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WEICHAI

潍柴動力股份有限公司

WEICHAI POWER CO., LTD.

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

(Stock Code: 2338)

ANNOUNCEMENT CONTINUING CONNECTED TRANSACTIONS

SUMMARY

The Board announces that on 30 August 2016, the Group has entered into the Supplemental Agreements in respect of the Continuing Connected Transactions as more particularly described herein.

As the highest percentage ratios calculated in accordance with the Listing Rules for each of the Weichai Continuing Connected Transactions exceed the 0.1% Threshold but do not exceed the 5% Threshold, the Weichai Continuing Connected Transactions are subject to the reporting, announcement and annual review requirements of Chapter 14A of the Listing Rules but are 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, the Weichai Continuing Connected Transactions constitute PRC Continuing Connected Transactions and are subject to the approval by the Shareholders at the EGM.

Further, since (i) Shaanxi Automotive is regarded as a connected person of the Company at subsidiary level; (ii) the Board (including all the independent non-executive Directors) has approved the TAGC Continuing Connected Transactions; and (iii) the independent non-executive Directors have confirmed that the terms of the TAGC Continuing Connected Transactions and the relevant New Caps are fair and reasonable, on normal commercial terms or better and in the interests of the Company and the Shareholders as a whole, the TAGC Continuing Connected Transactions are subject to the reporting and announcement requirements but are exempt from circular, independent financial advice and shareholders' approval requirements pursuant to Rule 14A.101 of the Listing Rules.

I. INTRODUCTION

Reference is made to the announcements of the Company dated 29 August 2013, 29 April 2014 and 27 August 2015, respectively, in respect of, *inter alia*, the Continuing Connected Transactions of the Company where the Existing Caps for such Continuing Connected Transactions were set.

For these Continuing Connected Transactions, the Company proposes to apply for New Caps. For such purposes, the Group entered into the Supplemental Agreements. The Supplemental Agreements and the relevant New Caps in respect of the Exempt Continuing Connected Transactions which do not constitute PRC Continuing Connected Transactions are unconditional and those in respect of the Exempt Continuing Connected Transactions which constitute PRC Continuing Connected Transactions are conditional upon the approval of the Shareholders at the EGM.

A summary of the Continuing Connected Transactions, the Supplemental Agreements, the Existing Caps, the actual transaction amounts of the Continuing Connected Transactions for the relevant periods and the New Caps (and their bases) is set out in the section headed “II. Continuing Connected Transactions” in this announcement.

II. CONTINUING CONNECTED TRANSACTIONS

SUMMARY OF THE CONTINUING CONNECTED TRANSACTIONS AND THE NEW CAPS

The Continuing Connected Transactions include the following:

A. Weichai Continuing Connected Transactions

Name of connected person	Name of Group Company	Connected person's relationship with the Group	Nature of the connected transaction with the Group
1. Weichai Holdings (and its associates) (<i>note 1</i>) (as the case may be)	The Company, Weichai After-sales Services, Weichai Casting, Weichai Reproduction, Huadong Casting, Weichai Singapore, Weichai Logistics, Shandong India and Weichai Middle East (<i>note 2</i>) (as the case may be)	Holder of 16.83% of the equity of the Company	<p>(a) Provision of general services and labour services by Weichai Holdings (and its associates) to the Company (and its subsidiaries)</p> <p>(b) Supply and/or connection of utilities by Weichai Holdings (and its associates) to the Company (and its subsidiaries)</p> <p>(c) Purchase of diesel engine parts and components, gas, scrap metals, materials, diesel engines and related products and processing services by the Company (and its subsidiaries) from Weichai Holdings (and its associates)</p> <p>(d) Sale of diesel engines, diesel engine parts and components, materials, semi-finished products and related products and provision of processing services by the Company (and its subsidiaries) to Weichai Holdings (and its associates)</p>
2. Weichai Heavy Machinery (and its subsidiaries) (<i>note 3</i>)	The Company, Weichai After-sales Services, Weichai Casting, Weichai Reproduction, Huadong Casting, Weichai Logistics and Baudouin China (<i>note 2</i>) (as the case may be)	Held as to 30.59% by Weichai Holdings	Purchase of diesel engine parts and components, materials, steel and scrap metal, diesel engines and related products and processing and labour services by the Company (and its subsidiaries) from Weichai Heavy Machinery (and its subsidiaries)

B. TAGC Continuing Connected Transactions

Name of connected person	Name of Group Company	Connected person's relationship with the Group	Nature of the connected transaction with the Group
Shaanxi Automotive (and its associates) (note 10)	Shaanxi Zhongqi (note 4), Hande Axle (note 5), Jinding (note 6), Shaanxi Import and Export (note 7), Tiangua (note 8) and Weichai Freshen Air (note 9) (as the case may be)	Holder of 49% of the equity of Shaanxi Zhongqi	(a) 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)
			(b) Purchase of parts and components of vehicles, scrap steel and related products by Shaanxi Zhongqi (and its subsidiaries) and Weichai Freshen Air (as the case may be) from Shaanxi Automotive (and its associates)

Notes:

- The associates of Weichai Holdings are Chongqing Weichai and Weichai Import and Export.*
- Each of Weichai After-sales Services, Shandong India, Weichai Middle East, Weichai Casting, Weichai Reproduction, Huadong Casting, Weichai Singapore and Weichai Logistics is a wholly-owned subsidiary of the Company. Baudouin China is directly held as to approximately 50.98% and indirectly held as to approximately 49.02% by the Company.*
- The subsidiary of Weichai Heavy Machinery is Weichai Electric Equipment, being a wholly-owned subsidiary of Weichai Heavy Machinery.*
- 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.B. TAGC Continuing Connected Transactions — Continuing Connected Transactions between Shaanxi Zhongqi (and its subsidiaries) and 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:

A. Weichai Continuing Connected Transactions

Connected person and details of relevant Continuing Connected Transactions		New Caps		
		2017	2018	2019
		RMB	RMB	RMB
1. Weichai Holdings (and its associates)				
(a)	Provision of general services and labour services by Weichai Holdings (and its associates) to the Company (and its subsidiaries)	88,000,000*	93,000,000*	94,000,000*
(b)	Supply and/or connection of utilities by Weichai Holdings (and its associates) to the Company (and its subsidiaries)	390,000,000*	410,000,000*	420,000,000*
(c)	Purchase of diesel engine parts and components, gas, scrap metals, materials, diesel engines and related products and processing services by the Company (and its subsidiaries) from Weichai Holdings (and its associates)	840,000,000*	1,000,000,000*	1,100,000,000*
(d)	Sale of diesel engines, diesel engine parts and components, materials, semi-finished products and related products and provision of processing services by the Company (and its subsidiaries) to Weichai Holdings (and its associates)	850,000,000*	1,000,000,000*	1,190,000,000*

Connected person and details of relevant Continuing Connected Transactions	2017 RMB	New Caps	
		2018 RMB	2019 RMB

2. Weichai Heavy Machinery

Purchase of diesel engine parts and components, materials, steel and scrap metal, diesel engines and related products and processing and labour services by the Company (and its subsidiaries) from Weichai Heavy Machinery (and its subsidiaries)	330,000,000*	370,000,000*	410,000,000*
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B. TAGC Continuing Connected Transactions

Connected person and details of relevant Continuing Connected Transactions		2017 <i>RMB</i>	New Caps	
			2018 <i>RMB</i>	2019 <i>RMB</i>
Shaanxi Automotive (and its associates)				
(a)	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)	4,550,000,000	4,740,000,000	5,030,000,000
(b)	Purchase of parts and components of vehicles, scrap steel and related products and labour services by Shaanxi Zhongqi (and its subsidiaries) and Weichai Freshen Air (as the case may be) from Shaanxi Automotive (and its associates)	4,950,000,000	5,200,000,000	5,460,000,000

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 certain of the relevant Continuing Connected Transactions constitute PRC Continuing Connected Transactions, the same are subject to the approval by the Shareholders at the EGM.
2. For the purposes of ascertaining whether a Continuing Connected Transaction would exceed the 5% Threshold, the transactions within the following paragraphs have been aggregated:
 - (i) transactions under paragraphs A.1.(a) and (b); and
 - (ii) transactions under paragraphs A.1.(c) and A.2.

DETAILS OF THE CONTINUING CONNECTED TRANSACTIONS AND THE RELEVANT SUPPLEMENTAL AGREEMENTS

A. Weichai Continuing Connected Transactions

The Company and its subsidiaries

The Company is principally engaged in the research and development, manufacture and sale of high-speed heavy-duty diesel engines and engine parts. Chongqing Branch is the Company's facility (being its branch office) in Chongqing Municipality.

Weichai After-sales Services is a wholly-owned subsidiary of the Company and is principally engaged in the sales of parts and components of diesel engines.

Weichai Casting is a wholly-owned subsidiary of the Company and is principally engaged in the supply of casting products and related services.

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

Huadong Casting is an indirect wholly-owned subsidiary of the Company and is principally engaged in the manufacture and sale of machine accessories, diesel engines, farming machines and engineering machines, and the import and export of goods and technology.

Weichai Singapore is a wholly-owned subsidiary of the Company and is principally engaged in general agency for import and export.

Weichai Logistics is a wholly-owned subsidiary of the Company and is principally engaged in general transportation, storage, delivery and basic assembly of machine accessories and power.

Shandong India is held as to approximately 97.68% by the Company and is principally engaged in machinery manufacturing.

Weichai Middle East is a wholly-owned subsidiary of the Company and is principally engaged in the sale of diesel engines and ancillary products, repair of construction machinery, technology consultation and technology transfer for new energy, technology services and technology training, trade business and self-operated import and export.

Baudouin China is directly held as to approximately 50.98% and indirectly held as to approximately 49.02% by the Company and is principally engaged in the manufacture, sale, design, research and development of diesel engines and related products.

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

Weichai Holdings and its associates

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

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

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

(a) Provision of general services and labour services by Weichai Holdings (and its associates) to the Company (and its subsidiaries)

Agreement:

Supplemental Agreement to:

- (i) the general services agreement between the Company and Weichai Holdings dated 17 November 2003 (“**Weichai Holdings General Services Agreement**”) (as amended and supplemented by the supplemental agreements dated 12 January 2004, 2 February 2004, 15 September 2004, 21 September 2005, 12 November 2006, 27 November 2008, 23 August 2010, 29 August 2011 and 29 August 2013); and
- (ii) the general services agreement between the Company and Chongqing Weichai dated 17 November 2003 (“**Chongqing Weichai General Services Agreement**”) (as amended and supplemented by the supplemental agreements dated 15 September 2004, 21 September 2005, 12 November 2006, 27 November 2008, 23 August 2010, 29 August 2011 and 29 August 2013)

Date: 30 August 2016

Parties:

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

Term: 1 January 2017 to 31 December 2019

Other terms and details:

(i) *Provision of general services and labour services by Weichai Holdings to the Company (and its subsidiaries)*

Pursuant to the Weichai Holdings General Services Agreement (as amended and supplemented by the abovesaid supplemental agreements but prior to the entering into of this latest Supplemental Agreement), Weichai Holdings (and its associates) (as the case may be) has (i) provided certain general services to the Company, Weichai Casting Huadong Casting, Weichai Logistics and/or other Group Company (as the case may be), namely, environmental protection, security, fire, repair, maintenance and other general services and the payment of certain town land use right tax in relation to the property occupied and/or used by the Company (and/or its staff, if applicable); and (ii) provided certain labour services in respect of utilities to the Company, Weichai Casting, Huadong Casting, Weichai Logistics and/or other Group Company (as the case may be), for a term ending 31 December 2016, upon the expiry of which 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, Weichai Holdings (and its associates) (as the case may be) shall provide the said general services and labour services in respect of utilities to the Company, Weichai Casting, Huadong Casting, Weichai Logistics and/or other Group Company (as the case may be) for a term of three years ending 31 December 2019. Save as set out herein, all other terms of the Weichai Holdings General Services Agreement (as amended and supplemented by the abovesaid supplemental agreements but prior to the entering into of this latest Supplemental Agreement) remain unchanged.

The fees payable by the Company, Weichai Casting, Huadong Casting, Weichai Logistics and/or other Group Company (as the case may be) to Weichai Holdings (and its associates) (as the case may be) with respect to the provision of the said general services are determined based on the actual costs incurred by Weichai Holdings (and its associates) (as the case may be) and apportioned on a pro-rata basis according to the area of the relevant property occupied and/or used by the Company, Weichai Casting, Huadong Casting, Weichai Logistics and/or other Group Company (as the case may be) plus a service charge representing not more than 20% of such costs and settled on a monthly basis.

With respect to the said labour services, the relevant fees are determined on the basis of the remunerations and expenses in respect of the employment of the relevant employees of Weichai Holdings providing such services and settled on a monthly basis. The Directors are of the view that the abovementioned methods and procedures under the pricing policies can ensure that this Continuing Connected Transaction is conducted on normal commercial terms and not prejudicial to the interests of the Company and its minority Shareholders.

(ii) *Provision of general services by Chongqing Weichai to the Company (and its subsidiaries)*

Pursuant to the Chongqing Weichai General Services Agreement (as amended and supplemented by the abovesaid supplemental agreements but prior to the entering into of this latest Supplemental Agreement), Chongqing Weichai (and its associates) (as the case may be) has provided certain general services to Chongqing Branch and/or other Group Company (as the case may be), namely, environmental protection, security, fire and other general services and the payment of certain town land use right tax in relation to the property used by Chongqing Branch and/or other Group Company (and/or its staff, if applicable) for a term ending 31 December 2016, upon the expiry of which 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, Chongqing Weichai (and its associates) (as the case may be) shall provide the said general services to the Chongqing Branch and/or other Group Company (as the case may be) for a term of three years ending 31 December 2019. Save as set out herein, all other terms of the Chongqing Weichai General Services Agreement (as amended and supplemented by the abovesaid supplemental agreements but prior to the entering into of this latest Supplemental Agreement) remain unchanged.

The fees payable by the Chongqing Branch and/or other Group Company (as the case may be) to Chongqing Weichai (and its associates) (as the case may be) are determined based on the actual costs incurred by the same and apportioned on a pro-rata basis according to the area of the relevant property occupied and/or used by Chongqing Branch and/or the Group Company (as the case may be) (and/or its staff, if applicable) plus a service charge not exceeding 20% of such costs (save that the town land use right tax paid by Chongqing Weichai (and its associates) (as the case may be) on behalf of Chongqing Branch and/or other Group Company (as the case may be) and its staff, if applicable, will not be subject to the said 20% service charge) and are settled by the parties on a monthly basis. With respect to certain public utilities provided by Chongqing Weichai (and its associates) (as the case may be) to certain common areas used by both Chongqing Weichai (and its associates) (as the case may be) and Chongqing Branch and/or other Group Company (as the case may be), the costs with respect to such public utilities incurred by Chongqing Weichai (and its associates) (as the case may be) would be shared between Chongqing Weichai and Chongqing Branch and/or other Group Company (as the case may be) pro-rated according to their respective annual sales.

In addition, Chongqing Weichai has agreed that the charges for the general services referred to above will not be higher than the fees payable to it by any independent third parties. If the Company is able to secure the provision of any services similar to those referred to above by itself or from a third party on terms more favourable than those set out in the general services agreement, then the Company is entitled to terminate the relevant services by giving not less than 30 days' prior notice to Chongqing Weichai. 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 2016 for the Weichai Continuing Connected Transaction set out in paragraphs (i) and (ii) in this sub-section 1.(a):

	2014	2015	2016
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Existing Cap	110,000,000	135,000,000	160,000,000

The table below summarises the actual transaction amounts involved for the two years ended 31 December 2015 (audited) and the six months ended 30 June 2016 (unaudited) for the Weichai Continuing Connected Transaction set out in paragraphs (i) and (ii) in this sub-section 1.(a):

	Year ended 31 December		Six months ended 30 June
	2014	2015	2016
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>
Actual transaction amount	98,369,158	88,313,582	27,604,895

The Company estimates that the transaction amounts in respect of the Weichai Continuing Connected Transaction set out in this sub-section for the three years ending 31 December 2019 will not exceed RMB88 million, RMB93 million and RMB94 million, respectively, and such amounts have accordingly been set as the proposed New Caps for this Weichai Continuing Connected Transaction.

The above proposed New Caps have been estimated by the Company primarily based on (i) the relevant historical costs, (ii) the said service charges by Weichai Holdings and Chongqing Weichai, (iii) a decreasing need in certain aspects of the services by the Group due to streamlining of certain operations of the Group, and (iv) the estimate of the sales of the Group's products in view of the implementation of the Thirteenth Five-year Plan. 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 5.7% and 1.1% for each of the years ending 31 December 2018 and 31 December 2019, respectively.

The table below summarises the proposed New Caps for the Weichai Continuing Connected Transaction set out in this sub-section 1.(a) for the three years ending 31 December 2019:

	2017	2018	2019
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
New Cap	88,000,000	93,000,000	94,000,000

As the New Caps for this Weichai Continuing Connected Transaction for the three years ending 31 December 2019 (when aggregated with those New Caps for the same period under section A.1.(b) below) do not exceed the 5% Threshold, the Weichai 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 Weichai Continuing Connected Transaction for the three years ending 31 December 2019 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 Weichai Continuing Connected Transaction constitutes a PRC Continuing Connected Transaction, the relevant New Caps and the Supplemental Agreement are subject to the approval by the Shareholders at the EGM.

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

Agreement: Supplemental Agreement to:

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

Date: 30 August 2016

Parties:

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

Term: 1 January 2017 to 31 December 2019

Other terms and details:

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

Pursuant to the Weichai Holdings Utilities Services Agreement (as supplemented by the abovementioned supplemental agreements but prior to the entering into of this latest Supplemental Agreement), Weichai Holdings (and its associates) (as the case may be) has provided or provided the connection of (as the case may be) certain utility and energy services to the Company, Weichai Casting, Weichai Freshen Air and/or other Group Company (as the case may be), namely, water, electricity, gas, steam, oxygen, nitrogen, compressed air, waste water treatment and supply of treated waste water, etc., for a term ending 31 December 2016, upon the expiry of which the parties shall have an option to renew the same for a term of three years on a mutually agreed basis.

Pursuant to this latest Supplemental Agreement, Weichai Holdings (and its associates) (as the case may be) shall provide or provide the connection of (as the case may be) the said services to the Company, Weichai Casting, Weichai Reproduction, Huadong Castings, Weichai Logistics and/or other Group Company (as the case may be) for a period of three years ending 31 December 2019. Save as set out herein, all other terms of the Weichai Holdings Utilities Services Agreement (as supplemented by the abovementioned supplemental agreements but prior to the entering into of this latest Supplemental Agreement) remain unchanged.

The fees payable by the Company, Weichai Casting, Weichai Reproduction, Huadong Castings, Weichai Logistics and/or other Group Company (as the case may be) to Weichai Holdings (and its associates) (as the case may be) with respect to the provision and/or connection of the said utility and energy services are determined based on the actual usage by the Company, Weichai Casting, Weichai Reproduction, Huadong Castings, Weichai Logistics and/or other Group Company (as the case may be) and by reference to the market prices of such utilities. If only government published rates are available with respect to certain utilities, the fees payable would be determined by reference to the government published rates plus the wastage, depreciation and repair expenses incurred by Weichai Holdings (and its associates) (as the case may be) in relation thereto. If no market price or government published rates with respect to the above utility and energy services are available, the Company, Weichai Casting, Weichai Reproduction, Huadong Castings, Weichai Logistics and/or other Group Company (as the case may be) will pay the actual costs incurred by Weichai Holdings (and its associates) (as the case may be) in relation to the provision of such utility and energy services plus a service charge representing not more than 20% of such costs. The fees are settled on a monthly basis. The Directors are of the view that the abovementioned methods and procedures under the pricing policies can ensure that this Continuing Connected Transaction is conducted on normal commercial terms and not prejudicial to the interests of the Company and its minority Shareholders.

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

Pursuant to the Chongqing Weichai Utilities Services Agreement (as supplemented by the abovementioned supplemental agreements but prior to the entering into of this latest Supplemental Agreement), Chongqing Weichai (and its associates) (as the case may be) has provided or provided the connection of (as the case may be) certain utility and energy services to the Chongqing Branch and/or other Group Company (as the case may be), namely, water, electricity, natural gas, steam, oxygen, nitrogen and compressed air, etc. for a term ending 31 December 2016, upon the expiry of which the parties shall have an option to renew the same for a term of three years on a mutually agreed basis.

Pursuant to this latest Supplemental Agreement, Chongqing Weichai (and its associates) (as the case may be) shall provide or provide the connection of (as the case may be) the said services to the Chongqing Branch and/or other Group Company (as the case may be) for a period of three years ending 31 December 2019. Save as set out herein, all other terms of the Chongqing Weichai Utilities Services Agreement (as supplemented by the abovementioned supplemental agreements but prior to the entering into of this latest Supplemental Agreement) remain unchanged.

The fees payable by the Company and/or other Group Company (as the case may be) to Chongqing Weichai (and its associates) (as the case may be) in respect of the relevant utility and energy services are determined based on the usage thereof by the Chongqing Branch and/or other Group Company (as the case may be) or, if it is not possible to measure such usage, pro-rated according to the respective sales of Chongqing Weichai and the Chongqing Branch and/or other Group Company (as the case may be) and by reference to the market prices of such utilities. If only government published rates are available with respect to certain utilities, the fees payable will be determined by reference to the government published rates plus the wastage, depreciation and repair expenses incurred by Chongqing Weichai (and its associates) (as the case may be) in relation to the provision of the relevant utilities. If no market prices or government published rates with respect to any of the above utilities are available, the Company and/or other Group Company (as the case may be) will pay the costs incurred by Chongqing Weichai (and its associates) (as the case may be) in relation to the provision of the above utility and energy services plus a service charge representing not more than 20% of such costs. The fees are settled on a monthly basis. The Directors are of the view that the abovementioned methods and procedures under the pricing policies can ensure that this Continuing Connected Transaction is conducted on normal commercial terms and not prejudicial to the interests of the Company and its minority Shareholders.

The table below summarises the Existing Caps for the three years ending 31 December 2016 for the Weichai Continuing Connected Transaction set out in paragraphs (i) and (ii) in this sub-section 1.(b):

	2014 <i>RMB</i>	2015 <i>RMB</i>	2016 <i>RMB</i>
Existing Cap	150,000,000	600,000,000	800,000,000

The table below summarises the actual transaction amounts involved for the two years ended 31 December 2015 (audited) and the six months ended 30 June 2016 (unaudited) for the Weichai Continuing Connected Transaction set out in paragraphs (i) and (ii) in this sub-section 1.(b):

	Year ended 31 December 2014 <i>RMB</i> <i>(audited)</i>	2015 <i>RMB</i> <i>(audited)</i>	Six months ended 30 June 2016 <i>RMB</i> <i>(unaudited)</i>
Actual transaction amount	120,874,761	243,162,346	129,927,071

The Company estimates that the transaction amounts in respect of the Weichai Continuing Connected Transaction set out in paragraphs (i) and (ii) in this sub-section 1.(b) for the three years ending 31 December 2019 will not exceed RMB390 million, RMB410 million and RMB420 million, respectively, and such amounts have accordingly been set as the proposed New Caps for this Weichai Continuing Connected Transaction.

The above proposed New Caps have been estimated by the Company primarily based on (i) the relevant historical costs incurred plus a service charge by Weichai Holdings and Chongqing Weichai representing not exceeding 20% of such costs, and (ii) the estimate of the sales of the Group's products in view of the implementation the Thirteenth Five-Year Plan. 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 5.1% and 2.4% for each of the years ending 31 December 2018 and 31 December 2019, respectively.

The table below summarises the proposed New Caps for the Weichai Continuing Connected Transaction set out in paragraphs (i) and (ii) in this sub-section 1.(b) for the three years ending 31 December 2019:

	2017 <i>RMB</i>	2018 <i>RMB</i>	2019 <i>RMB</i>
New Cap	390,000,000	410,000,000	420,000,000

As the New Caps for this Weichai Continuing Connected Transaction for the three years ending 31 December 2019 (when aggregated with those New Caps for the same period under section A.1.(a) above) do not exceed the 5% Threshold, this Weichai 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 Weichai Continuing Connected Transaction for the three years ending 31 December 2019 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 Weichai Continuing Connected Transaction constitutes a PRC Continuing Connected Transaction, the relevant New Caps and the Supplemental Agreement are subject to the approval by the Shareholders at the EGM.

- (c) *Purchase of diesel engine parts and components, gas, scrap metals, materials, diesel engines and related products and processing services by the Company (and its subsidiaries) from Weichai Holdings (and its associates)*

Agreement: Supplemental Agreement to the diesel engine parts and components, gas, scrap metal, etc., materials and related products purchase and processing services agreement between (i) the Company and (ii) Weichai Holdings and Chongqing Weichai (“**Weichai Purchase and Processing Services Agreement**”) dated 27 November 2008 (as supplemented by the supplemental agreements dated 23 August 2010, 29 August 2011, 29 August 2013 and 27 August 2015, respectively)

Date: 30 August 2016

Parties:

1.
 - (a) The Company
 - (b) Weichai Casting
 - (c) Weichai Reproduction
 - (d) Huadong Casting
 - (e) Weichai Singapore
 - (f) Shandong India
 - (g) Weichai Middle East
2.
 - (a) Weichai Holdings
 - (b) Chongqing Weichai
 - (c) Weichai Import and Export

Term: 1 January 2017 to 31 December 2019

Other terms and details:

Pursuant to the Weichai Purchase and Processing Services Agreement (as supplemented by the abovementioned supplemental agreements but prior to the entering into of this Supplemental Agreement), Weichai Holdings, Chongqing Weichai, Weichai Import and Export and/or other associates of Weichai Holdings (as the case may be) has provided certain parts and components of diesel engines, gas, scrap metal, materials, diesel engines and related products and processing services (as the case may be) to the Company (and Chongqing Branch), Weichai Casting, Weichai Reproduction, Huadong Casting, Weichai Singapore and/or other Group Company (as the case may be) at market prices and settled on a monthly basis, for a term of three years ending 31 December 2016, upon the expiry of which the parties shall have an option to renew the same for a period of three years on a mutually agreed basis.

Pursuant to this Supplemental Agreement, Weichai Holdings, Chongqing Weichai, Weichai Import and Export and/or other associates of Weichai Holdings (as the case may be) shall provide the said parts and components of diesel engines, gas, scrap metal, materials, diesel engines and related products and the said processing services (as the case may be) to the Company (and Chongqing Branch), Weichai Casting, Weichai Reproduction, Huadong Casting, Weichai Singapore, Shandong India, Weichai Middle East and/or other Group Company (as the case may be) at market prices and settled on a monthly basis, for a term of three years ending 31 December 2019. Save as set out herein, all other terms of the Weichai Purchase and Processing Services Agreement (as supplemented by the abovementioned supplemental agreements but prior to the entering into of this latest Supplemental Agreement) remain unchanged.

The price of the said products shall be determined according to the following mechanism: the marketing department of the Company regularly conducts market research and analysis regarding specific products, in which a number of factors, including the overall market prices, market shares, ordering situation and performance of major competitors of such products, and an analysis report is compiled, and the final prices are determined at arm's length negotiation among the parties. The price management department of the Company regularly reviews the reasonableness of prices and makes amendments when necessary. The Directors are of the view that the abovementioned methods and procedures under the pricing policies can ensure that this Continuing Connected Transaction is conducted on normal commercial terms and not prejudicial to the interests of the Company and its minority Shareholders.

The table below summarises the Existing Caps for the three years ending 31 December 2016 for the Weichai Continuing Connected Transaction set out in this sub-section 1.(c):

	2014 <i>RMB</i>	2015 <i>RMB</i>	2016 <i>RMB</i>
Existing Cap	300,000,000	600,000,000	720,000,000

The table below summarises the actual transaction amounts involved for the two years ended 31 December 2015 (audited) and the six months ended 30 June 2016 (unaudited) for the Weichai Continuing Connected Transaction set out in this sub-section 1.(c):

	Year ended 31 December 2014 <i>RMB</i> <i>(audited)</i>	2015 <i>RMB</i> <i>(audited)</i>	Six months ended 30 June 2016 <i>RMB</i> <i>(unaudited)</i>
Actual transaction amount	268,562,023	482,326,279	176,178,739

The Company estimates that the transaction amounts in respect of the Weichai Continuing Connected Transaction set out in this sub-section 1.(c) for the three years ending 31 December 2019 will not exceed RMB840 million, RMB1,000 million and RMB1,100 million, respectively, and such amounts have accordingly been set as the proposed New Caps for this Weichai Continuing Connected Transaction.

The above proposed New Caps have been estimated by the Company primarily based on (i) the relevant historical costs, (ii) its estimate of the transaction volume of the said purchases and processing services in view of the implementation of the Thirteenth Five-year Plan, which in turn are based on the production volume, material cost, processing cost and the volume of diesel engines to be sold and exported for the three years ending 31 December 2019, and (iii) the prospect of the diesel engine market as anticipated by the Company. Taking into account and on the basis of all the aforesaid factors, it is estimated that the overall transaction amount of the said purchase of products and services will increase by approximately 19.0% and 10.0% for each of the years ending 31 December 2018 and 31 December 2019, respectively.

The table below summarises the proposed New Caps for the Weichai Continuing Connected Transaction set out in this sub-section 1.(c) for the three years ending 31 December 2019:

	2017 <i>RMB</i>	2018 <i>RMB</i>	2019 <i>RMB</i>
New Cap	840,000,000	1,000,000,000	1,100,000,000

Since the New Caps for this Weichai Continuing Connected Transaction (when aggregated with those New Caps for the same period under section A.2. below), do not exceed the 5% Threshold, this Weichai 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 Weichai Continuing Connected Transaction for the three years ending 31 December 2019 is an Exempt Continuing Connected Transaction, the New Caps are not subject to the approval of the independent Shareholders under the Listing Rules.

However, since this Weichai Continuing Connected Transaction constitutes a PRC Continuing Connected Transaction, the relevant New Caps and the Supplemental Agreement are subject to the approval by the Shareholders at the EGM.

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

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

Date: 30 August 2016

Parties:

1. (a) The Company
- (b) Weichai After-sales Services
- (c) Weichai Casting
- (d) Weichai Reproduction
- (e) Weichai Logistics
2. (a) Weichai Holdings
- (b) Weichai Import and Export
- (c) Chongqing Weichai

Term: 1 January 2017 to 31 December 2019

Other terms and details:

Pursuant to the Weichai Sale and Processing Services Agreement (as supplemented by the above supplemental agreements but prior to the entering into of this Supplemental Agreement), the Company (and Chongqing Branch), Weichai After-sales Services, Weichai Casting, Weichai Reproduction, Weichai Logistics and/or other Group Company (as the case may be) has sold diesel engines, diesel engine parts and components, materials, semi-finished products and related products and to provide the processing services (as the case may be) to Weichai Holdings, Weichai Import and Export, Chongqing Weichai, Chongqing Casting and/or other associates of Weichai Holdings (as the case may be) at market prices and settled on a monthly basis, for a term ending 31 December 2016, upon the expiry of which the parties shall have an option to renew the same for a period of three years on a mutually agreed basis.

Pursuant to this Supplemental Agreement, the Company (and Chongqing Branch), Weichai After-sales Services, Weichai Casting, Weichai Reproduction, Weichai Logistics and/or other Group Company (as the case may be) shall sell the said diesel engines, diesel engine parts and components, materials, semi-finished products and related products and to provide the said processing services (as the case may be) to Weichai Holdings, Weichai Import and Export, Chongqing Weichai and/or other associates of Weichai Holdings (as the case may be) at market prices and settled on a monthly basis. The said Supplemental Agreement shall be effective for a term of three years ending 31 December 2019. Save as set out herein, all other terms of the Weichai Sale and Processing Services Agreement (as supplemented by the abovementioned supplemental agreements but prior to the entering into of this latest Supplemental Agreement) remain unchanged.

The price of the said products shall be determined according to the following mechanism: the marketing department of the Company regularly conducts market research and analysis regarding specific products, in which a number of factors, including the overall market prices, market shares, ordering situation and performance of major competitors of such products, are comprehensively considered and submits a price suggestion after its analysis to the Company's price management department and the final prices are determined at arm's length negotiation among the parties. The price management department of the Company regularly reviews the reasonableness of prices and makes amendments when necessary. The Directors are of the view that the abovementioned methods and procedures under the pricing policies can ensure that this Continuing Connected Transaction is conducted on normal commercial terms and not prejudicial to the interests of the Company and its minority Shareholders.

The table below summarises the Existing Caps for the Weichai Continuing Connected Transaction set out in this sub-section 1.(d) for the three years ending 31 December 2016:

	2014 <i>RMB</i>	2015 <i>RMB</i>	2016 <i>RMB</i>
Existing Cap	350,000,000	420,000,000	510,000,000

The table below summarises the actual transaction amounts involved for the two years ended 31 December 2015 (audited) and the six months ended 30 June 2016 (unaudited) for the Weichai Continuing Connected Transaction set out in this sub-section 1.(d):

	Year ended 31 December 2014 <i>RMB</i> <i>(audited)</i>	Six months ended 30 June 2015 <i>RMB</i> <i>(audited)</i>	2016 <i>RMB</i> <i>(unaudited)</i>
Actual transaction amount	335,588,159	399,522,919	199,409,128

The Company estimates that the transaction amounts for the Weichai Continuing Connected Transaction set out in this sub-section for the three years ending 31 December 2019 will not exceed RMB850 million, RMB1,000 million and RMB1,190 million, respectively, and such amounts have accordingly been set as the proposed New Caps for this Weichai 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 and semi-finished products required by Weichai Holdings, Weichai Import and Export and Chongqing Weichai (as the case may be) in view of the implementation of the Thirteenth Five-year Plan, the average unit prices of the same, and the costs of the processing services to be provided. Taking into account and on the basis of all the aforesaid factors, it is estimated that the overall transaction amount of the said sale of products and services will grow by approximately 17.6% and 19.0% for each of the years ending 31 December 2018 and 31 December 2019, respectively.

The table below summarises the proposed New Caps for the Weichai Continuing Connected Transaction set out in this sub-section 1.(d) for the three years ending 31 December 2019:

	2017	2018	2019
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
New Cap	850,000,000	1,000,000,000	1,190,000,000

As the New Caps for this Weichai Continuing Connected Transaction for the three years ending 31 December 2019, do not exceed the 5% Threshold, this Weichai Continuing Connection 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 Weichai Continuing Connected Transaction for the three years ending 31 December 2019 is an Exempt Continuing Connected Transaction, the New Caps are not subject to the approval of the independent Shareholders under the Listing Rules.

However, since this Weichai Continuing Connected Transaction constitutes a PRC Continuing Connected Transaction, the relevant New Caps and the Supplemental Agreement are subject to the approval by the Shareholders at the EGM.

2. *Continuing Connected Transactions between the Weichai Heavy Machinery and the Group*

Weichai Heavy Machinery is principally engaged in the manufacture and sale of medium-speed diesel engines and diesel engine parts and components, power generators and related products, and construction machinery and the provision of repair processing services for machinery parts.

Weichai Electric Equipment is a wholly-owned subsidiary of Weichai Heavy Machinery and is principally engaged in the research and development, production, sale and repair of power generators, pump units, air compressor units, hydraulic pump units and their respective components and the import and export of permitted goods and technology.

Weichai Heavy Machinery is an associate of Weichai Holdings (a substantial shareholder of the Company), and accordingly, Weichai Heavy Machinery and Weichai Electric Equipment are connected persons of the Company.

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

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

Date: 30 August 2016

Parties:

1. (a) The Company
(b) Weichai After-sales Services
(c) Weichai Casting
(d) Weichai Reproduction
(e) Huadong Casting
(f) Weichai Logistics
(g) Baudouin China
(h) Weichai Singapore
2. (a) Weichai Heavy Machinery
(b) Weichai Electric Equipment

Term: 1 January 2017 to 31 December 2019

Other terms and details:

Pursuant to the Weichai Heavy Machinery Purchase and Processing Services Agreement (as supplemented by the above supplemental agreements but prior to the entering into of this Supplemental Agreement), the Company (and Chongqing Branch), Weichai After-sales Services, Weichai Casting, Weichai Reproduction, Huadong Casting, Weichai Logistics, Baudouin China and/or other Group Company (as the case may be) have purchased certain diesel engine parts and components, steel and scrap metal, materials, diesel engines and processing and labour services from Weichai Heavy Machinery, Weichai Electric Equipment and/or other associates of Weichai Heavy Machinery (as the case may be) at market prices and settled on a monthly basis, for a term ending 31 December 2016, upon the expiry of which the parties shall have an option to renew the term for another three years on a mutually agreed basis.

Pursuant to this Supplemental Agreement, the Company (and Chongqing Branch), Weichai After-sales Services, Weichai Casting, Weichai Reproduction, Huadong Casting, Weichai Logistics, Baudouin China, Weichai Singapore and/or other Group Company (as the case may be) shall purchase the said parts and components, steel and scarp metal, materials, diesel engines and processing and labour services from Weichai Heavy Machinery, Weichai Electric Equipment and/or other associates of Weichai Heavy Machinery (as the case may be) at market prices and settled on a monthly basis. This Supplemental Agreement shall be effective for a term of three years ending 31 December 2019. Save as set out herein, all other terms of the Weichai Heavy Machinery Purchase and Processing Services Agreement (as supplemented by the abovementioned supplemental agreements but prior to the entering into of this latest Supplemental Agreement) remain unchanged.

The price of the said products shall be determined according to the following mechanism: the marketing department of the Company regularly conducts market research and analysis regarding specific products, in which a number of factors, including the overall market prices, market shares, ordering situation and performance of major competitors of such products, are comprehensively considered and submits a price suggestion after its analysis to the Company's price management department and the final prices are determined at arm's length negotiation among the parties. The price management department of the Company regularly reviews the reasonableness of prices and makes amendments when necessary. The Directors are of the view that the abovementioned methods and procedures under the pricing policies can ensure that this Continuing Connected Transaction is conducted on normal commercial terms and not prejudicial to the interests of the Company and its minority Shareholders.

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

	2014	2015	2016
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Existing Cap	790,000,000	950,000,000	1,140,000,000

The table below summarises the aggregate actual transaction amounts involved for the purchases and processing services for the two years ended 31 December 2015 (audited) and the six months ended 30 June 2016 (unaudited) for the Weichai Continuing Connected Transaction set out in this sub-section 2:

	Year ended 31 December	Six months ended 30 June
	2014	2015
	<i>RMB</i>	<i>RMB</i>
	<i>(audited)</i>	<i>(audited)</i>
Actual transaction amount	282,716,777	126,745,560

The Company estimates that the aggregate transaction amounts in respect of the Weichai Continuing Connected Transaction set out in this sub-section 2 will not exceed RMB330 million, RMB370 million and RMB410 million for each of the three years ending 31 December 2019 and therefore such amount has accordingly been set as the proposed New Caps for this Weichai Continuing Connected Transaction.

The above proposed New Caps have been estimated by the Company primarily based on (i) the relevant historical costs, (ii) the estimate of its production volume, having taken into account the development of the heavy-duty truck and construction machinery markets, the average unit prices of finished diesel engine parts in view of the implementation of the Thirteenth Five-year Plan, and (iii) the market prices of the relevant raw materials, steel, scrap metal, diesel engines and related products and the costs of processing and labour services to be purchased by the Group. Taking into account and on the basis of all the aforesaid factors, it is estimated that the overall transaction amount of the said purchase of products and services will increase by approximately 12.1% and 10.8%, for each of the years ending 31 December 2018 and 31 December 2019, respectively.

The table below summarises the proposed New Caps for the Weichai Continuing Connected Transaction set out in this sub-section 2 for the three years ending 31 December 2019:

	2017	2018	2019
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
New Cap	330,000,000	370,000,000	410,000,000

As the New Caps for this Weichai Continuing Connected Transaction (when aggregated with those New Caps for the same period under section A.1.(c) above) for the three years ending 31 December 2019 do not exceed the 5% Threshold, this Weichai 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 Weichai Continuing Connected Transaction for the three years ending 31 December 2019 is an Exempt Continuing Connected Transaction, the New Caps are not subject to the approval of the independent Shareholders under the Listing Rules.

However, since this Weichai Continuing Connected Transaction constitutes a PRC Continuing Connected Transaction, the relevant New Caps and the Supplemental Agreement are subject to the approval by the Shareholders at the EGM.

B. TAGC Continuing Connected Transactions

Continuing connected transactions between Shaanxi Zhongqi (and its subsidiaries) and Shaanxi Automotive (and its associates)

Shaanxi Zhongqi and its subsidiaries

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 49% 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 61.61% 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 61.22% 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 Dongming is held as to approximately 63.89% 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 an indirect wholly-owned subsidiary of 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 an indirect wholly-owned subsidiary of Shaanxi Automotive 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 60% by Shanghai Yuanxing 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 indirectly held as to 65% by Shaanxi Automotive 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).

- (a) *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, 30 August 2012 and 29 April 2014, respectively)

Date: 30 August 2016

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 2017 to 31 December 2019

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) and Weichai Freshen Air (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 29 April 2014) (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 2016. 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. 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.

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 2019, upon the expiry of which the parties may renew the term for another three years on a mutually agreed basis. Save as set out herein, all other terms of the Shaanxi Zhongqi Sale Agreement (as supplemented by the abovementioned supplemental agreements but prior to the entering into of this latest Supplemental Agreement) remain unchanged.

The sale price of the said products is determined according to the following mechanism: through market analysis of the products (including conducting research in the market at least once every quarter and reviewing the prices of two to three major products of the same category and in the same geographical region in general) by the specific departments 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). 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 2016 for the Continuing Connected Transaction set out in this sub-section (a):

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

The table below summarises the actual transaction amounts involved for the two years ended 31 December 2015 (audited) and the six months ended 30 June 2016 (unaudited) for the Continuing Connected Transaction set out in this sub-section (a):

	Year ended 31 December 2014 <i>RMB</i> <i>(audited)</i>	Six months ended 30 June 2015 <i>RMB</i> <i>(audited)</i>	2016 <i>RMB</i> <i>(unaudited)</i>
Actual transaction amount	2,342,314,743	444,945,216	1,603,947,263

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 (a) will not exceed RMB4,550 million, RMB4,740 million and RMB5,030 million, respectively, for each of the three years ending 31 December 2019 and such amounts have accordingly been set as the New Caps for this Continuing Connected Transaction.

The above proposed New Caps have been estimated by the Company primarily based on (i) the relevant historical transaction amounts, (ii) the 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) in view of the implementation of the Thirteenth Five-year Plan, and (iii) the estimated average unit price of the said vehicles. Taking into account and on the basis of all the aforesaid factors, it is estimated that the overall transaction amount of the said sale and provision of service will increase by approximately 4.2% and 6.1% for each of the years ending 31 December 2018 and 31 December 2019, respectively.

The table below summarises the proposed New Caps for the Continuing Connected Transaction set out in this sub-section (a) for the three years ending 31 December 2019:

	2017	2018	2019
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
New Cap	4,550,000,000	4,740,000,000	5,030,000,000

Since (i) Shaanxi Automotive is regarded as a connected person of the Company at subsidiary level; (ii) the Board (including all the independent non-executive Directors) has approved this TAGC Continuing Connected Transaction; and (iii) the independent non-executive Directors have confirmed that the terms of this TAGC Continuing Connected Transaction and the New Caps are fair and reasonable, on normal commercial terms or better and in the interests of the Company and the Shareholders as a whole, this TAGC Continuing Connected Transaction is subject to the reporting and announcement requirements but is exempt from circular, independent financial advice and shareholders' approval requirements pursuant to Rule 14A.101 of the Listing Rules.

Since this TAGC Continuing Connected Transaction for the three years ending 31 December 2019 is an Exempt Continuing Connected Transaction, this Supplemental Agreement is not subject to the approval of the independent Shareholders under the Listing Rules.

- (b) *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, 29 August 2013 and 29 April 2014, respectively)

Date: 30 August 2016

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) 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 Dongming
 - (q) Yanan Vehicle
 - (r) Huazhen Trading
 - (s) Deyin Logistic
 - (t) Tonghui Logistic
 - (u) Zhongjiao Tianjian

Term: 1 January 2017 to 31 December 2019

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 and labour services (as the case may be) from Shaanxi Automotive and its associates (as set out in the announcement of the Company dated 29 April 2014 (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) and Weichai Freshen Air (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 2019, upon the expiry of which the parties may renew the term for another three years on a mutually agreed basis. Save as set out herein, all other terms of the Shaanxi Zhongqi Purchase Agreement (as supplemented by the abovementioned supplemental agreements but prior to the entering into of this latest Supplemental Agreement) remain unchanged.

The purchase price of the said products is determined according to the following mechanism: through market analysis of the products (including reviewing the prices of not less than three products of the same category in the market in general) by the specific departments 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 (the Company shall conduct an analysis on such costs in respect of the products and compare the same against the quote from the relevant seller), 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) (such department shall review the prices of materials in the first quarter of a year during which new purchase orders are entered into, and thereafter, review such prices on a monthly basis). The Directors are of the view that the abovementioned methods and procedures under the pricing policies can ensure that this Continuing Connected Transaction is conducted on normal commercial terms and not prejudicial to the interests of the Company and its minority Shareholders.

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

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

The table below summarises the actual aggregate transaction amounts involved for the two years ended 31 December 2015 (audited) and the six months ended 30 June 2016 (unaudited) for the Continuing Connected Transaction set out in this sub-section (b):

	Year ended	Six months
	31 December	ended 30 June
	2014	2015
	<i>RMB</i>	<i>RMB</i>
	<i>(audited)</i>	<i>(audited)</i>
		2016
		<i>RMB</i>
		<i>(unaudited)</i>
Actual transaction amount	1,875,290,954	1,394,926,062
		1,207,553,879

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 2019 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 (b) will not exceed RMB4,950 million, RMB5,200 million and RMB5,460 million, respectively, for each of the three years ending 31 December 2019 and such amounts have accordingly been set as the New Caps for this Continuing Connected Transaction.

The above proposed New Caps have been estimated by the Company primarily based on (i) the relevant historical transaction amounts; (ii) the 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) in view of the implementation of the Thirteenth Five-year Plan; and (iii) the expected increase in the cost of production. Taking into account and on the basis of all the aforesaid factors, it is estimated that the overall transaction amount of the said purchase of parts and components of vehicles, scrap steel and related products and labour services will increase by approximately 5.1% and 5.0% for each of the years ending 31 December 2018 and 2019, respectively.

The table below summarises the proposed New Caps for the Continuing Connected Transaction set out in this sub-section (b) for the three years ending 31 December 2019:

	2017	2018	2019
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
New Cap	4,950,000,000	5,200,000,000	5,460,000,000

Since (i) Shaanxi Automotive is regarded as a connected person of the Company at subsidiary level; (ii) the Board (including all the independent non-executive Directors) has approved this TAGC Continuing Connected Transaction; and (iii) the independent non-executive Directors have confirmed that the terms of this TAGC Continuing Connected Transaction and the New Caps are fair and reasonable, on normal commercial terms or better and in the interests of the Company and the Shareholders as a whole, this TAGC Continuing Connected Transaction is subject to the reporting and announcement requirements but is exempt from circular, independent financial advice and shareholders' approval requirements pursuant to Rule 14A.101 of the Listing Rules.

Since this TAGC Continuing Connected Transaction for the three years ending 31 December 2019 is an Exempt Continuing Connected Transaction, this Supplemental Agreement is not subject to the approval of the independent Shareholders under the Listing Rules.

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

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 Weichai 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 Weichai Continuing Connected Transactions have been continuing since the listing of the Company on the Stock Exchange. After the completion of the Weichai Holdings Juli Restructuring in 2007, certain of these Weichai Continuing Connected Transactions with Weichai Holdings were transferred to Weichai Heavy Machinery.

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

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

The Directors (including the independent non-executive Directors) have confirmed that all 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 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 Directors (including the independent non-executive Directors) 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 2016 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 sections II.A. 1.(a), (b), (c) and (d) in this announcement — Tan Xuguang, Jiang Kui, Zhang Quan, Xu Xinyu and Sun Shaojun; and
2. Continuing Connected Transaction with Weichai Heavy Machinery (and its subsidiaries) set out under section II.A.2. in this announcement — Tan Xuguang, Wang Yuepu, Jiang Kui, Zhang Quan, Xu Xinyu and Sun Shaojun.

Save as disclosed, no other Directors have any material interest in the Continuing Connected Transactions.

As the highest percentage ratios calculated in accordance with the Listing Rules for each of the Weichai Continuing Connected Transactions exceed the 0.1% Threshold but do not exceed the 5% Threshold, the Weichai Continuing Connected Transactions are subject to the reporting, announcement and annual review requirements of Chapter 14A of the Listing Rules but are 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, the Weichai Continuing Connected Transactions constitute PRC Continuing Connected Transactions and are subject to the approval by the Shareholders at the EGM.

Further, since (i) Shaanxi Automotive is regarded as a connected person of the Company at subsidiary level; (ii) the Board (including all the independent non-executive Directors) has approved the TAGC Continuing Connected Transactions; and (iii) the independent non-executive Directors have confirmed that the terms of the TAGC Continuing Connected Transactions and the relevant New Caps are fair and reasonable, on normal commercial terms or better and in the interests of the Company and the Shareholders as a whole, the TAGC Continuing Connected Transactions are subject to the reporting and announcement requirements but are exempt from circular, independent financial advice and shareholders' approval requirements pursuant to Rule 14A.101 of the Listing Rules.

IV. 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) of the Listing Rules
“Baudouin China”	博杜安 (濰坊) 動力有限公司 (Baudouin (Weifang) Power Co., Ltd.*), a company established in the PRC and a subsidiary of the Company
“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
“Chongqing Branch”	the Company’s facility (being its branch office) in Chongqing Municipality, the PRC
“Chongqing Casting”	重慶市江津區重濰鑄造有限公司 (Chongqing City Jiangjin District Chongwei Casting Co. Ltd.*), a company established in the PRC which was subsequently deregistered
“Chongqing Weichai”	重慶濰柴發動機有限公司 (Chongqing Weichai Diesel Engine Company Limited*) (formerly known as 重慶濰柴發動機廠 (Chongqing Weichai Diesel Engine Factory*)), a Company established in the PRC and a connected person of the Company
“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, comprising the Weichai Continuing Connected Transaction(s) and the TAGC Continuing Connected Transaction(s)
“Deyin Business”	has the meaning ascribed to it under the section headed “II.B.(a). 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
“EGM”	the extraordinary general meeting of the Company to be held to consider and, if thought fit, approve, <i>inter alia</i> , the New Caps and the Supplemental Agreements in respect of the PRC Continuing Connected Transactions
“Exempt Continuing Connected Transactions”	being those Continuing Connected Transactions exempt from circular, independent financial advice and shareholders’ approval requirements pursuant to Rule 14A.101 of the Listing Rules, or the proposed New Caps for which do not exceed the 5% Threshold and, accordingly, are not subject to the approval by the independent Shareholders under the Listing Rules, and, where such New Caps exceed the 0.1% Threshold, are only subject to the reporting, announcement and annual review requirements of Chapter 14A of the Listing Rules

“Existing Cap(s)”	the existing cap(s) for the Continuing Connected Transactions set out in the section headed “II. Continuing Connected Transactions” in this announcement
“Group”	the Company and its subsidiaries, and “Group Company” means any of the same
“Hande Axle”	陝西漢德車橋有限公司 (Shaanxi Hande Axle Co., Ltd.*), a company established in the PRC and is held as to approximately 3.06% by the Company and as to approximately 94% by Shaanxi Zhongqi
“Huadong Casting”	山東華動鑄造有限公司 (Shandong Huadong Casting Co., Ltd.*), a company established in the PRC and a subsidiary of the Company
“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
“Jinding”	陝西金鼎鑄造有限公司 (Shaanxi Jinding Casting 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
“PRC”	the People’s Republic of China

“PRC Continuing Connected Transactions”	the Continuing Connected Transactions set out under the sections headed “II.A.1.(a), (b), (c) and (d) and II.A.2.” in this announcement, which constitute continuing connected transactions 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 Shareholders at the EGM. For details, please refer to the announcement of the Company entitled 《潍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 2016 on the Shenzhen Stock Exchange
“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 Automotive Import and Export Co., Ltd.*), 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”	陝西同創華亨汽車散熱裝置器有限責任公司 (Shaanxi Tongchuang Huaheng Vehicle Radiator Co. Ltd.*), a company established in the PRC and a connected person of the Company
“Shaanxi Tongli”	陝西通力專用汽車有限責任公司 (Shaanxi Tongli Special Purpose 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 subsidiary of the Company
“Shandong India”	Shandong Heavy Industry India Private Limited, a company established in India and a 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
“Shenzhen Listing Rules”	《股票上市規則》(“listing rules”) of the Shenzhen Stock Exchange
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Agreements”	the supplemental agreements relating to the Continuing Connected Transactions entered into between the Group and the relevant connected persons as more particularly set out in the section headed “II. Continuing Connected Transactions” in this announcement and “Supplemental Agreement” means any of them

“TAGC”	湘火炬汽車集團股份有限公司 (Torch Automotive Group Co., Ltd.*), a company established in the PRC and has ceased to exist
“TAGC Continuing Connected Transaction”	the Continuing Connected Transaction under section II.B. of this announcement
“Tiangua”	天津市天掛車輛有限公司 (Tianjin Tiangua Automotive Co., Ltd.*), 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 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 Comapny*)), a company established in the PRC and a subsidiary of the Company
“Weichai Casting”	濰柴動力(濰坊)鑄鍛有限公司 (Weichai Power (Weifang) Casting Co., Ltd.*), a company established in the PRC and a subsidiary of the Company
“Weichai Continuing Connected Transaction(s)”	the Continuing Connected Transaction(s) under section II.A. of this announcement
“Weichai Freshen Air”	濰柴動力空氣淨化科技有限公司 (Weichai Power Freshen Air Technology Co., Ltd.*), a company established in the PRC and a wholly owned subsidiary of the Company
“Weichai Electric Equipment”	濰柴電力設備有限公司 (Weichai Electric Equipment Co., Ltd.*) (formerly known as 濰柴重機(濰坊)發電設備有限公司 (Weichai Heavy-duty Machinery (Weifang) Generator Equipment Co., Ltd.*) and 濰柴發電設備有限公司 (Weichai Generator Equipment Co., Ltd.*)), a company established in the PRC and a connected person of the Company
“Weichai Heavy Machinery”	濰柴重機股份有限公司 (Weichai Heavy-duty Machinery Co., Ltd.*) (formerly known as 山東巨力股份有限公司 (Shandong Juli Company Limited*)), a company established in the PRC and a connected person of the Company

“Weichai Holdings”	濰柴控股集團有限公司 (Weichai Group Holdings Limited*) (formerly known as 濰坊柴油機廠 (Weifang Diesel Engine Works*)), a legal person established in the PRC, a substantial shareholder of the Company and a connected person of the Company
“Weichai Holdings Juli Restructuring”	the restructuring of the assets of Weichai Holding and the group of entities concerning Weichai Heavy Machinery as more particularly set out in the announcement of Weichai Heavy Machinery on the Shenzhen Stock Exchange dated 8 September 2006
“Weichai Import and Export”	山東濰柴進出口有限公司 (Shandong Weichai Import and Export Co., Ltd.*), a company established in the PRC wholly-owned by Weichai Holdings and a connected person of the Company
“Weichai Logistics”	濰柴動力(濰坊)集約配送有限公司 (Weichai Power (Weifang) Intensive Logistics Co., Ltd.*), a company established in the PRC and a wholly-owned subsidiary of the Company
“Weichai Middle East”	Weichai Middle East FZE, a company established in Dubai, United Arab Emirates and a wholly-owned subsidiary of the Company
“Weichai Reproduction”	濰柴動力(濰坊)再製造有限公司 (Weichai Power (Weifang) Reconstruction Co., Ltd.*), a company established in the PRC and a subsidiary of the Company
“Weichai Singapore”	Weichai Singapore Pte. Ltd., a company established in Singapore and a subsidiary of the Company
“Wenzhou Yunding”	陝西汽車集團溫州雲頂汽車有限公司 (Shaanxi Vehicle Group Wenzhou Yunding Vehicle 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

* For identification purposes only

By order of the Board
Tan Xuguang
Chairman and CEO

Hong Kong, 30 August 2016

As at the date of this announcement, the executive Directors of the Company are Mr. Tan Xuguang, Mr. Zhang Quan, Mr. Xu Xinyu, Mr. Li Dakai and Mr. Sun Shaojun; the non-executive Directors of the Company are Mr. Wang Yuepu, Mr. Jiang Kui and Mr. Gordon Riske; and the independent non-executive Directors of the Company are Mr. Loh Yih, Mr. Zhang Zhenhua, Mr. Zhang Zhong, Mr. Wang Gongyong and Mr. Ning Xiangdong.