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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 27 August 2020 in respect of certain continuing connected transactions between the Group and (i) Weichai Holdings (and its Associates), (ii) Yangzhou Yaxing (and its subsidiaries), and (iii) Weichai Westport. As the Group intends to continue to conduct the relevant transactions with such parties following expiry of the Existing Framework Agreements, the Board announces that on 30 August 2023, the Group has entered into the New Framework Agreements in respect of the Continuing Connected Transactions as more particularly described herein.

As the highest percentage ratio calculated in accordance with the Listing Rules for the 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 required to be aggregated with certain Continuing Connected Transactions and is subject to the approval by the 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.(a), (b) and (c), and II.3.(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 New Framework 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 30 October 2023 in accordance with the Listing Rules.

## **I. INTRODUCTION**

Reference is made to the announcement of the Company dated 27 August 2020, 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 intends to continue to conduct the transactions with the relevant parties following expiry of the Existing Framework Agreements, and hence, the Group entered into the New Framework Agreements. The New Framework 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 under the Listing Rules; 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 as required by the relevant PRC laws and regulations and the Shenzhen Listing Rules.

A summary of the Continuing Connected Transactions, the New Framework 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:

<b>Name of connected person</b>	<b>Name of Group Company</b>	<b>Connected person's relationship with the Group</b>	<b>Nature of the connected transaction with the Group</b>
1. Weichai Holdings (and its Associates)	The Company (and its subsidiaries)	Holder of 16.30% 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 related services by the Company (and its subsidiaries) to Weichai Holdings (and its Associates)
2. Yangzhou Yaxing (and its subsidiaries)	The Company (and its subsidiaries)	Yangzhou Yaxing is indirectly held as to 62.31% 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)
	SFGC (note 1)		(b) Sale of transmissions and related products by SFGC to Yangzhou Yaxing (and its subsidiaries)
	Hande Axle (note 2)		(c) Sale of axles and related products by Hande Axle to Yangzhou Yaxing (and its subsidiaries)

<b>Name of connected person</b>	<b>Name of Group Company</b>	<b>Connected person's relationship with the Group</b>	<b>Nature of the connected transaction with the Group</b>
3. Weichai Westport	The Company (and its subsidiaries and/or associates)	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. SFGC is a 51% subsidiary of the Company.*
- 2. 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	Proposed New Caps		
	2024 RMB	2025 RMB	2026 RMB
<b>1. Weichai Holdings (and its Associates)</b>			
(a) Supply and/or connection of utilities by Weichai Holdings (and its Associates) to the Company (and its subsidiaries)	524,000,000*	550,000,000*	577,000,000*
(b) Sale of diesel engines, diesel engine parts and components, materials, semi-finished products, hydraulic products and related products and provision of related services by the Company (and its subsidiaries) to Weichai Holdings (and its Associates)	6,503,000,000#	6,725,000,000#	7,102,000,000#
<b>2. Yangzhou Yaxing (and its subsidiaries)</b>			
(a) Sale of engines, new energy powertrain and related products by the Company and its subsidiaries to Yangzhou Yaxing and its subsidiaries	83,000,000#	117,000,000#	145,000,000#
(b) Sale of transmissions and related products by SFGC to Yangzhou Yaxing and its subsidiaries	8,000,000#	9,000,000#	10,000,000#
(c) Sale of axles and related products by Hande Axle to Yangzhou Yaxing and its subsidiaries	23,000,000#	26,000,000#	29,000,000#
<b>3. Weichai Westport</b>			
(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	896,000,000#	906,000,000#	935,000,000#
(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	4,644,000,000#	4,656,000,000#	4,704,000,000#

Notes:

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 required to be aggregated with certain Continuing Connected Transactions pursuant to the Shenzhen Listing Rules and 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 paragraphs 1.(b), 2.(a), 2.(b), 2.(c) and 3.(a) have been aggregated and the transaction under paragraph 3.(b) has been aggregated with the transactions as disclosed in the announcement of the Company dated 27 January 2022.

## **DETAILS OF THE CONTINUING CONNECTED TRANSACTIONS AND THE RELEVANT NEW FRAMEWORK 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.

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.

#### **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. To the best knowledge, information and belief of the Directors and having made all reasonable enquiries, Weichai Holdings is wholly-owned by Shandong Heavy Industry. Shandong Heavy Industry is one of the leading automobile and equipment groups in the PRC, and in turn a state-owned enterprise organised under the laws of the PRC with limited liability, and is ultimately governed and controlled by the Shandong Provincial People's Government\* (山東省人民政府).

Weichai Holdings is a substantial shareholder of the Company, and is accordingly 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: New Utility Services Purchase Agreement

Date: 30 August 2023

Parties: 1. The Company  
2. Weichai Holdings

Term: 1 January 2024 to 31 December 2026

Other terms and details:

The terms of the New Utility Services Purchase Agreement are substantially the same as those of the Existing Utility Services Purchase Agreements.

Pursuant to the New Utility Services Purchase Agreement, Weichai Holdings (and its Associates) (as the case may be) shall provide the connection of (as the case may be) certain utility and energy services to the Group, 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 2026. Upon the expiry of the term of the agreement, the parties shall have an option to renew the same for a term of three years on a mutually agreed basis.

The fees payable by the Group to Weichai Holdings (and its Associates) with respect to the provision and/or connection of the said utility and energy services are determined based on the actual usage by the Group or (where the actual usage cannot be determined) based on the proportion of sales made by each of the party 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) in relation thereto. If no market price or government published rates with respect to the above utility and energy services are available, the Group will pay the actual costs incurred by Weichai Holdings (and its Associates) in relation to the provision of such utility and energy services plus a service charge representing not more than 20% of such costs. The final fees are determined at arm's length negotiation among the parties, and the price management department of the Group regularly reviews the reasonableness of fees and will make amendments when necessary. Depending on the terms of the definitive agreements to be entered into by the parties, the relevant price for the relevant 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 services.

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 2023 for the Continuing Connected Transaction set out in this sub-section 1.(a):

	<b>2021</b> <i>RMB</i>	<b>2022</b> <i>RMB</i>	<b>2023</b> <i>RMB</i>
Existing Cap	750,000,000	790,000,000	831,000,000

The table below summarises the actual transaction amounts involved for each of the two years ended 31 December 2022 (audited) and the six months ended 30 June 2023 (unaudited) for the Continuing Connected Transaction set out in this sub-section 1.(a):

	<b>For the year ended 31 December 2021 <i>RMB</i> (audited)</b>	<b>For the year ended 31 December 2022 <i>RMB</i> (audited)</b>	<b>For the six months ended 30 June 2023 <i>RMB</i> (unaudited)</b>
Actual transaction amount	348,715,097	269,642,032	204,769,449

The Company estimates that the transaction amounts in respect of the Continuing Connected Transaction set out in this sub-section 1.(a) for the three years ending 31 December 2026 will not exceed RMB524,000,000, RMB550,000,000 and RMB577,000,000, 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 its Associates) representing not exceeding 20% of such costs, and (ii) the implementation of the Group's procurement plan for the years 2024 to 2026. Taking into account the low utilisation rate of the relevant Existing Caps for 2021 and 2022, the Board proposed that the New Cap for the year ending 31 December 2024 be adjusted downwards to RMB524,000,000 from RMB831,000,000 for the year ending 31 December 2023. Further, 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 5.0% and 5.0% for each of the years ending 31 December 2025 and 31 December 2026, respectively.



The table below summarises the proposed New Caps for the Continuing Connected Transaction set out in this sub-section 1.(a) for the three years ending 31 December 2026:

	<b>2024</b> <i>RMB</i>	<b>2025</b> <i>RMB</i>	<b>2026</b> <i>RMB</i>
Proposed New Cap	524,000,000	550,000,000	577,000,000

As the New Caps for this Continuing Connected Transaction for the three years ending 31 December 2026 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 2026 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 the 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 New Utility Services Purchase 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 related services by the Company (and its subsidiaries) to Weichai Holdings (and its Associates)*

Agreement: New Weichai Sale and Processing Services Agreement

Date: 30 August 2023

Parties:

1. The Company
2. Weichai Holdings

Term: 1 January 2024 to 31 December 2026

Other terms and details:

The terms of the New Weichai Sale and Processing Services Agreement are substantially the same as those of the Existing Weichai Sale and Processing Services Agreement.

Pursuant to the New Weichai Sale and Processing Services Agreement, the Company and its subsidiaries (as the case may be) shall sell diesel engines, diesel engine parts and components, materials, semi-finished products, hydraulic products and related products and to provide the related services (as the case may be) to Weichai Holdings and its Associates (as the case may be) at market prices and/or prices agreed according to the principle of fairness and reasonableness, for a term of three years ending 31 December 2026. 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. Upon the expiry of the term of the agreement, the parties shall have an option to renew the agreement for a term of three years on a mutually agreed basis.

The price of the said products and services shall be determined according to the following mechanism: the relevant department of the Group 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 Group's price management department and the final prices are determined at arm's length negotiation among the parties. The price management department of the Group 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 2023:

	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Existing Cap	3,900,000,000	5,200,000,000	6,900,000,000

The table below summarises the actual transaction amounts involved for each of the two years ended 31 December 2022 (audited) and the six months ended 30 June 2023 (unaudited) for the Continuing Connected Transaction set out in this sub-section 1.(b):

	<b>For the year ended 31 December 2021 RMB (audited)</b>	<b>For the year ended 31 December 2022 RMB (audited)</b>	<b>For the six months ended 30 June 2023 RMB (unaudited)</b>
Actual transaction amount	3,162,102,630	2,939,648,571	2,295,174,790

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 2026 will not exceed RMB6,503,000,000, RMB6,725,000,000 and RMB7,102,000,000, 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 and its associates (as the case may be) in view of the implementation of the Group's sales plan for the years 2024 to 2026, having taken into account the estimated market conditions and export performance, the average unit prices of the same, and the costs of the related services to be provided.

In particular, in 2022, affected by the market conditions, there has been a relatively significant drop in the engine industry as a whole. In the first half of 2023, the actual transaction amount for the transaction has already amounted to RMB2,295 million, which the Board considers reflected a recovery of the relevant market conditions. Hence, based on the above factors and considering the forthcoming fluctuation of the market conditions coupled with the expected growth of the Group's operations, after taking into account the low utilisation rate of the relevant Existing Caps for 2022, the Board proposed that the New Cap for the year ending 31 December 2024 be adjusted downwards to RMB6,503,000,000 from the Existing Cap of RMB6,900,000,000 for the year ending 31 December 2023. Further, 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 3.4% and 5.6% for each of the years ending 31 December 2025 and 31 December 2026, 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 2026:

	<b>2024</b>	<b>2025</b>	<b>2026</b>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Proposed New Cap	6,503,000,000	6,725,000,000	7,102,000,000

As the highest percentage ratio calculated in accordance with the Listing Rules for this Continuing Connected Transaction for the three years ending 31 December 2026 (when aggregated with the proposed New Caps for the same period under sub-sections 2.(a), 2.(b), 2.(c) and 3.(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 2026 (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, the New Weichai Sale and Processing Services Agreement is conditional upon the relevant resolution being passed at the EGM.

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

Yangzhou Yaxing and its subsidiaries are principally engaged in the development, manufacture and sale of passenger vehicles. Yangzhou Yaxing is indirectly held as to 62.31% by Weichai Holdings, a substantial shareholder of the Company and hence it is also ultimately governed and controlled by the Shandong Provincial People's Government\* (山東省人民政府). For further details of Weichai Holdings and its ultimate beneficial owner, please refer to section II.1 of this announcement. 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 : New Weichai Yangzhou Supply Framework Agreement

Date : 30 August 2023

Parties : 1. The Company  
2. Yangzhou Yaxing

Term : 1 January 2024 to 31 December 2026

Other terms and details:

The terms of the New Weichai Yangzhou Supply Framework Agreement are substantially the same as those of the Existing Weichai Yangzhou Supply Framework Agreements.

Pursuant to the New Weichai Yangzhou Supply Framework Agreement, the Company and its subsidiaries shall sell 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, for a term of three years ending 31 December 2026. Depending on the terms of the definitive agreements to be entered into by the parties, the relevant price for the relevant products shall, as the case maybe, be settled on a monthly or quarterly basis. Upon the expiry of the term of the agreement, the parties may renew the term for a period of three years on a mutually agreed basis.

The price of the said products shall be determined according to the following mechanism: the relevant department of the Group 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 Group's price management department and the final prices are determined at arm's length negotiation among the parties. The price management department of the Group 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 2023 for the Continuing Connected Transaction set out in this sub-section 2.(a):

	<b>2021</b> <i>RMB</i>	<b>2022</b> <i>RMB</i>	<b>2023</b> <i>RMB</i>
Existing Cap	660,000,000	675,000,000	690,000,000

The table below summarises the actual transaction amounts involved for the two years ended 31 December 2022 (audited) and the six months ended 30 June 2023 (unaudited) for the Continuing Connected Transaction set out in this sub-section 2.(a):

	<b>For the year ended 31 December 2021 <i>RMB</i> (audited)</b>	<b>For the year ended 31 December 2022 <i>RMB</i> (audited)</b>	<b>For the six months ended 30 June 2023 <i>RMB</i> (unaudited)</b>
Actual transaction amount	4,740,694	19,783,354	13,485,618

The Company estimates that the transaction amount involved in this Continuing Connected Transaction as set out in this sub-section 2.(a) for the three years ending 31 December 2026 will not exceed RMB83,000,000, RMB117,000,000 and RMB145,000,000, respectively, and such amounts have accordingly been set as the proposed 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. In 2021 and 2022, affected by the transformation of the passenger vehicles market, the level of sales made by the Group to Yangzhou Yaxing and its subsidiaries had been lower than expected. However, in the first half of 2023, the passenger vehicle market has rebound and the actual transaction amount has shown improvement. Accordingly, taking into account (i) 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 adopting the new battery, motor and electric control system by Yangzhou Yaxing, and (ii) 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 2026.

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 all the aforesaid factors and the utilisation rate of the relevant Existing Caps for 2021 and 2022, the Board proposed that the New Cap for the year ending 31 December 2024 be adjusted downwards to RMB83,000,000 from the Existing Cap of RMB690,000,000 for the year ending 31 December 2023, and further, 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 41.0% and 23.9% for each of the two years ending 31 December 2026, respectively.

The table below summarises the proposed New Caps for the Continuing Connected Transaction as set out in this sub-section 2.(a) for the three years ending 31 December 2026:

	<b>2024</b>	<b>2025</b>	<b>2026</b>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Proposed New Cap	83,000,000	117,000,000	145,000,000

As the highest percentage ratio calculated in accordance with the Listing Rules for this Continuing Connected Transaction for the three years ending 31 December 2026 (when aggregated with the proposed New Caps for the same period under sub-sections 1.(b), 2.(b), 2.(c) and 3.(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 2026 (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, the New Weichai Yangzhou Supply Framework Agreement is conditional upon the relevant resolution being passed at the EGM.



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

Agreement : New Transmissions Supply Framework Agreement

Date : 30 August 2023

Parties : 1. SFGC  
2. Yangzhou Yaxing

Term : 1 January 2024 to 31 December 2026

Other terms and details:

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

Pursuant to the New Transmissions Supply Framework Agreement, SFGC has agreed to sell transmissions and related products to Yangzhou Yaxing and its subsidiaries at market prices and/or prices agreed according to the principle of fairness and reasonableness for a term of three years ending 31 December 2026. Depending on the terms of the definitive agreements to be entered into by the parties, the relevant price for the relevant products shall, as the case maybe, be settled on a monthly or quarterly basis. Upon the expiry of the term of the agreement, the parties may renew the term for a period of three years on a mutually agreed basis.

The price of the said products shall be determined according to the following mechanism: the relevant department of the Group 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 Group's price management department and the final prices are determined at arm's length negotiation among the parties. The price management department of the Group 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 2023 for the Continuing Connected Transaction set out in this sub-section 2.(b):

	<b>2021</b> <i>RMB</i>	<b>2022</b> <i>RMB</i>	<b>2023</b> <i>RMB</i>
Existing Cap	50,000,000	60,000,000	72,000,000

The table below summarises the actual transaction amounts involved for the two years ended 31 December 2022 (audited) and the six months ended 30 June 2023 (unaudited) for this Continuing Connected Transaction set out in this sub-section 2.(b):

	<b>For the year ended 31 December 2021</b> <i>RMB</i> <i>(audited)</i>	<b>For the year ended 31 December 2022</b> <i>RMB</i> <i>(audited)</i>	<b>For the six months ended 30 June 2023</b> <i>RMB</i> <i>(unaudited)</i>
Actual transaction amount	1,516,814	1,287,275	2,822,081

The Company estimates that the transaction amount involved in this Continuing Connected Transaction as set out in this sub-section 2.(b) for the three years ending 31 December 2026 will not exceed RMB8,000,000, RMB9,000,000 and RMB10,000,000, respectively, and such amounts have accordingly been set as the proposed New Caps for this Continuing Connected Transaction.

Yangzhou Yaxing and its subsidiaries purchase the said transmissions and related products from SFGC as one of the components for the production of passenger vehicles. In 2021 and 2022, affected by the substantive drop of the passenger vehicle market, the level of sales made by our Group to Yangzhou Yaxing and its subsidiaries had been lower than expected. However, along with the improvement in the economic environment, the market demands have recovered and will enter into a new round of replacement cycle. Affected by factors including the gradual release of demands in purchasing of new vehicles, it is expected that the passenger vehicles market will rebound. This is demonstrated by the improvement in the actual transaction amount in the first half of 2023. Accordingly, 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 and related products 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 2026.

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 the low utilisation rate of the relevant Existing Caps for 2021 and 2022, the Board proposed that the New Cap for the year ending 31 December 2024 be adjusted downwards to RMB8,000,000 to reflect the latest actual transaction amounts, further, 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 12.5% and 11.1% for each of the two years ending 31 December 2026, respectively.

The table below summarises the proposed New Caps for the Continuing Connected Transaction as set out in this sub-section 2.(b) for the three years ending 31 December 2026:

	<b>2024</b>	<b>2025</b>	<b>2026</b>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Proposed New Cap	8,000,000	9,000,000	10,000,000

As the highest percentage ratio calculated in accordance with the Listing Rules for this Continuing Connected Transaction for the three years ending 31 December 2026 (when aggregated with the proposed New Caps for the same period under sub-sections 1.(b), 2.(a), 2.(c) and 3.(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 2026 (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, the New Transmissions Supply Framework Agreement is conditional upon the relevant resolution being passed at the EGM.

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

Agreement	:	New Axles Supply Framework Agreement
Date	:	30 August 2023
Parties	:	1. Hande Axle 2. Yangzhou Yaxing
Term	:	1 January 2024 to 31 December 2026

Other terms and details:

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

Pursuant to the New Axles Supply Framework Agreement, Hande Axle has agreed to sell the axles and related products to Yangzhou Yaxing and its subsidiaries at market prices and/or prices agreed according to the principle of fairness and reasonableness for a term of three years ending 31 December 2026. Depending on the terms of the definitive agreements to be entered into by the parties, the relevant price for the relevant products shall, as the case maybe, be settled on a monthly or quarterly basis. Upon the expiry of the term of the agreement, the parties may renew the term for a period of three years on a mutually agreed basis.

The price of the said products shall be determined according to the following mechanism: the relevant department of the Group 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 Group's price management department and the final prices are determined at arm's length negotiation among the parties. The price management department of the Group 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 2023 for the Continuing Connected Transaction set out in this subsection 2.(c):

	<b>2021</b> <i>RMB</i>	<b>2022</b> <i>RMB</i>	<b>2023</b> <i>RMB</i>
Existing Cap	77,000,000	90,000,000	101,000,000

The table below summarises the actual transaction amounts involved for the two years ended 31 December 2022 (audited) and the six months ended 30 June 2023 (unaudited) for the Continuing Connected Transaction set out in this sub-section 2.(c):

	<b>For the year ended 31 December 2021 RMB (audited)</b>	<b>For the year ended 31 December 2022 RMB (audited)</b>	<b>For the six months ended 30 June 2023 RMB (unaudited)</b>
Actual transaction amount	14,213,499	21,124,342	5,962,436

The Company estimates that the transaction amount involved in this Continuing Connected Transaction as set out in this sub-section 2.(c) for the three years ending 31 December 2026 will not exceed RMB23,000,000, RMB26,000,000 and RMB29,000,000, respectively, and such amounts have accordingly been set as the proposed New Caps for this Continuing Connected Transaction.

Yangzhou Yaxing and its subsidiaries purchase the said axles and related products 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 and related products 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 2026.

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 the low utilisation rate of the relevant Existing Caps for 2021 and 2022, the Board proposed that the New Cap for the year ending 31 December 2024 be adjusted downwards to RMB23,000,000 to reflect the latest actual transaction amounts, further, on the basis of all the aforesaid factors, it is estimated that the overall transaction amount of the sale of axles and related products by Hande Axle to Yangzhou Yaxing and its subsidiaries on an annual basis will increase by approximately 13.0% and 11.5% for each of the two years ending 31 December 2026, respectively.

The table below summarises the proposed New Caps for the Continuing Connected Transaction as set out in this sub-section 2.(c) for the three years ending 31 December 2026:

	<b>2024</b> <i>RMB</i>	<b>2025</b> <i>RMB</i>	<b>2026</b> <i>RMB</i>
Proposed New Cap	23,000,000	28,000,000	29,000,000

As the highest percentage ratio calculated in accordance with the Listing Rules for this Continuing Connected Transaction for the three years ending 31 December 2026 (when aggregated with the proposed New Caps for the same period under sub-sections 1.(b), 2.(a), 2.(b) and 3.(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, the New Axles Supply Framework Agreement and the proposed New Caps are subject to the relevant resolution being passed at the EGM.

### **3. 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 and hence, it is also ultimately governed and controlled by the Shandong Provincial People's Government\* (山東省人民政府). For further details of Weichai Holdings and its ultimate beneficial owner, please refer to section II.1 of this announcement. 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: New Weichai Westport Supply Agreement

Date: 30 August 2023

Parties: 1. The Company  
2. Weichai Westport

Term: 1 January 2024 to 31 December 2026

Other terms and details:

The terms of the New Weichai Westport Supply Agreement are substantially the same as those of the Existing Weichai Westport Supply Agreement.

Pursuant to the New Weichai Westport Supply Agreement, each of the Company and its subsidiaries and/or associates shall supply 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, for a term of three years ending 31 December 2026. 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. Upon the expiry of the term of the agreement, the parties may extend the term for three years on a mutually agreed basis.

The sale price of the said products and services is determined according to the following mechanism: the relevant department of the Group 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 Group's price management department and the final prices are determined at arm's length negotiation among the parties. The price management department of the Group 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 the minority Shareholders.

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

	<b>2021</b> <i>RMB</i>	<b>2022</b> <i>RMB</i>	<b>2023</b> <i>RMB</i>
Existing Cap	580,000,000	630,000,000	680,000,000

The table below summarises the actual transaction amounts involved for each of the two years ended 31 December 2022 (audited) and the six months ended 30 June 2023 (unaudited) for the Continuing Connected Transaction set out in this sub-section 3.(a):

	<b>For the year ended 31 December 2021 <i>RMB</i> (audited)</b>	<b>For the year ended 31 December 2022 <i>RMB</i> (audited)</b>	<b>For the six months ended 30 June 2023 <i>RMB</i> (unaudited)</b>
Actual transaction amount	293,254,311	340,999,228	169,479,501

The Company estimates that the transaction amount of this Continuing Connected Transaction for the three years ending 31 December 2026 shall not exceed RMB896,000,000, RMB906,000,000 and RMB935,000,000, respectively, and the same have been accordingly set as the proposed New Caps for this Continuing Connected Transaction.

The proposed New Caps have been prepared by the Company primarily based on (i) the historical transaction amounts, in particular, that the sales of gas engines by the Group in the first half of 2023 having increased substantially by approximately five times when compared with that of the corresponding period, and the related maintenance services provided by the Group to Weichai Westport in 2024 are therefore expected to increase substantially, (ii) the expectation that the actual transaction amount for the second half of 2023 will show further improvement given that the settlement in respect of the Group's technology development services are expected to take place in the second half of 2023, (iii) 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 (iv) 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 mildly by approximately 1.1% and 3.2% for each of the two years ending 31 December 2026, respectively.



The table below summarises the proposed New Caps for the Continuing Connected Transaction as set out in this sub-section 3.(a) for the three years ending 31 December 2026:

	<b>2024</b> <i>RMB</i>	<b>2025</b> <i>RMB</i>	<b>2026</b> <i>RMB</i>
Proposed New Cap	896,000,000	906,000,000	935,000,000

As the highest percentage ratio calculated in accordance with the Listing Rules for this Continuing Connected Transaction for the three years ending 31 December 2026 (when aggregated with the proposed New Caps for the same period under sub-sections 1.(b), 2.(a), 2.(b) and 2.(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 2026 (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, the New Weichai Westport Supply 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: New Weichai Westport Purchase Agreement

Date: 30 August 2023

Parties: 1. The Company  
2. Weichai Westport

Term: 1 January 2024 to 31 December 2026



Other terms and details:

The terms of the New Weichai Westport Purchase Agreement are substantially the same as those of the Existing Weichai Westport Purchase Agreement.

Pursuant to the New Weichai Westport Purchase Agreement, the Company and its subsidiaries and/or associates shall purchase certain gas engines, gas engine parts, labour services and related products and services from Weichai Westport, at market prices and/or prices agreed according to the principle of fairness and reasonableness, for a term of three years ending 31 December 2026. 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. Upon the expiry of the term of the agreement, the parties may extend the term for three years on a mutually agreed basis.

The sale price of the said products and services is determined according to the following mechanism: the relevant department of the Company shall regularly carry out market research and analysis, 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 2023 for the Continuing Connected Transaction set out in this sub-section 3.(b):

	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Existing Cap	5,270,000,000	6,320,000,000	7,570,000,000

The table below summarises the actual transaction amounts involved for each of the two years ended 31 December 2022 (audited) and the six months ended 30 June 2023 (unaudited) for the Continuing Connected Transaction set out in this sub-section 3.(b):

	<b>For the year ended 31 December 2021 RMB (audited)</b>	<b>For the year ended 31 December 2022 RMB (audited)</b>	<b>For the six months ended 30 June 2023 RMB (unaudited)</b>
Actual transaction amount	2,389,305,998	810,590,661	1,756,952,425

The Company estimates that the transaction amount of this Continuing Connected Transaction for the three years ending 31 December 2026 shall not exceed RMB4,644,000,000, RMB4,656,000,000 and RMB4,704,000,000, respectively, and the same have been accordingly set as the proposed New Caps for this Continuing Connected Transaction.

In 2021 and 2022, affected by the sluggish performance of the heavy duty vehicle industry, the amount of procurement made by our Group from Weichai Westport had been lower than expected. However, in the first half of 2023, with the improved economic conditions and having policies in place which resulted in a gradual release of demands, there has been increased factors favourable to the development of the industry, and hence it is expected that the heavy duty vehicle market will rebound. This is demonstrated by the improvement in the actual transaction amount in the first half of 2023. 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 2026, 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 in particular, the actual transaction amount for the six months ended 30 June 2023, (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 the relatively low utilisation rate

of the relevant Existing Caps for 2021 and 2022, the Board proposed that New Cap for the year ending 31 December 2024 be adjusted downwards to RMB4,644 million from the Existing Cap of RMB7,570 million for the year ending 31 December 2023. Further, 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 mildly by approximately 0.3% and 1.0% for each of the two years ending 31 December 2026, respectively.

The table below summarises the proposed New Caps for the Continuing Connected Transaction as set out in this sub-section 3.(b) for the three years ending 31 December 2026:

	<b>2024</b>	<b>2025</b>	<b>2026</b>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Proposed New Cap	4,644,000,000	4,656,000,000	4,704,000,000

As the highest percentage ratio calculated in accordance with the Listing Rules for this Continuing Connected Transaction for the three years ending 31 December 2026 exceeds the 5% Threshold when aggregated with the transactions as disclosed in the announcement of the Company dated 27 January 2022, 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 2026 is a Non-exempt Continuing Connected Transaction and the proposed New Caps are subject to the approval of the independent Shareholders, the New Weichai Westport Purchase 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 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.

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 New Framework 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 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 New Framework 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 30 August 2023 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, Zhang Quan, Ma Changhai, Wang Decheng and Sun Shaojun;

2. Continuing Connected Transactions with Yangzhou Yaxing (and its subsidiaries) set out under section II.2. in this announcement – Tan Xuguang, Zhang Quan, Ma Changhai, Wang Decheng and Sun Shaojun; and
3. Continuing Connected Transactions with Weichai Westport set out under section II.3. in this announcement – Tan Xuguang, Zhang Quan, Ma Changhai, Wang Decheng 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.(a), (b) and (c), and II.3.(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 New Framework 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 the announcement of the Company dated 27 August 2020, 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 of the Group.

On 30 August 2023, the Group has entered into (i) the framework agreement (the “**New Weichai Westport Logistics Agreement**”) in relation to the provision of logistics and storage services by the Group to Weichai Westport to renew the existing framework agreement entered into between the said parties dated 25 December 2012 (as supplemented by the supplemental agreements dated 28 November 2013, 8 December 2014, 14 July 2017 and 27 August 2020, respectively); and (ii) the framework agreement (the “**New Weichai Westport Leasing Agreement**”) in relation to the leasing of factory buildings by the Company to Weichai Westport to renew the existing framework agreement entered into between the said parties dated 25 December 2012 (as supplemented by the supplemental agreements dated 8 December 2014, 14 July 2017 and 27 August 2020, respectively), and shall apply for the new caps for such PRC Continuing Connected Transactions for the three years ending 31 December 2026.

The proposed new caps for each of such transactions for the term from 1 January 2024 to 31 December 2026 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 New Framework Agreements) are subject to the approval of the independent Shareholders. For further details of the PRC Continuing Connected Transactions and the PRC New Framework Agreements, please refer to the announcement of the Company dated 30 August 2023 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:

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



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 2024 RMB	For the year ending 31 December 2025 RMB	For the year ending 31 December 2026 RMB
1. Provision of logistics, storage, etc. services by the Company (and/or its associates) to Weichai Westport	20,000,000	20,000,000	20,000,000
2. Leasing of factory buildings by the Company to Weichai Westport	14,000,000	14,000,000	14,000,000

**V. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER**

An Independent Board Committee comprising the independent non-executive Directors (namely, Ms. Jiang Yan, Mr. Yu Zhuoping, Mr. Chi Deqiang, Mr. Zhao Fuquan, and Mr. Xu Bing) 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. As the Company expects that more time will be needed to prepare the information to be contained in the circular, the circular will be despatched to the Shareholders on or before 30 October 2023 in accordance with the Listing Rules.



## VII. DEFINITIONS

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

“0.1% Threshold”	the thresholds referred to in Rule 14A.76(1)(a) of the Listing Rules
“5% Threshold”	the thresholds referred to in Rule 14A.76(2)(a) of the Listing Rules
“Associate(s)”	has the meaning ascribed to an “associate” under Rule 14A.06(2) of the Listing Rules, and further includes any company that constitutes a connected subsidiary of the Company pursuant to Rule 14A.16 of the Listing Rules due to such associate’s shareholding therein
“Chongqing Casting”	重慶市江津區重灘鑄造有限責任公司 (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
“Company”	濰柴動力股份有限公司 (Weichai Power Co., Ltd.), a company established in the PRC with limited liability
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Continuing Connected Transaction(s)”	the continuing connected transaction(s) of the Group set out in the section headed “II. Continuing Connected Transactions” in this announcement
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held to consider and, if thought fit, approve, <i>inter alia</i> , the New Caps and the New Framework 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 Axles Supply Framework Agreement”	the axles supply framework agreement between Hande Axle and Yangzhou Yaxing dated 26 October 2012 (as supplemented by the supplemental agreements dated 21 March 2013, 28 March 2014, 30 March 2015, 28 March 2018 and 27 August 2020, respectively)
“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
“Existing Framework Agreements”	the Existing Axles Supply Framework Agreement, Existing Transmissions Supply Framework Agreement, Existing Utility Services Purchase Agreements, Existing Weichai Sale and Processing Services Agreement, Existing Weichai Westport Purchase Agreement, Existing Weichai Westport Supply Agreement and Existing Weichai Yangzhou Supply Framework Agreement
“Existing Transmissions Supply Framework Agreement”	the transmissions supply framework agreement entered into between SFGC and Yangzhou Yaxing dated 26 October 2012 (as supplemented by the supplemental agreements dated 21 March 2013, 28 March 2014, 30 March 2015, 28 March 2018 and 27 August 2020, respectively)
“Existing Utility Services Purchase Agreements”	the utility services purchase agreements comprising: <ul style="list-style-type: none"> <li>(i) the utility services agreement between the Company and Weichai Holdings dated 17 November 2003 (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, 13 July 2018 and 27 August 2020, respectively); and</li> </ul>

	(ii) the utility services agreement between the Company and Chongqing Weichai dated 17 November 2003 (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, 13 July 2018 and 27 August 2020, respectively)
“Existing Weichai Sale and Processing Services Agreement”	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 dated 27 November 2008 (as supplemented by the supplemental agreements dated 23 August 2010, 29 August 2013, 30 August 2016, 30 August 2017, 13 July 2018 and 27 August 2020, respectively)
“Existing Weichai Westport Purchase Agreement”	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 dated 25 December 2012 (as supplemented by the supplemental agreements dated 8 December 2014, 14 July 2017 and 27 August 2020, respectively)
“Existing Weichai Westport Supply Agreement”	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 dated 25 December 2012 (as supplemented by the supplemental agreements dated 8 December 2014, 14 July 2017 and 27 August 2020, respectively)
“Existing Weichai Yangzhou Supply Framework Agreement”	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, 28 March 2018 and 27 August 2020, respectively)
“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
“Independent Board Committee”	a committee of the Board comprising Ms. Jiang Yan, Mr. Yu Zhuoping, Mr. Chi Deqiang, Mr. Zhao Fuquan and Mr. Xu Bing, being the independent non-executive Directors
“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
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“New Axles Supply Framework Agreement”	the axles supply framework agreement entered into between Hande Axle and Yangzhou Yaxing on 30 August 2023 as more particularly set out in section II.2.(c) of this announcement
“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
“New Framework Agreements”	the New Axles Supply Framework Agreement, New Transmissions Supply Framework Agreement, New Utilities Services Purchase Agreement, New Weichai Sale and Processing Services Agreement, New Weichai Westport Purchase Agreement, New Weichai Westport Supply Agreement and New Weichai Yangzhou Supply Framework Agreement, and “New Framework Agreement” means any of them
“New Transmissions Supply Framework Agreement”	the transmissions supply framework agreement entered into between SFGC and Yangzhou Yaxing on 30 August 2023 as more particularly set out in section II.2.(b) of this announcement
“New Utility Services Purchase Agreement”	the framework in relation to the purchase and/or connection of utilities entered into between Weichai Holdings and the Company on 30 August 2023 as more particularly set out in section II.1.(a) of this announcement

“New Weichai Sale and Processing Services Agreement”	the diesel engines, diesel engines parts and components, materials and related products sale and provision of related services agreement entered into between the Company and Weichai Holdings on 30 August 2023 as more particularly set out in section II.1.(b) of this announcement
“New Weichai Westport Leasing Agreement”	has the meaning as ascribed to it under the section headed “IV. PRC Continuing Connected Transactions” in this announcement
“New Weichai Westport Logistics Agreement”	has the meaning as ascribed to it under the section headed “IV. PRC Continuing Connected Transactions” in this announcement
“New Weichai Westport Purchase Agreement”	the framework agreement in relation to the purchase of gas engines, gas engine parts and related products entered into between the Company and Weichai Westport on 30 August 2023 as more particularly set out in section II.3.(b) of this announcement
“New Weichai Westport Supply Agreement”	the framework agreement in relation to the supply of base engines, gas engine parts and related products entered into between the Company and Weichai Westport on 30 August 2023 as more particularly set out in section II.3.(a) of this announcement
“New Weichai Yangzhou Supply Framework Agreement”	the diesel engines supply framework agreement entered into between the Company and Yangzhou Yaxing on 30 August 2023 as more particularly set out in section II.2.(a) of 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 30 August 2023 on the Shenzhen Stock Exchange
“PRC New Framework Agreements”	the New Weichai Westport Logistics Agreement and New Weichai Westport Leasing Agreement
“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
“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

“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 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 was, at the time of entering into the Existing Weichai Sale and Processing Services Agreement, wholly-owned by Weichai Holdings and a connected person 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 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 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 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, 30 August 2023

*As at the date of this announcement, the executive Directors of the Company are Mr. Tan Xuguang, Mr. Zhang Quan, Mr. Ma Changhai, Mr. Wang Decheng, Mr. Sun Shaojun, Mr. Yuan Hongming, and Mr. Ma Xuyao; the non-executive Directors of the Company are Mr. Zhang Liangfu, Mr. Richard Robinson Smith and Mr. Michael Martin Macht; and the independent non-executive Directors of the Company are Ms. Jiang Yan, Mr. Yu Zhuoping, Mr. Chi Deqiang, Mr. Zhao Fuquan and Mr. Xu Bing.*