save as disclosed, no other Directors have any material interest in the Continuing Connected Transactions.

As all percentage ratios calculated in accordance with the Listing Rules for the Continuing Connected Transaction as set out in sub-section II.(a). exceed the 5% Threshold, such Continuing Connected Transaction constitutes a Non-exempt Continuing Connected Transaction of the Company and the Weichai Freshen Air Purchase Agreement and the relevant 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.

As the highest percentage ratio calculated in accordance with the Listing Rules for the Continuing Connected Transaction as set out in sub-section II.(b). 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.

IV. 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 Transaction and the relevant proposed New Caps. An Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of the Non-exempt Continuing Connected Transaction and the relevant proposed New Caps.

V. DESPATCH OF CIRCULAR

A circular containing, *inter alia*, (i) further details of the Non-exempt Continuing Connected Transaction; (ii) a letter from the Independent Board Committee to the Independent Shareholders in relation to the Non-exempt Continuing Connected Transaction; 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 Transaction, will be despatched to the Shareholders in accordance with Rule 19A.39A of the Listing Rules. It is expected that the circular will be despatched to the Shareholders on or before 14 December 2022.

VI. DEFINITIONS

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

“0.1% Threshold”	the thresholds referred to in Rule 14A.76(1)(a) of the Listing Rules
“5% Threshold”	the thresholds referred to in Rule 14A.76(2)(a) of the Listing Rules
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Capital Contribution”	has the meaning ascribed to it in the section headed “I. Introduction” in this announcement
“China” or “PRC”	the People’s Republic of China
“CNHTC”	中國重型汽車集團有限公司 (China National Heavy Duty Truck Group Company Limited), a state-owned enterprise organised under the laws of the PRC with limited liability and a connected person of the Company
“Company”	濰柴動力股份有限公司 (Weichai Power Co., Ltd.), a company established in the PRC with limited liability
“connected person”	has the meaning ascribed thereto under the Listing Rules

“Continuing Connected Transaction(s)”	the transaction(s) between the Group and Weichai Freshen Air as set out in the section headed “II. Continuing Connected Transactions” in this announcement
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held to consider and, if thought fit, approve, <i>inter alia</i> , the Non-exempt Continuing Connected Transaction
“Framework Agreements”	the Weichai Freshen Air Purchase Agreement and the Weichai Freshen Air Supply Agreement, and “Framework Agreement” means any of them
“Group”	the Company and its subsidiaries, and “Group Company” means any of the same
“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
“Independent Financial Adviser”	Trinity Corporate Finance Limited, the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Non-exempt Continuing Connected Transaction
“Independent Shareholders”	Shareholders who are not required to abstain from voting at the EGM in respect of the Non-exempt Continuing Connected Transaction
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Cap(s)”	the annual cap(s) to the Continuing Connected Transactions as set out in the section headed “II. Continuing Connected Transactions” in this announcement

“Non-exempt Continuing Connected Transaction”	being the Continuing Connected Transaction at the Company level, the proposed New Caps for which exceeds the 5% Threshold, and accordingly, 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
“RMB”	Renminbi, the lawful currency of the PRC
“Shandong Heavy Industry”	山東重工集團有限公司 (Shandong Heavy Industry Group Co., Ltd.), a substantial shareholder and connected person of the Company holding the entire capital of Weichai Holdings
“Shareholder(s)”	holder(s) of the shares in the Company
“Sinotruk HK”	Sinotruk (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability whose shares are listed on the Stock Exchange (stock code: 3808), and a connected person of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“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 with limited liability and a 70%-subsidiary of the Company
“Weichai Freshen Air Group”	Weichai Freshen Air and its subsidiaries
“Weichai Freshen Air Purchase Agreement”	the agreement entered into between the Company and Weichai Freshen Air on 23 November 2022 as more particularly set out in section II.(a). of this announcement
“Weichai Freshen Air Supply Agreement”	the agreement entered into between the Company and Weichai Freshen Air on 23 November 2022 as more particularly set out in section II.(b). of this announcement

“Weichai Holdings”

潍柴控股集团有限公司 (Weichai Group Holdings Limited*) (formerly known as 潍坊柴油機廠 (Weifang Diesel Engine Works*)), a legal person established in the PRC, a substantial shareholder of the Company and a connected person of the Company

“%”

per cent

* For identification purposes only

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

The PRC, 23 November 2022

As at the date of this announcement, the executive Directors of the Company are Mr. Tan Xuguang, Mr. Zhang Quan, Mr. Xu Xinyu, Mr. Sun Shaojun, Mr. Yuan Hongming and Mr. Yan Jianbo; the non-executive Directors of the Company are Mr. Zhang Liangfu, Mr. Jiang Kui, Mr. Gordon Riske and Mr. Michael Martin Macht; and the independent non-executive Directors of the Company are Mr. Li Hongwu, Mr. Wen Daocai, Ms. Jiang Yan, Mr. Yu Zhuoping and Ms. Zhao Huifang.