

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



WEICHAI

濰柴動力股份有限公司

WEICHAI POWER CO., LTD.

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 2338)

ANNOUNCEMENT CONTINUING CONNECTED TRANSACTIONS

SUMMARY

The Board announces that on 29 April 2014, the Group has entered into the Supplemental Agreements in respect of the Continuing Connected Transactions as more particularly described herein.

A circular containing, *inter alia*, (i) further details of the Continuing Connected Transactions; (ii) a letter from the Independent Board Committee to the Independent Shareholders in relation to the 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 Continuing Connected Transactions, will be despatched to the Shareholders on or before 22 May 2014.

I. INTRODUCTION

Reference is made to the announcements of the Company dated 30 August 2012 and 29 August 2013, respectively, in respect of, *inter alia*, the Continuing Connected Transactions of the Company where the Existing Caps for such Continuing Connected Transactions were set.

For these Continuing Connected Transactions, the Company proposes to revise the Existing Caps and/or apply for New Caps. For such purposes, the Group entered into the Supplemental Agreements. The Supplemental Agreements and the relevant New Caps in respect of the Continuing Connected Transactions, being Non-exempt Continuing Connected Transactions, are conditional on the approval by the Independent Shareholders at the AGM.

A summary of the Continuing Connected Transactions, the Supplemental Agreements, the Existing Caps, the actual transaction amounts of the Continuing Connected

Transactions for the relevant periods and the New Caps (and their bases) is set out in the section headed “II. Continuing Connected Transactions” in this announcement.

II. CONTINUING CONNECTED TRANSACTIONS

SUMMARY OF THE CONTINUING CONNECTED TRANSACTIONS AND THE NEW CAPS

The Continuing Connected Transactions include the following:

Name of connected person	Name of Group Company	Connected person's relationship with the Group	Nature of the connected transaction with the Group
1. Shaanxi Automotive (and its associates) (note 1)	Shaanxi Zhongqi (note 2), Hande Axle (note 3), Jinding (note 4), Shaanxi Import and Export (note 5), Tiangua (note 6) and Weichai Freshen Air (note 7)	Holder of 49% of the equity of Shaanxi Zhongqi	Sale of vehicles, parts and components of vehicles, raw materials and related products and provision of the relevant services by Shaanxi Zhongqi (and its subsidiaries) and Weichai Freshen Air (as the case may be) to Shaanxi Automotive (and its associates) (as the case may be)
2. Shaanxi Automotive (and its associates) (note 8)	Shaanxi Zhongqi (note 2), Hande Axle (note 3), Jinding (note 4), Shaanxi Import and Export (note 5) and Tiangua (note 6)	Holder of 49% of the equity of Shaanxi Zhongqi	Purchase of parts and components of vehicles, scrap steel and related products and labour services by Shaanxi Zhongqi (and its subsidiaries) from Shaanxi Automotive (and its associates)

Notes:

- These are more particularly described in the section headed “II.1. Sale of vehicles, parts and components of vehicles, raw materials and related products and provision of relevant services by Shaanxi Zhongqi (and its subsidiaries) and Weichai Freshen Air (as the case may be) to Shaanxi Automotive (and its associates) (as the case may be)” in this announcement.
- Shaanxi Zhongqi is a 51% subsidiary of the Company.
- Hande Axle is held as to approximately 3.06% by the Company and as to approximately 94% by Shaanxi Zhongqi.
- Jinding is held as to approximately 95.76% by Shaanxi Zhongqi and as to approximately 4.24% by Hande Axle.
- Shaanxi Import and Export is a wholly-owned subsidiary of Shaanxi Zhongqi.
- Tiangua is a wholly owned subsidiary of Shaanxi Zhongqi.
- Weichai Freshen Air is a wholly owned subsidiary of the Company.
- As more particularly described in the section headed “II.2. Purchase of parts and components of vehicles, scrap steel and related products and labour services by Shaanxi Zhongqi (and its subsidiaries) from Shaanxi Automotive (and its associates)” in this announcement.

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 Transaction	New Caps		
	2014 RMB	2015 RMB	2016 RMB
1. Shaanxi Automotive (and its associates)			
Sale of vehicles, parts and components of vehicles, raw materials and related products and provision of relevant services by Shaanxi Zhongqi (and its subsidiaries) and Weichai Freshen Air (as the case may be) to Shaanxi Automotive (and its associates) (as the case may be)	4,800,000,000 [#]	6,500,000,000 [#]	8,100,000,000 [#]
2. Shaanxi Automotive (and its associates)			
Purchase of parts and components of vehicles, scrap steel and related products and labour services by Shaanxi Zhongqi (and its subsidiaries) from Shaanxi Automotive (and its associates)	5,800,000,000 [#]	7,200,000,000 [#]	8,600,000,000 [#]

Note:

Where a New Cap is marked “#”, that means the relevant Continuing Connected Transaction is a Non-exempt Continuing Connected Transaction, because it exceeds the 5% Threshold and is subject to the approval by the Independent Shareholders.

DETAILS OF THE CONTINUING CONNECTED TRANSACTIONS AND THE RELEVANT SUPPLEMENTAL AGREEMENTS

Continuing connected transaction between Shaanxi Zhongqi (and its subsidiaries), Weichai Freshen Air and Shaanxi Automotive (and its associates)

Shaanxi Zhongqi and its subsidiaries and Weichai Freshen Air

Shaanxi Zhongqi is a 51% subsidiary of the Company and is principally engaged in the manufacture and sale of heavy-duty vehicles and parts and components of heavy-duty vehicles.

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

Jinding is held as to approximately 95.76% by Shaanxi Zhongqi and as to approximately 4.24% by Hande Axle and is principally engaged in the research and development, production and processing of casting products.

Shaanxi Import and Export is a wholly owned subsidiary of Shaanxi Zhongqi and is principally engaged in the import and export of vehicles and their parts and components.

Tiangua is a wholly owned subsidiary of Shaanxi Zhongqi and is principally engaged in the conversion of vehicles and the sale of vehicles and their parts and components.

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

Shaanxi Automotive and its associates

Shaanxi Automotive is engaged in investment holding. Shaanxi Automotive is a substantial shareholder of Shaanxi Zhongqi (which is a subsidiary of the Company) and is accordingly a connected person of the Company.

Shaanxi Wanfang is a wholly owned subsidiary of Shaanxi Automotive and is accordingly an associate of Shaanxi Automotive and a connected person of the Company. Shaanxi Wanfang is principally engaged in the sale of parts and components of vehicles.

Shaanxi Huazhen is wholly-owned by Shaanxi Automotive and is accordingly an associate of Shaanxi Automotive and a connected person of the Company. Shaanxi Huazhen is principally engaged in the sale of vehicles and parts and components of vehicles.

Shaanxi Lantong is held as to approximately 59.99% by Shaanxi Automotive and is accordingly an associate of Shaanxi Automotive and a connected person of the Company. Shaanxi Lantong is principally engaged in the sale of parts and components of vehicles.

Shaanxi Tongchuang is held as to approximately 50% by Shaanxi Automotive and is accordingly an associate of Shaanxi Automotive and a connected person of the Company. Shaanxi Tongchuang is principally engaged in the sale of parts and components of vehicles.

Shaanxi Tongli is held as to approximately 99% by Shaanxi Automotive and is accordingly an associate of Shaanxi Automotive and a connected person of the Company. Shaanxi Tongli is principally engaged in the sale of special-purpose vehicles and parts and components of vehicles.

Wenzhou Yunding is held as to approximately 30% by Shaanxi Automotive and is accordingly an associate of Shaanxi Automotive and a connected person of the Company. Wenzhou Yunding is principally engaged in the research and development, manufacture, sale and services of parts and components of vehicles.

Changsha Huantong is held as to approximately 51% by Shaanxi Automotive and is accordingly an associate of Shaanxi Automotive and a connected person of the Company. Changsha Huantong is principally engaged in the development and sale of vehicles, automobile chassis and parts and components of vehicles.

Xunyang Baotong is held as to approximately 51% by Shaanxi Automotive and is accordingly an associate of Shaanxi Automotive and a connected person of the Company. Xunyang Baotong is principally engaged in the manufacture and sale of parts and components of vehicles.

Yanan Vehicle is held as to approximately 51% by Shaanxi Automotive and is accordingly an associate of Shaanxi Automotive and a connected person of the Company. Yanan Vehicle is principally engaged in the manufacture, research and development, and sale of special purpose vehicles.

Shaanxi Fangyuan is a wholly owned subsidiary of Shaanxi Automotive and is accordingly an associate of Shaanxi Automotive and a connected person of the Company. Shaanxi Fangyuan is principally engaged in the manufacture and sale of parts and components of vehicles.

Shaanqi Holdings holds approximately 55.71% of the equity interest in Shaanxi Automotive and is accordingly an associate of Shaanxi Automotive and a connected person of the Company. Shaanqi Holdings is principally engaged in vehicle industry, business investment, investment management and consultancy.

Shaanqi Industry is held as to approximately 60.09% by Shaanqi Holdings and is accordingly an associate of Shaanxi Automotive and a connected person of the Company. Shaanqi Industry is principally engaged in project investment, asset management, logistic service and management, venue rental, investment management and consultancy.

Baoji Huashan is held as to approximately 58.42% by Shaanqi Industry and is accordingly an associate of Shaanxi Automotive and a connected person of the Company. Baoji Huashan is principally engaged in the manufacture and sale of special purpose vehicles and their parts and components.

Dongfeng Axle is held as to approximately 45.73% by Shaanxi Industry and is accordingly an associate of Shaanxi Automotive and a connected person of the Company. Dongfeng Axle is principally engaged in the sale of parts and components of vehicles.

Xian Lande is wholly-owned by Shaanxi Automotive and is accordingly an associate of Shaanxi Automotive and a connected person of the Company. Xian Lande is principally engaged in the development of new energy vehicle technology, technical consultation, technical service, technology transfer, production and sale of vehicle parts, and sale of vehicles (excluding cars).

Shaanxi Tongjia is held as to approximately 57.92% by Shaanqi Industry and is accordingly an associate of Shaanxi Automotive and a connected person of the Company. Shaanxi Tongjia is principally engaged in the research and development, production and sale of micro cars, multi-purpose trucks and sport utility vehicles.

Shaanxi Dongming is held as to approximately 73.48% by Shaanxi Automotive and is accordingly an associate of Shaanxi Automotive and a connected person of the Company. Shaanxi Dongming is principally engaged in the research and development, production and sale of vehicle parts and components, electric axles, low-speed electric vehicles and sale of heavy-duty vehicles.

Huazhen Trading is wholly-owned by Shaanqi Industry and is accordingly an associate of Shaanxi Automotive and a connected person of the Company. Huazhen Trading is principally engaged in logistic management and service, and the sale of scrap metals and non-metal recycle resources.

Deyin Finance is wholly owned by Shaanxi Automotive and is accordingly an associate of Shaanxi Automotive and a connected person of the Company. Deyin Finance is principally engaged in finance leasing, leasing of mechanical and electronic equipment, acquisition of leased assets within the PRC and from abroad, treatment of residue value of leased assets, repair and reconstruction, consultation and guarantee for leasing transactions, sale of vehicles (other than small sedans) and automobile components, consultation for leasing business, technical services, project investment (limited to internal fund).

Shanghai Yuanxing is held as to approximately 60% by Deyin Finance and is accordingly an associate of Shaanxi Automotive and a connected person of the Company. Shanghai Yuanxing is principally engaged in general goods and transportation agency within the PRC, warehousing (other than hazardous items), sale of commercial vehicles and passenger vehicles of more than 9 seats, automobile accessories, lubricating oil, construction materials, metal materials, chemical products (other than hazardous chemical products, controlled chemical products, chemicals easily convertible to poison, fireworks and firecrackers, explosive materials for civil use) and hardware and electric products; leasing of self-owned equipment; and international trade.

Zhongfu Wulian is held as to approximately 51% by Deyin Finance and is accordingly an associate of Shaanxi Automotive and a connected person of the Company. Zhongfu Wulian is principally engaged in transportation of general goods; sale of vehicles and accessories, smart terminal equipment, lubricating oil, construction materials, metal materials, chemical products (other than those which are easily convertible into poison, dangerous chemical products and controlled chemical products) and hardware and electrochemical products; transportation agency within the PRC; information service for logistics arrangements; warehousing, leasing of machinery equipment, houses and land; and exchange of second-hand vehicles.

Zhongjiao Tianjian is held as to approximately 65% by Deyin Finance and is accordingly an associate of Shaanxi Automotive and a connected person of the Company. Zhongjiao Tianjian is principally engaged in development, transfer and consultation of and for networking technology for vehicles; information service for road traffic and transportation; logistics information service; sale of electronic products and communication equipment; computer system integration; development of software; development of scientific research projects and transfer of technological results.

Deyin Logistic is held wholly owned by Shanghai Yuanxing and is accordingly an associate of Shaanxi Automotive and a connected person of the Company. Deyin Logistic is principally engaged in transportation of general goods, (container) transportation, transportation agency within the PRC; sale of commercial vehicles and passenger vehicles of less than 9 seats, automobile accessories, lubricating oil, construction materials, metal materials, chemical products (other than inflammable and explosive hazardous chemical products) and hardware and electric products; leasing of vehicles, construction machinery and self-owned equipment.

Tonghui Logistic is held as to approximately 52% by Shanghai Yuanxing and is accordingly an associate of Shaanxi Automotive and a connected person of the Company. Tonghui Logistic is principally engaged in distribution and warehousing of goods (other than hazardous items), transportation of general goods; transportation agency; consultation for logistics information; logistics and packaging; sale of automobile accessories; processing, assembling and repairing of machinery (other than special equipment).

1. *Sale of vehicles, parts and components of vehicles, raw materials and related products and provision of the relevant services by Shaanxi Zhongqi (and its subsidiaries) and Weichai Freshen Air (as the case may be) to Shaanxi Automotive (and its associates) (as the case may be)*

Agreement: Supplemental Agreement to vehicles, parts and components and raw materials sale and heat processing services agreement (“**Shaanxi Zhongqi Sale Agreement**”) dated 1 August 2007 (as supplemented by the supplemental agreements dated 27 November 2008, 23 August 2010 and 30 August 2012, respectively)

Date: 29 April 2014

Parties:

1.
 - (a) Shaanxi Zhongqi
 - (b) Hande Axle
 - (c) Jinding
 - (d) Shaanxi Import and Export
 - (e) Tiangua
 - (f) Weichai Freshen Air
2.
 - (a) Shaanxi Automotive
 - (b) Shaanxi Wanfang
 - (c) Shaanxi Huazhen
 - (d) Shaanxi Lantong
 - (e) Shaanxi Tongchuang
 - (f) Shaanxi Tongli
 - (g) Baoji Huashan
 - (h) Wenzhou Yunding
 - (i) Changsha Huantong
 - (j) Xunyang Baotong
 - (k) Dongfeng Axle
 - (l) Yanan Vehicle
 - (m) Shaanxi Fangyuan

- (n) Huazhen Trading
- (o) Shaanxi Dongming
- (p) Tonghui Logistic
- (q) Deyin Finance
- (r) Shanghai Yuanxing
- (s) Zhongfu Wulian

Term: 1 January 2014 to 31 December 2016

Other terms and details:

Pursuant to the Shaanxi Zhongqi Sale Agreement (as supplemented by the abovementioned supplemental agreements but prior to the entering into of this latest Supplemental Agreement), Shaanxi Zhongqi and its subsidiaries (as set out above) (and/or other subsidiaries of Shaanxi Zhongqi) (as the case may be) has sold certain vehicles, parts and components of vehicles, raw materials and related products and provided the relevant services (as the case may be) to Shaanxi Automotive and certain of its associates (as set out in the announcement of the Company dated 30 August 2012) (and/or other associates of Shaanxi Automotive) (as the case may be), at market prices and settled by the relevant parties generally every one to three months, for a term ending 31 December 2015, upon the expiry of the same, the parties shall have an option to renew the agreement for a term of three years on a mutually agreed basis.

Pursuant to this latest Supplemental Agreement, Shaanxi Zhongqi and its subsidiaries (as set out above) (and/or other subsidiaries of Shaanxi Zhongqi) and Weichai Freshen Air (as the case may be) shall sell certain vehicles, parts and components of vehicles, raw materials and related products and to provide the relevant services (as the case may be) to Shaanxi Automotive and its associates (as set out above) (and/or other associates of Shaanxi Automotive) (as the case may be) on the same terms for a term of three years ending 31 December 2016, upon the expiry of which the parties may renew the term for another three years on a mutually agreed basis. In addition, Shaanxi Zhongqi shall sell certain vehicles at market price to the Deyin Group (i) through certain third party agents and settled within three months; or (ii) directly, with an upfront payment of 30% of the sale price of the vehicles and the remainder settled on a quarterly basis within two years. The sale price of the said products is determined according to the following mechanism: through market analysis of the products by the specific department of the relevant seller, a proposal on the sale price of the relevant products, which is formulated taking into account an analysis of the cost of production of such products, shall be submitted to the price management department of such company for approval. After commercial negotiations between such company and the purchaser on the basis of the said proposal, the sale price shall be determined based on arm's length negotiations between the parties. The said price management department shall review the reasonableness of the sale price on a regular basis and make adjustments (where necessary). Save as set out herein, all other terms of the Shaanxi Zhongqi Sale Agreement remain unchanged.

The table below summarises the Existing Caps for the three years ending 31 December 2015 for the Continuing Connected Transaction set out in this sub-section 1:

	2013	2014	2015
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Existing Cap	2,530,000,000	2,783,000,000	3,162,500,000

The table below summarises the actual transaction amounts involved for the two years ended 31 December 2013 (audited) and the three months ended 31 March 2014 (unaudited) for the Continuing Connected Transaction set out in this sub-section 1:

	Year ended	Three
	31 December	months ended
	2012	2013
	<i>RMB</i>	<i>RMB</i>
Actual transaction amount	584,284,063	736,853,267
		572,487,616

In recent years, the State's macroeconomic policies and the rapid growth of fixed assets and infrastructure investments in the PRC have stimulated the development of the heavy-duty vehicles industry in the PRC.

Since Shaanxi Zhongqi and its subsidiaries set out above are engaged in the business of the production of heavy-duty vehicles and related products, the Directors believe that the demand for high-speed, heavy-duty vehicles, vehicle parts and components and heat processing services produced and provided by these Group companies will increase and the volume of such products to be purchased by Shaanxi Automotive and/or its associates (as the case may be) for onward sale to third parties will increase correspondingly. In addition to direct sales of vehicles to third party buyers by Shaanxi Automotive and/or its associates (as the case may be), the Deyin Group also arranges for lease financing of vehicles for the third party buyers ("**Deyin Business**") for the purpose of promoting the sales of Shaanxi Zhongqi's vehicles and enhancing its market share in the PRC.

The Company estimates that the transaction amount in respect of the Continuing Connected Transaction set out in this sub-section 1 will not exceed RMB4,800,000,000, RMB6,500,000,000 and RMB8,100,000,000, respectively, for each of the three years ending 31 December 2016 and such amounts have accordingly been set as the New Caps for this Continuing Connected Transaction.

The proposed New Caps have been prepared by the Company primarily based on (i) the relevant historical transaction amounts; (ii) the estimate of the volume and amount of the said vehicles and parts and components of vehicles to be sold and the amount of the relevant services to be provided by Shaanxi Zhongqi and its subsidiaries and Weichai Freshen Air (as the case may be); (iii) the estimated average unit price of the said vehicles; (iv) the expected introduction of new products in the market; (v) the expected growth in

the overall transaction amount as a result of the Deyin Business; and (vi) the assumption that the overall transaction amount of the said sale and provision of service will increase by approximately 35% and 25% for each of the years ending 31 December 2015 and 31 December 2016, respectively, taking into account all the aforesaid factors.

The table below summarises the proposed New Caps for the Continuing Connected Transaction set out in this sub-section 1 for the three years ending 31 December 2016:

	2014	2015	2016
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
New Cap	4,800,000,000	6,500,000,000	8,100,000,000

As all of the New Caps for this Continuing Connected Transaction for the three years ending 31 December 2016 exceed the 5% Threshold, it constitutes a Non-exempt Continuing Connected Transaction of the Company under Chapter 14A of the Listing Rules and will be subject to the reporting requirements set out in Rules 14A.45 and 14A.46 and the annual review requirements of Rules 14A.37 and 14A.38 of the Listing Rules, and the approval of the Independent Shareholders. No Shareholder will be required to abstain from voting at the AGM in relation to the resolution to be proposed in respect of these New Caps.

Since this Continuing Connected Transaction is a Non-exempt Continuing Connected Transaction and the New Caps are subject to the Independent Shareholders' approval as aforesaid, this Supplemental Agreement is conditional upon the said resolution being passed at the AGM.

2. *Purchase of parts and components of vehicles, scrap steel and related products and labour services by Shaanxi Zhongqi (and its subsidiaries) from Shaanxi Automotive (and its associates)*

Agreement: Supplemental agreement to the parts and components and scrap steel purchase agreement (“**Shaanxi Zhongqi Purchase Agreement**”) dated 1 August 2007 (as supplemented by the supplemental agreements dated 27 November 2008, 23 August 2010 and 29 August 2013, respectively)

Date: 29 April 2014

Parties:

1.
 - (a) Shaanxi Zhongqi
 - (b) Hande Axle
 - (c) Jinding
 - (d) Shaanxi Import and Export
 - (e) Tiangua
2.
 - (a) Shaanxi Automotive
 - (b) Shaanqi Holdings
 - (c) Shaanqi Industry
 - (d) Shaanxi Wanfang
 - (e) Shaanxi Huazhen
 - (f) Shaanxi Lantong
 - (g) Shaanxi Tongchuang
 - (h) Baoji Huashan
 - (i) Shaanxi Fangyuan
 - (j) Wenzhou Yunding
 - (k) Changsha Huantong
 - (l) Xunyang Baotong
 - (m) Dongfeng Axle
 - (n) Xian Lande
 - (o) Shaanxi Tongli
 - (p) Shaanxi Tongjia
 - (q) Shaanxi Dongming
 - (r) Yanan Vehicle
 - (s) Huazhen Trading
 - (t) Deyin Logistic
 - (u) Tonghui Logistic
 - (v) Zhongyiao Tianjian

Term: 1 January 2014 to 31 December 2016

Other terms and details:

Pursuant to the Shaanxi Zhongqi Purchase Agreement dated 1 August 2007 (as supplemented by the abovementioned supplemental agreements but prior to the entering into of this latest Supplemental Agreement), each of Shaanxi Zhongqi and its subsidiaries (as set out above) (and/or other subsidiaries of Shaanxi Zhongqi) (as the case may be) has purchased certain parts and components of vehicles, scrap steel and related products (as the case may be) from Shaanxi Automotive and its associates (as set out in the announcement of the Company dated 29 August 2013 (and/or other associates of Shaanxi Automotive) (as the case may be), at market prices and settled by the relevant parties every one to three months, for a term ending 31 December 2016, upon the expiry of the same, the parties shall have an option to renew the agreement for a term of three years on a mutually agreed basis.

Pursuant to this latest Supplemental Agreement, each of Shaanxi Zhongqi and its subsidiaries (as set out above) (and/or other subsidiaries of Shaanxi Zhongqi) (as the case may be) shall purchase certain parts and components of vehicles, scrap steel and related products and labour services (as the case may be) from Shaanxi Automotive and its associates (as set out above) (and/or other associates of Shaanxi Automotive) (as the case may be) on the same terms for a term of three years ending 31 December 2016, upon the expiry of which the parties may renew the term for another three years on a mutually agreed basis. The purchase price of the said products is determined according to the following mechanism: through market analysis of the products by the specific department of the purchaser, a proposal on the purchase price, after an analysis regarding the reasonableness of the sale price taking into account the cost of materials, labour cost and processing cost, shall be submitted to the price management department of the purchaser for approval. After commercial negotiations between the purchaser and the seller on the basis of the said proposal, final sale price shall be determined based on arm's length negotiations between the purchaser and seller. The said price management department shall review the reasonableness of the sale price on a regular basis and make adjustments (where necessary). Save as set out herein, all other terms of the Shaanxi Zhongqi Purchase Agreement remain unchanged.

The table below summarises the Existing Caps for the three years ending 31 December 2016 for the Continuing Connected Transaction set out in this sub-section 2:

	2014	2015	2016
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Existing Cap	3,200,000,000	3,800,000,000	4,600,000,000

The table below summarises the actual aggregate transaction amounts involved for the two years ended 31 December 2013 (audited) and the three months ended 31 March 2014 (unaudited) for the Continuing Connected Transaction set out in this sub-section 2:

	Year ended		Three
	31 December		months ended
	2012	2013	31 March
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>
Actual transaction amount	1,471,075,340	2,652,481,147	917,285,808

In recent years, the State's macroeconomic policies and the rapid growth of fixed assets and infrastructure investments in the PRC have stimulated the development of the heavy-duty vehicles industry in the PRC.

Since Shaanxi Zhongqi and its subsidiaries set out above are principally engaged in the manufacture and sale of heavy-duty vehicles and related products, the Directors believe that such businesses will be benefited by the above. The Directors believe that the demand for the products of Shaanxi Zhongqi and its subsidiaries and, accordingly, the volume of parts and components required from Shaanxi Automotive and/or its associates for the production of such products, will increase substantially for the three years ending 31 December 2016 as compared to the transaction amounts for the last two years.

The Company estimates that the transaction amounts in respect of the Continuing Connected Transaction set out in this sub-section 2 will not exceed RMB5,800,000,000, RMB7,200,000,000 and RMB8,600,000,000, respectively, for each of the three years ending 31 December 2016 and such amounts have accordingly been set as the New Caps for this Continuing Connected Transaction.

The proposed New Caps have been prepared by the Company primarily based on (i) the relevant historical transaction amounts; (ii) the estimated increase in the volume and price of the parts and components of vehicles to be purchased by Shaanxi Zhongqi and its subsidiaries (as the case may be); (iii) the production and sales plan of Shaanxi Zhongqi and its subsidiaries; (iv) the expected increase in the cost of production; and (v) the assumption that the overall transaction amount of the said purchase of parts and components of vehicles and related products and labour services will increase by approximately 24% and 19% for each of the years ending 31 December 2015 and 2016, respectively, taking into account all the aforesaid factors.

The table below summarises the proposed New Caps for the Continuing Connected Transaction set out in this sub-section 2 for the three years ending 31 December 2016:

	2014	2015	2016
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
New Cap	5,800,000,000	7,200,000,000	8,600,000,000

As all the New Caps for this Continuing Connected Transaction for the three years ending 31 December 2016 exceed the 5% threshold, it constitutes a Non-exempt Continuing Connected Transaction of the Company under Chapter 14A of the Listing Rules and will be subject to the reporting and announcement requirements set out in Rules 14A.45, 14A.46 and 14A.47 of the Listing Rules and the annual review requirements of Rules 14A.37 and 14A.38 of the Listing Rules, and the approval of the Independent Shareholders. No Shareholder will be required to abstain from voting at the AGM in relation to the resolution to be proposed in respect of these New Caps and the said Supplemental Agreement.

Since this Continuing Connected Transaction for the three years ending 31 December 2016 is a Non-exempt Continuing Connected Transaction and the New Caps are subject to the approval of the Independent Shareholders, this Supplemental Agreement is conditional upon the said resolution being passed at the AGM.

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

As prior to completion of the Merger, Shaanxi Zhongqi has conducted the Continuing Connected Transactions with Shaanxi Automotive (and its associates) (as the case may be) for many years and the Company has taken up such Continuing Connected Transactions after completion of the Merger and such Continuing Connected Transactions have grown over the years, the Directors (excluding the independent non-executive Directors), consider it to be beneficial to the Company to continue to conduct the Continuing Connected Transactions in order to ensure and maximise operating efficiency and stability of the operations of the Group.

The Directors (excluding the independent non-executive Directors) have confirmed that the Continuing Connected Transactions have been subject to arm's length negotiation between the Group and the relevant parties, and have been entered into by the Group in the ordinary and usual course of business and either (i) on normal commercial terms or better, or (ii) on terms no less favourable to the Group than those available to or from (as appropriate) independent third parties.

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

At the meeting of the Board on 29 April 2014 approving, *inter alia*, the Continuing Connected Transactions, Fang Hongwei has abstained from voting on the resolutions in respect of the Continuing Connected Transactions for the reasons of his position in the relevant connected persons.

Since the New Caps of the Continuing Connected Transactions exceed the 5% Threshold, such Continuing Connected Transactions constitute Non-exempt Continuing Connected Transactions of the Company under Chapter 14A of the Listing Rules and their New Caps will be subject to the reporting and announcement requirements set out in Rules 14A.45, 14A.46 and 14A.47 of the Listing Rules, annual review by the independent non-executive Directors under Rule 14A.37 of the Listing Rules and by the Company's auditors under Rule 14A.38 of the Listing Rules and the approval by Independent Shareholders.

IV. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

An Independent Board Committee comprising the independent non-executive Directors (namely, Mr. Liu Zheng, Mr. Li Shihao, Mr. Loh Yih, Mr. Chu, Howard Ho Hwa, Mr. Zhang Zhenhua and Mr. Li Luwen) will be appointed to consider the Non-exempt Continuing Connected Transactions and their 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 Transactions and their New Caps.

V. DESPATCH OF CIRCULAR

A circular containing, *inter alia*, (i) further details of the Continuing Connected Transactions; (ii) a letter from the Independent Board Committee to the Independent Shareholders in relation to the 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 Continuing Connected Transactions, will be despatched to the Shareholders on or before 22 May 2014.

VI. DEFINITIONS

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

“5% Threshold”	the thresholds referred to in Rule 14A.34 of the Listing Rules
“AGM”	the annual general meeting of the Company to be held to consider and, if thought fit, approve, <i>inter alia</i> , the New Caps and the Supplemental Agreements

“Baoji Huashan”	寶雞華山工程車輛有限責任公司 (Baoji Huashan Engineering Vehicles Co. Ltd.), a company established in the PRC and a connected person of the Company
“Changsha Huantong”	陝西汽車集團長沙環通汽車製造有限公司 (Shaanxi Automobile Group Changsha Huantong Automobile Manufacturing Co. Ltd.), 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
“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
“Deyin Business”	has the meaning ascribed to it under the section headed “II. 1. Sale of vehicles, parts and components of vehicles, raw materials and related products and provision of relevant services by Shaanxi Zhongqi (and its subsidiaries) and Weichai Freshen Air (as the case may be) to Shaanxi Automotive (and its associates) (as the case may be)” in this announcement
“Deyin Finance”	德銀融資租賃有限公司 (Deyin Finance Lease Co., Ltd.), a company established in the PRC and a connected person of the Company
“Deyin Group”	Deyin Finance, Shanghai Yuanxing and Zhongfu Wulian
“Deyin Logistic”	陝西德銀物流有限公司 (Shaanxi Deyin Logistic Co., Ltd.), a company established in the PRC and a connected person of the Company
“Director(s)”	the director(s) of the Company
“Dongfeng Axle”	陝西東風車橋傳動軸系統股份有限公司 (Shaanxi Dongfeng Axle Transmission Axle System Co., Ltd.), a company established in the PRC and a connected person of the Company
“Existing Cap(s)”	the existing cap(s) for the Continuing Connected Transactions set out in the section headed “II. Continuing Connected Transactions” in this announcement
“Group”	the Company and its subsidiaries and “Group Company” means any of the same

“Hande Axle”	陝西漢德車橋有限公司 (Shaanxi Hande Axle Co., Ltd.), a company established in the PRC and is held as to approximately 3.06% by the Company and as to approximately 94% by Shaanxi Zhongqi
“Huazhen Trading”	陝西華臻工貿服務有限責任公司 (Shaanxi Huazhen Industry and Trading Services Co., Ltd.), a company established in the PRC and a connected person of the Company
“Independent Board Committee”	a committee of the Board comprising Mr. Liu Zheng, Mr. Li Shihao, Mr. Loh Yih, Mr. Chu, Howard Ho Hwa, Mr. Zhang Zhenhua and Mr. Li Luwen, being the independent non-executive Directors
“Independent Financial Adviser”	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 Transactions
“Independent Shareholders”	Shareholders who are not required to abstain from voting at the AGM
“Jinding”	陝西金鼎鑄造有限公司 (Shaanxi Jinding Foundry Co., Ltd.), a company established in the PRC and is held as to approximately 95.76% by Shaanxi Zhongqi and as to approximately 4.24% by Hande Axle
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Merger”	the Merger on 24 April 2007 (as announced in the announcement of the Company dated 25 April 2007), as a result of which the original subsidiaries of TAGC, together with other the assets and liabilities of TAGC, were absorbed by the Company
“New Cap(s)”	as defined in the section headed “II. Continuing Connected Transactions” in this announcement
“Non-exempt Continuing Connected Transactions”	being those Continuing Connected Transactions the proposed New Caps for which exceed the 5% Threshold, and, accordingly, they will be subject to the reporting requirements set out in Rules 14A.45 and 14A.46 of the Listing Rules, the announcement requirement in Rule 14A.47 of the Listing Rules and the annual review requirements in Rules 14A.37 and 14A.38 of the Listing Rules and approval from the Independent Shareholders at the AGM will be required

“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Shaanqi Holdings”	陝西汽車控股集團有限公司 (Shaanxi Automobile Holding Group Co., Ltd.), a company established in the PRC and a connected person of the Company
“Shaanqi Industry”	陝西汽車實業有限公司 (Shaanxi Automobile Industry Co., Ltd.), a company established in the PRC and a connected person of the Company
“Shaanxi Automotive”	陝西汽車集團有限責任公司 (Shaanxi Automobile Group Co. Ltd.), a company established in the PRC and a connected person of the Company
“Shaanxi Dongming”	陝西東銘車輛系統股份有限公司 (Shaanxi Dongming Vehicle System Co., Ltd.), a company established in the PRC and a connected person of the Company
“Shaanxi Fangyuan”	陝西方圓汽車標準件有限公司 (Shaanxi Fangyuan Automobile Standard Components Co. Ltd.), a company established in the PRC and a connected person of the Company
“Shaanxi Huazhen”	陝西華臻三產工貿有限責任公司 (Shaanxi Huazhen Sancan Industry and Trading Co. Ltd.), a company established in the PRC and a connected person of the Company
“Shaanxi Import and Export”	陝西重型汽車進出口有限公司 (Shaanxi Heavy-duty Vehicle Import and Export Company Limited), a company established in the PRC and a wholly-owned subsidiary of Shaanxi Zhongqi
“Shaanxi Lantong”	陝西藍通傳動軸有限公司 (Shaanxi Lantong Transmission Axle Co. Ltd.), a company established in the PRC and a connected person of the Company
“Shaanxi Tongchuang”	陝西同創華亨汽散熱有限責任公司 (Shaanxi Tongchuang Huaheng Vehicle Radiator Co. Ltd.), a company established in the PRC and a connected person of the Company
“Shaanxi Tongjia”	陝西通家汽車有限責任公司 (Shaanxi Tongjia Vehicle Co., Ltd.), a company established in the PRC and a connected person of the Company

“Shaanxi Tongli”	陝西通力專用汽車有限責任公司 (Shaanxi Tongli Specialpurpose Vehicle Co. Ltd.), a company established in the PRC and a connected person of the Company
“Shaanxi Wanfang”	陝西萬方汽車零部件有限公司 (Shaanxi Wanfang Vehicle Parts and Components Co. Ltd.), a company established in the PRC and a connected person 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 51% subsidiary of the Company
“Shanghai Yuanxing”	上海遠行供應鏈管理有限公司 (Shanghai Yuanxing Supply Chain Management Co., Ltd.), a company established in the PRC and a connected person of the Company
“Shareholder(s)”	holder(s) of the shares of the Company
“Supplemental Agreements”	the supplemental agreements relating to the Continuing Connected Transactions entered into between the Group and the relevant connected persons as more particularly set out in the section headed “II. Continuing Connected Transactions” in this announcement and “Supplemental Agreement” means any of them
“TAGC”	湘火炬汽車集團股份有限公司 (Torch Automotive Group Co., Ltd.), a company established in the PRC and has ceased to exist
“Tiangua”	天津市天掛車輛有限公司 (Tianjin City Tiangua Vehicles Company Limited), a company established in the PRC and is a wholly owned subsidiary of Shaanxi Zhongqi
“Tonghui Logistic”	陝西通匯物流有限公司 (Shaanxi Tonghui Logistic Co., Ltd.), a company established in the PRC and a connected person of the Company
“Weichai Freshen Air”	濰柴動力空氣淨化科技有限公司 (Weichai Power Freshen Air Technology Co., Ltd.), a company established in the PRC and a wholly owned subsidiary of the Company
“Wenzhou Yunding”	陝西汽車集團溫州雲頂汽車有限公司 (Shaanxi Automobile Group Wenzhou Yunding Automobile Co. Ltd.), a company established in the PRC and a connected person of the Company

“Xian Lande”	西安蘭德新能源汽車技術開發有限公司 (Xian Lande New Energy Technology Development Co., Ltd.), a company established in the PRC and a connected person of the Company
“Xunyang Baotong”	陝西汽車集團旬陽寶通專用車有限公司 (Shaanxi Vehicle Group Xunyang Baotong Special Purpose Vehicle Co., Ltd.), a company established in the PRC and a connected person of the Company
“Yanan Vehicle”	陝西汽車集團延安專用車有限公司 (Shaanxi Vehicle Group Yanan Special Purpose Vehicle Co., Ltd.), a company established in the PRC and a connected person of the Company
“Zhongfu Wulian”	陝西中富物聯科技服務有限公司 (Shaanxi Zhongfu Wulian Technology Service Co., Ltd.), a company established in the PRC and a connected person of the Company
“Zhongjiao Tianjian”	陝西中交天健車聯網信息技術有限公司 (Shaanxi Zhongjiao Tianjian Vehicle Net Information Technology Co., Ltd.), a company established in the PRC and a connected person of the Company

Hong Kong, 29 April 2014

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

As at the date of this announcement, the executive Directors of the Company are Mr. Tan Xuguang, Mr. Xu Xinyu, Mr. Li Dakai, Mr. Fang Hongwei, Mr. Sun Shaojun and Mr. Zhang Quan; the non-executive Directors of the Company are Mr. Chen Xuejian, Mr. Yeung Sai Hong, Mr. Julius G. Kiss, Ms. Han Xiaoqun, Mr. Jiang Kui and Mr. Gordon Riske; and the independent non-executive Directors of the Company are Mr. Liu Zheng, Mr. Li Shihao, Mr. Loh Yih, Mr. Chu, Howard Ho Hwa, Mr. Zhang Zhenhua and Mr. Li Luwen.