

If you are in any doubt as to any aspect of this circular, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your overseas listed foreign shares (“H Shares”) in Weichai Power Co., Ltd., you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities of Weichai Power Co., Ltd. nor is it calculated to invite any such offer or invitation. In particular, this circular does not constitute and is not an offer to sell or a solicitation of any offer to buy securities in Hong Kong or elsewhere.

WEICHAI
潍柴
潍柴动力股份有限公司
WEICHAI POWER CO., LTD.
(a joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 2338)

(1) GENERAL MANDATE TO ISSUE SHARES
(2) PROPOSED NON-PUBLIC ISSUANCE OF A SHARES UNDER
THE GENERAL MANDATE
(3) PROPOSED CONSEQUENTIAL AMENDMENTS TO
THE ARTICLES OF ASSOCIATION
AND
(4) NOTICE OF EXTRAORDINARY GENERAL MEETING

A letter from the Board is set out on pages 3 to 23 of this circular.

A notice convening the EGM to be held at 197, Section A, Fu Shou East Street, High Technology Industrial Development Zone, Weifang, Shandong Province, the PRC on 29 January 2021 at 2:50 p.m. is set out on pages 136 to 139 of this circular. Whether or not you intend to be present at the said meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the H-share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong (with respect to the holders of H Shares) or the registered office of the Company at Legal and Securities Affairs Department, 197, Section A, Fu Shou East Street, High Technology Industrial Development Zone, Weifang, Shandong Province, the PRC (postal code: 261061) (with respect to the holders of A Shares), no later than 24 hours before the time fixed for holding the relevant meeting or any adjournment thereof. Completion and delivery of the form of proxy will not prevent you from attending, and voting at, the relevant meeting or any adjournment thereof if you so wish.

CONTENTS

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE BOARD	3
APPENDIX I – THE PLAN FOR THE PROPOSED NON-PUBLIC ISSUANCE OF A SHARES IN 2020	24
APPENDIX II – THE FEASIBILITY ANALYSIS REPORT ON THE USE OF PROCEEDS FROM THE NON-PUBLIC ISSUANCE OF A SHARES	98
APPENDIX III – THE DILUTION OF IMMEDIATE RETURNS UPON THE NON-PUBLIC ISSUANCE OF A SHARES AND REMEDIAL MEASURES, AND UNDERTAKINGS BY THE RELEVANT PERSONS	112
APPENDIX IV – THE COMPANY’S PLAN ON SHAREHOLDERS’ RETURN FOR THE UPCOMING THREE YEARS (2021 - 2023)	122
APPENDIX V – THE COMPANY’S MANAGEMENT MEASURES ON THE USE OF RAISED PROCEEDS	126
NOTICE OF EGM	136

DEFINITIONS

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

“A Share(s)”	the A Share(s), being ordinary share(s) issued in the capital of the Company with a RMB denominated par value of RMB1.00 each and are listed on the Shenzhen Stock Exchange
“Articles of Association”	the articles of association of the Company
“Board”	the board of Directors
“China” or “PRC”	the People’s Republic of China
“Company”	潍柴动力股份有限公司 (Weichai Power Co., Ltd.), a company established in the PRC with limited liability
“connected person”	has the meaning ascribed thereto under the Hong Kong Listing Rules
“CSDC”	Chinese Securities Depository and Clearing Corporation Limited, Shenzhen branch
“CSRC”	the China Securities Regulatory Commission
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held on 29 January 2021, Friday, the notice of which is contained in this circular
“General Mandate”	the unconditional general mandate to issue additional A Shares and/or H Shares to be granted to the Board at the EGM, details of which are set out in the section headed “II. General Mandate to issue Shares” in the letter from the Board contained in this circular
“Group”	the Company and its subsidiaries, and “Group Company” means any of the same
“H Share(s)”	the H Share(s), being the overseas listed foreign share(s) issued, in the capital of the Company with a RMB denominated par value of RMB1.00 each and are listed on the main board of the Hong Kong Stock Exchange

DEFINITIONS

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Latest Practicable Date”	8 January 2021, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Non-public Issuance of A Shares”	the proposed non-public issuance of A Shares by the Company of not more than 793,387,389 A Shares to not more than 35 specific target subscribers, details of which are set out in the section headed “III. Proposed Non-public Issuance of A Shares” in the letter from the Board contained in this circular
“Pricing Benchmark Date”	has the meaning ascribed thereto in the section headed “III. Proposed Non-public Issuance of A Shares — A. Issuance proposal for the proposed Non-public Issuance of A Shares — 4. Pricing Benchmark Date, issue price and pricing principles” in the letter from the Board contained in this circular
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	the share(s) in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“trading day(s)”	a day on which the Shenzhen Stock Exchange is open for dealing or trading in securities
“%”	per cent

LETTER FROM THE BOARD



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)

Executive Directors:

Tan Xuguang (Chairman and Chief Executive Officer)
Zhang Quan (Executive President)
Xu Xinyu
Sun Shaojun (Executive President)
Yuan Hongming (Executive President)
Yan Jianbo (Executive President)

Non-executive Directors:

Zhang Liangfu
Jiang Kui
Gordon Riske
Michael Martin Macht

Independent Non-executive Directors:

Li Hongwu
Wen Daocai
Jiang Yan
Yu Zhuoping
Zhao Huifang

Supervisors:

Lu Wenwu
Wu Hongwei
Ma Changhai

Registered office:

197, Section A
Fu Shou East Street
High Technology Industrial
Development Zone
Weifang
Shandong Province
The People's Republic of China

Principal place of business

in Hong Kong:
Rooms 3407-3408
34th Floor, Gloucester Tower
Landmark
15 Queen's Road Central
Central, Hong Kong

11 January 2021

To: Holders of H Shares
Holders of A Shares

Dear Sir or Madam,

- (1) GENERAL MANDATE TO ISSUE SHARES**
(2) PROPOSED NON-PUBLIC ISSUANCE OF A SHARES UNDER
THE GENERAL MANDATE
(3) PROPOSED CONSEQUENTIAL AMENDMENTS TO
THE ARTICLES OF ASSOCIATION
AND
(4) NOTICE OF EXTRAORDINARY GENERAL MEETING

LETTER FROM THE BOARD

I. INTRODUCTION

It was announced by the Board on 24 December 2020 that on 24 December 2020, the Board has approved the proposed Non-public Issuance of A Shares, pursuant to which, the Company will issue a maximum of 793,387,389 new A Shares to no more than 35 specific target subscribers by way of non-public issuance, and the proceeds expected to be raised will be no more than RMB13,000 million. The A Shares to be issued pursuant to the proposed Non-public Issuance of A Shares will be issued under the General Mandate, which is subject to the Shareholders' approval at the EGM. In addition, the Board will seek the Shareholders' authorisation at the EGM to make necessary consequential amendments to the Articles of Association to the registered capital and capital structure of the Company subsequent to completion of the issue of Shares under the General Mandate (including the completion of the proposed Non-public Issuance of A Shares under the General Mandate).

The purpose of this circular is to provide you with further information in relation to the proposed General Mandate to issue Shares, the proposed Non-public Issuance of A Shares under the General Mandate, and the proposed consequential amendments to the Articles of Association. A notice convening the EGM is also included in the circular.

II. GENERAL MANDATE TO ISSUE SHARES

To ensure flexibility and discretion to the Board to issue new Shares when it becomes desirable, the Board has resolved to submit a special resolution to the EGM for consideration and approval on a proposed General Mandate to issue certain Shares. Pursuant to the General Mandate (if granted), according to market conditions and the needs of the Company, the Board will separately or concurrently issue additional A Shares and/or H Shares in the share capital of the Company, the total number of such additional A Shares and/or H Shares to be issued shall not exceed each of 20% of the issued A Shares and H Shares of the Company, respectively, as at the time of approval of the relevant resolution at the EGM.

As at the Latest Practicable Date, the issued share capital of the Company comprised of 5,990,833,895 A Shares and 1,943,040,000 H Shares. Subject to the approval of the grant of the General Mandate by the Shareholders and on the basis that no further Shares are issued before the EGM, the Board will have the power to issue up to 1,198,166,779 A Shares and 388,608,000 H Shares.

The specific contents of the General Mandate include but are not limited to the following:

1. The granting of a general mandate to the Board of the Company (within the scope as set out in paragraph 2 below) to, subject to market conditions and the requirements of the Company, separately or concurrently issue additional shares of the issued A Shares and/or H Shares of the Company during the Relevant Period (as defined below), and to make or grant decisions which might require the exercise of such powers (including authorising the Board during the Relevant Period to make or grant decisions which might require the exercise of such powers after the end of the Relevant Period).

LETTER FROM THE BOARD

2. The aggregate number of the A Shares and/or H Shares conditionally or unconditionally agreed to be issued (whether pursuant to the exercise of options or otherwise) by the Board shall not exceed 20% of the respective class of Shares in issue of the Company when this resolution is approved at the EGM.
3. The Board is authorised to formulate and implement the detailed issuance plan, including but not limited to (i) the class and number of the new shares to be issued, (ii) the pricing mechanism and/or issue price (including price range), (iii) starting and closing date of the issuance, (iv) use of proceeds, (v) the making or granting of authorisations in respect of decisions which may require the exercise of such powers; and (vi) other contents that the detailed issuance plan should contain as required by the relevant laws and regulations and other regulatory documents, the relevant regulatory institutions, and the exchange where the relevant Shares are listed.
4. The Board is authorised to engage intermediary institutions in respect of the issuance of Shares, to approve and sign all acts, documents and other matters necessary or relevant to the issuance of Shares, and to consider, approve, and sign, on behalf of the Company, agreements related to the issuance of Shares, including but not limited to subscription agreements, underwriting agreements and engagement agreements of intermediaries.
5. The Board is authorised to consider and execute, on behalf of the Company, statutory documents related to the issuance of Shares for submission to the relevant regulatory authorities, to carry out relevant approval procedures as required by regulatory authorities and the places in which the Company is listed, and to complete all necessary filings, registrations and record with the relevant governmental authorities of Hong Kong and/or any other regions or jurisdictions (if applicable).
6. The Board is authorised to amend, as required by regulatory authorities within or outside China, relevant agreements and statutory documents referred to in paragraphs (4) and (5) above.
7. The Board is authorised to approve the increase in registered capital of the Company after issuance of the new Shares, make appropriate and necessary amendments to the relevant contents of total share capital and shareholding structure in the Articles of Association, carry out the relevant approval, registration and filing procedures pursuant to domestic and overseas statutory requirements, and take any other action and complete any procedures required to implement the relevant share issuance and realize the increase in the registered capital of the Company.

LETTER FROM THE BOARD

8. Upon obtaining of the aforesaid mandate by the Board, to delegate the authority to the authorised person(s) of the Company to jointly or individually sign, execute, amend, complete and submit all agreements, contracts and documents relating to the issuance of shares under the General Mandate unless otherwise required under the relevant laws and regulations.
9. Exercise of the General Mandate by the Board is subject to the approvals of the CSRC and/or the other relevant governmental authorities of the PRC and in accordance with the Company Law of the PRC, the Securities Law of the PRC, the Hong Kong Listing Rules or all applicable laws, regulations and rules of any other governmental or regulatory authorities.

Except that the Board may make or grant decisions under the authorisation granted thereto during the Relevant Period in relation to the issuance of A Shares and/or H Shares, which might require further promotion or implementation after the end of the Relevant Period, the General Mandate shall be effective during the Relevant Period. "Relevant Period" means the period from the passing of this resolution as a special resolution at the EGM until whichever is the earliest of:

- (i) the expiration of a 12-month period following the passing of the resolution at the EGM; or
- (ii) the revocation or variation of the authority given under this resolution by passing of a special resolution of the Company in a general meeting.

Should the Board or its authorised person(s), during the Relevant Period, sign the necessary documents, complete the necessary formalities or take relevant steps which might require to be performed or carried out upon or after the end of the Relevant Period or continued until the end of the Relevant Period, the Relevant Period will be extended accordingly.

The General Mandate has been considered and approved by the Board, and will be proposed at the EGM for the Shareholders' consideration and approval by way of special resolution.

III. PROPOSED NON-PUBLIC ISSUANCE OF A SHARES

A. Issuance proposal for the proposed Non-public Issuance of A Shares

The Board is pleased to announce that, on 24 December 2020, the Board has approved the proposed Non-public Issuance of A Shares under the General Mandate, pursuant to which the Company will issue a maximum of 793,387,389 new A Shares to no more than 35 specific subscribers by way of non-public issuance, at a final issue price to be determined in the manner described under "4. Pricing Benchmark Date, issue price and pricing principles" below. The Company intends to raise gross proceeds of not more than RMB13,000 million.

Details of the proposed Non-public Issuance of A Shares are set out below:

LETTER FROM THE BOARD

- 1. Class and par value of Shares to be issued**

The Shares to be issued are A Shares with a par value of RMB1.00 per share.
- 2. Method and time of issuance**

The proposed Non-public Issuance of A Shares will be undertaken by way of non-public issuance to specific subscribers. The Company will issue A Shares to specific subscribers at an appropriate time within the validity period as approved by the CSRC. According to the Administrative Measures for the Issuance of Securities by Listed Companies (《上市公司證券發行管理辦法》), the validity period of the CSRC approval will be 12 months. The Company will complete the proposed Non-public Issuance of A Shares as soon as practicable within 12 months after the relevant approval from the CSRC having been obtained.
- 3. Target subscribers and subscription method**

The target subscribers of the Non-public Issuance of A Shares will be no more than 35 specific investors, including securities investment fund management companies, securities companies, insurance institutional investors, trust companies, finance companies, asset management companies, qualified foreign institutional investors and qualified RMB foreign institutional investors etc., being legal persons, natural persons or other legal investment entities who meet the relevant legal and regulatory requirements.

Securities investment fund management companies, securities companies, qualified foreign institutional investors and qualified RMB foreign institutional investors that subscribe for the relevant A Shares with two or more of the products managed by them, shall be taken as one single target subscriber. A trust company that subscribes as a target subscriber may only use its proprietary funds for subscription.

Upon obtaining the written approval of the CSRC for the proposed Non-public Issuance of A Shares, the final target subscribers shall be determined by the Board or its authorised person(s) under the authorisation granted at the EGM, with the sponsoring institution (lead underwriter) according to the price inquiry results based on the principle of price priority according to the prices offered by the target subscribers. The Company will make further announcement(s) on the list of the final target subscribers upon such final identification having been made.

All A Shares to be issued under the proposed Non-public Issuance of A Shares will be subscribed for in cash.

LETTER FROM THE BOARD

4. Pricing Benchmark Date, issue price and pricing principles

The pricing benchmark date (the “**Pricing Benchmark Date**”) of the proposed Non-public Issuance of A Shares shall be the first day of the issue period of the proposed Non-public Issuance of A Shares.

Pursuant to Article 38 of the Administrative Measures for the Issuance of Securities by Listed Companies (《上市公司證券發行管理辦法》) and Article 7 of the Implementation Rules for the Non-public Issuance of Stocks by Listed Companies (《上市公司非公開發行股票實施細則》), the issue price of the issuance shall be no less than 80% of the average trading price (rounded up to the nearest two decimal places) of the A Shares of the Company for the 20 trading days preceding the Pricing Benchmark Date (excluding the Pricing Benchmark Date; same for below). The average trading price of the A Shares of the Company for the 20 trading days preceding the Pricing Benchmark Date shall be the total trading amount of the A Shares for the 20 trading days preceding the Pricing Benchmark Date divided by the total trading volume of the A Shares of the Company for the 20 trading days preceding the Pricing Benchmark Date.

Based on the aforementioned base price, the final issue price shall be determined in accordance with relevant laws and regulations and the request of the regulatory authorities, upon the Company obtaining the approval of the CSRC for the Non-public Issuance of A Shares, by the Board or its authorised person(s) under the authorisation granted at the EGM, with the sponsoring institution (lead underwriter) with reference to the price inquiry results based on the principle of price priority according to the prices offered by the target subscribers.

In the event that the Company distributes cash dividends, grants bonus shares, capitalisation of capital reserve or carries out any other ex-right or ex-dividend activities in respect of A Shares during the period commencing from the Pricing Benchmark Date of the Non-public Issuance of A Shares to the issuance date, adjustments shall be made to the base price for the Non-public Issuance of A Shares accordingly.

LETTER FROM THE BOARD

The average closing price of the H Shares in the five trading days immediately prior to 24 December 2020 (being the date of the Company's announcement issued in respect of the proposed Non-public Issuance of A Shares) was HK\$15.264 per H Share (the "**H Share Average Closing Price**"). Pursuant to Rule 13.36(5) of the Hong Kong Listing Rules, the Company may not issue any securities pursuant to a general mandate given under Rule 13.36 (2)(b) if the relevant price represents a discount of 20% or more to the benchmarked price of the H Shares, such benchmarked price being the higher of: (i) the closing price of H Shares on the date of the relevant placing agreement or other agreement involving the proposed issue of securities under the general mandate; and (ii) the H Share Average Closing Price. The Company will make further announcement(s) when the Issue Price has been determined, and will comply with the relevant requirements under Rule 13.36(5) of the Hong Kong Listing Rules.

5. Number of Shares to be issued

The number of Shares to be issued under the Non-public Issuance of A Shares shall be determined by dividing the funds raised with the issue price (if the number of Shares obtained is not a whole number, it shall be rounded down to the nearest whole number), and will not exceed 793,387,389 Shares, representing not more than 10% of the total issued share capital of the Company prior to the completion of the Non-public Issuance of A Shares.

The maximum number of A Shares to be issued under the Non-public Issuance of A Share will be based on the approval granted by the CSRC. After obtaining the approval for the proposed Non-public Issuance of A Shares from the CSRC, the Board or its authorised persons(s) shall, pursuant to the authorisation of the Shareholders in the EGM and within the scope approved by the CSRC, negotiate with the sponsoring institution (lead underwriter) to determine the final number of A Shares to be issued according to the relevant regulations of the CSRC and the actual circumstances at the time of issuance.

If ex-rights or ex-dividend events (such as distribution of dividends, bonus issues, capitalisation of capital reserve or allotment of Shares) occur during the period between the date hereof to the issuance date, or there occurs any change in the share capital of the Company due to events such as the implementation of share award schemes or repurchase of Shares during such period, then the number of Shares under the Non-public Issuance of A Shares will be adjusted correspondingly according to relevant requirements.

LETTER FROM THE BOARD

6. **Lock-up period arrangement**
- Upon the completion of the Non-public Issuance of A Shares, target subscribers shall not transfer or deal with the A Shares subscribed under the Non-public Issuance of A Shares during a period of six months commencing from the closing date of the Non-public Issuance of A Shares.
- After the end of the aforementioned lock-up period, the transactions under the Non-public Issuance of A Shares shall be conducted in accordance with the relevant regulations of the CSRC and the Shenzhen Stock Exchange.
- In the event that the number of A Shares held by the target subscribers increases due to reasons such as bonus issue and/or capitalisation of capital reserve after completion of the Non-public Issuance of A Shares, such Shares shall also be subject to the aforementioned lock-up arrangement.
7. **Place of listing of the new A Shares to be issued**
- The A Shares to be issued under the Non-public Issuance of A Shares will be listed and traded on the Shenzhen Stock Exchange.
8. **Arrangement of accumulated undistributed profits**
- Both new Shareholders and existing Shareholders after the issuance of A Shares under the Non-public Issuance of A Shares shall be entitled to the accumulated undistributed profits of the Company.
9. **Validity of the resolutions in respect of the Non-Public Issuance of A Shares**
- The resolutions regarding the Non-public Issuance of A Shares shall remain valid for a period of 12 months from the date of consideration and approval of such resolutions at the EGM.

LETTER FROM THE BOARD

10. Amount and use of proceeds

The gross proceeds raised from the Non-public Issuance of A Shares is expected to be no more than RMB13,000 million. After the deduction of expenses related to the issuance, the proceeds raised will be applied in the following aspects:

Item	Total investment amount of the relevant project (RMB'000)	The amount of proceeds to be applied (RMB'000)	Expected time of utilisation*	
1. Fuel cell industry chain development project (燃料電池產業鏈建設項目)	Hydrogen-fueled cell and key components industrialisation project (氫燃料電池及關鍵零部件產業化項目)	712,281.0	500,000.0	Within 18 months
	Solid oxide fuel cell and key components industrialisation project (固態氧化物燃料電池及關鍵零部件產業化項目)	1,512,500.0	500,000.0	Within 36 months
	Key components of fuel cell powertrain research and development and construction capabilities project (燃料電池動力總成核心零部件研發及製造能力建設項目)	1,479,270.0	1,000,000.0	Within 36 months
2. Full series of H platform high-end road-going engines of China VI or above emission standards project (全系列國六及以上排放標準H平台道路用高端發動機項目)	New million units digitalised power industry base stage I project (新百萬台數字化動力產業基地一期項目)	5,625,850.0	3,000,000.0	Within 25 months
	H platform engines intelligent manufacturing upgrade project (H平台發動機智能製造升級項目)	1,100,000.0	1,000,000.0	Within 48 months

LETTER FROM THE BOARD

Item		Total investment amount of the relevant project (RMB'000)	The amount of proceeds to be applied (RMB'000)	Expected time of utilisation*
3. Large diameter high-end engine industrialisation project (大缸徑高端發動機產業化項目)	Large diameter highend engine laboratory project (大缸徑高端發動機實驗室建設項目)	1,395,000.0	1,075,000.0	Within 24 months
	High efficiency and high speed self-owned brand engine industrialisation project (自主品牌大功率高速機產業化項目)	998,420.0	685,000.0	Within 24 months
	Large diameter high-end engine development project (大缸徑高端發動機建設項目)	1,847,840.0	1,240,000.0	Within 36 months
4. Full series hydraulic pressure powertrain and large-scale continuously variable transmission (CVT) powertrain industrialisation project (全系列液壓動力總成和大型CVT動力總成產業化項目)		3,134,076.1	3,000,000.0	Within 36 months
5. To replenish the working capital of the Group		1,000,000.0	1,000,000.0	Not applicable
Total		<u>18,805,237.1</u>	<u>13,000,000.0</u>	

* *The proceeds are expected to be utilised during the respective construction period of the relevant projects, the actual time of which will be based on the overall progress and actual circumstances of the relevant projects.*

Prior to the receipt of the relevant proceeds raised from the Non-public Issuance of A Shares, based on the actual circumstances of the aforementioned projects, the Company may utilise its internal funds or funds obtained through other financing methods to invest in such projects, and replace such investment amount with the proceeds upon receiving the same.

LETTER FROM THE BOARD

Following receipt of the relevant proceeds, if the actual amount of net proceeds from the proposed Non-public Issuance of A Shares (after deduction of expenses related to the issuance) is less than the proposed amount of proceeds to be applied in the above projects, the Company will adjust and determine the specific investment projects, order of priority and specific investment amounts in each project based on the actual amount of net proceeds and the priority of the relevant projects, and any shortfall in the investment amounts will be made up by utilising the internal funds of the Company or through other financing methods. The aforementioned adjustments will be made in accordance with actual circumstances, in particular the priority and capital demand of the relevant specific investment projects (including the expected time of utilisation disclosed above) which may not be on a pro rata basis. The Company will disclose the actual use of proceeds from the Non-public Issuance of A Shares (including the changes and adjustments made to the proposed use of proceeds disclosed herein, if any) in its annual and interim reports in accordance with the Hong Kong Listing Rules and other applicable rules and regulations in the PRC.

Save for the proposed Non-public Issuance of A Shares, as at the Latest Practicable Date, the Company has no concrete plans to carry out other fund-raising activities in the forthcoming twelve months.

As at the Latest Practicable Date, the Company has not entered into any agreement with any potential subscribers in respect of the proposed Non-public Issuance of A Shares. If any of the new A Shares under the Non-public Issuance of A Shares is issued to any connected person of the Company, the Company will comply with relevant requirements under Chapter 14A of the Hong Kong Listing Rules including but not limited to announcement and the obtaining of independent Shareholders' approval.

B. Conditions precedent of the proposed Non-public Issuance of A Shares

The proposed Non-public Issuance of A Shares is subject to (i) the approval of the Shareholders at the EGM for the proposed Non-public Issuance of A Shares; (ii) the approval of the Shareholders at the EGM for the proposed granting of the General Mandate; and (iii) the approval of the CSRC. Upon obtaining the approval of the CSRC, the Company will apply to the Shenzhen Stock Exchange and the CSDC to complete the approval and registration procedures for the proposed Non-public Issuance of A Shares.

LETTER FROM THE BOARD

C. Impact on the shareholding structure of the Company

As at the Latest Practicable Date, the total issued share capital of the Company is 7,933,873,895 Shares, which comprises 5,990,833,895 A Shares and 1,943,040,000 H Shares. Assuming that there is no change in the total issued share capital of the Company since the Latest Practicable Date save for the issuance of the A Shares pursuant to the proposed Non-public Issuance of A Shares, insofar as the Directors are aware, the shareholding structure of the Company (i) as at the Latest Practicable Date, and (ii) immediately after completion of the proposed Non-public Issuance of A Shares (assuming that the number of A Shares issued under the Non-public Issuance of A Shares is 793,387,389 Shares, that there will be no change in the existing Shareholders' shareholdings in the Company and that none of specific subscribers is or will become a connected person of the Company upon completion of the Non-public Issuance of A Shares) is set out as follows:

	As of the Latest Practicable Date		Immediately after completion of the proposed Non-public Issuance of A Shares	
	Number of Shares	Approximate percentage of the issued shares of the Company	Number of Shares	Approximate percentage of the issued shares of the Company
A Shares	5,990,833,895	75.51%	6,784,221,284	77.74%
<i>Non-public Shareholders (Note 1)</i>	1,518,895,328	19.14%	1,518,895,328	17.40%
Shandong Heavy Industry Group Co., Ltd. (through Weichai Group Holdings Limited)	1,406,100,000	17.72%	1,406,100,000	16.11%
<i>Directors of the Company</i>				
– Tan Xuguang	58,842,596	0.74%	58,842,596	0.67%
– Zhang Quan	13,684,324	0.17%	13,684,324	0.16%
– Xu Xinyu	13,684,324	0.17%	13,684,324	0.16%
– Sun Shaojun	13,684,324	0.17%	13,684,324	0.16%
– Yuan Hongming (Note 2)	1,000,884	0.01%	1,000,884	0.01%
– Yan Jianbo	1,097,904	0.01%	1,097,904	0.01%
– Wen Daocai	21,940	0.00%	21,940	0.00%
<i>Supervisors of the Company</i>				
– Lu Wenwu	600,000	0.01%	600,000	0.01%
– Wu Hongwei	4,789,516	0.06%	4,789,516	0.05%
Core connected persons at subsidiary level (Note 3)	5,389,516	0.07%	5,389,516	0.06%
<i>Public</i>	4,471,938,567	56.37%	5,265,325,956	60.33%
H Shares	1,943,040,000	24.49%	1,943,040,000	22.26%
<i>Non-public Shareholders (Note 1)</i>	0	0.00%	0	0.00%
<i>Public</i>	1,943,040,000	24.49%	1,943,040,000	22.26%
Total	7,933,873,895	100%	8,727,261,284	100%

LETTER FROM THE BOARD

Notes:

1. Non-public shareholders comprise core connected persons of the Company, which include directors, supervisors and substantial shareholders of the Company and/or its subsidiaries, and their close associates.
2. Such shareholding includes 444 Shares held by spouse.
3. Core connected persons at subsidiary level comprise two directors of subsidiaries of the Company.

Following completion of the Non-public Issuance of A Shares (assuming that the number of A Shares issued under the Non-public Issuance of A Shares is 793,387,389 Shares and that there is no other change to the total issued share capital of the Company), Weichai Group Holdings Limited (潍柴控股集团有限公司) will become a holder of approximately 16.11% of the total issued Shares of the Company, and continue to be the holding company of the Company. The Company will continue to implement appropriate measures and mechanisms to ensure continual maintenance of the prescribed minimum public float of the Company under the Hong Kong Listing Rules.

D. Fund raising activities during the past 12 months

The Company has not conducted any fund raising activity involving issue of equity securities during the 12 months immediate preceding the Latest Practicable Date.

E. Authorisation to the Board and its authorised person(s)

In connection with the proposed Non-public Issuance of A Shares, a resolution will be submitted to the Shareholders for approval by way of a special resolution at the EGM to authorise the Board or its authorised person(s) to deal with the matters in relation to the proposed Non-public Issuance of A Shares within the scope of authorisation. The contents of authorisation include but are not limited to the following:

- (i) To make appropriate amendments, adjustments and supplements to the terms of the proposed Non-public Issuance of A Shares within the scope permitted by the relevant laws, regulations and rules and the Articles of Association in accordance with the feedback of the regulatory authorities as well as the actual situations of the Company, to finalise the specific terms and plan for the proposed Non-public Issuance of A Shares prior to the issuance, and to formulate and implement the final plan for the proposed Non-public Issuance of A Shares, including but not limited to, the timing of the issuance, the subscription targets, method of the issuance, price of the issuance, number of Shares of the issuance, the use of proceeds, and to determine the timing to proceed with the Non-public Issuance of A Shares, the establishment of specified accounts for the proceeds, the signing of relevant account supervisory agreement(s) in respect of the specified accounts for the proceeds, as well as other matters related to the Non-public Issuance of A Shares.

LETTER FROM THE BOARD

- (ii) To engage the intermediary institutions for the proposed Non-public Issuance of A Shares, to handle reporting matters related to issue of new Shares and their listing in connection with the Non-Public Issuance of A Shares, to approve, prepare, sign, modify and submit the application materials (and other necessary documents) related to the proposed Non-public Issuance of A Shares according to the relevant requirements of the regulatory authorities, to have full authority to respond to the queries raised by the regulatory authorities, to handle the relevant reporting, registration, filing, approval and consent procedures with the relevant governmental authorities, regulatory authorities, stock exchanges and securities registration and clearing institutions, and to handle information disclosure matters related to the Non-public Issuance of A Shares in accordance with regulatory requirements.
- (iii) To prepare, sign, amend, supplement, submit, report and implement all the agreements, contracts and documents in relation to the proposed Non-public Issuance of A Shares (including but not limited to the share subscription agreement(s), agreement(s) related to the use of proceeds, engagement agreement(s) of intermediaries, announcement(s), policy(ies) and other disclosure documents).
- (iv) To make adjustments to the specific arrangements on the use of proceeds within the scope as approved by the Shareholders at the EGM, pursuant to the relevant laws and regulations of the State and the requirements of the regulatory authorities having considered the actual progress of the implementation of the investment projects to which the fund raising relate and the actual amount of proceeds raised.
- (v) To handle the relevant matters such as registration, escrow arrangement, lock-up and listing of the A Shares under the Non-public Issuance of A Shares with the Shenzhen Stock Exchange and the CSDC upon completion of the Non-public Issuance of A Shares.
- (vi) To amend the relevant articles of the Articles of Association in order to reflect the registered capital and the capital structure of the Company following completion of the Non-public Issuance of A Shares, to handle the formalities for change of registration with the relevant industrial and commercial authority(ies) and to deal with other filing procedures.
- (vii) To make corresponding adjustment(s) to the matters related to the proposed Non-public Issuance of A Shares if there is any change in the policies of the regulatory authorities in respect of non-public issuance of shares or any change in the market conditions (except for the matters that should be re-voted on at the general meeting of the Company according to the relevant laws and regulations, guidance materials, the Articles of Association and the requirements of the regulatory authorities).

LETTER FROM THE BOARD

- (viii) To have a discretion to delay or cancel the implementation of the proposed Non-public Issuance of A Shares or continue to handle the proposed Non-public Issuance of A Shares based on new policies in the case of force majeure or any other circumstance which is sufficient to render the proposed Non-public Issuance of A Shares unimplementable, or although implementable, will cause material adverse effect to the Company if implemented, or if there is any change in the policies of the regulatory authorities in respect of non-public issuance of shares.
- (ix) To analyse, study and demonstrate the dilution of immediate returns arising from the issuance of the A Shares under the Non-public Issuance of A Shares in the event of changes in policies and requirements of the relevant laws, regulations and the requirements of regulatory authorities on using re-financing to remedy the diluting effect on immediate returns, to formulate, amend and implement relevant remedial measures for dilution of immediate returns, and to handle any other matters in relation thereto.
- (x) To deal with other matters relating to the Non-public Issuance of A Shares within the scope permitted under the relevant laws, regulations, guidance materials and the Articles of Association.
- (xi) Subject to the grant the above authorisation to the Board by the Shareholders, to delegate the authorised person(s) of the Board to exercise all such matters authorised to be handled by the Board commencing on the date of approval at the EGM, unless otherwise required pursuant to the relevant laws and regulations.
- (xii) In respect of the above authorisation to the Board that concerns the obtaining of approval from the CSRC on specific matters to be carried out after the Non-public Issuance of A Shares, such authorisation shall be valid until the date of completion of such specific matters. In respect of other matters, the above authorisation to the Board will be valid for 12 months commencing on the date of approval at the EGM.

F. Reasons for the proposed Non-public Issuance of A Shares

Upon completion of the Non-public Issuance of A Shares, gross proceeds in the amount of RMB13,000 million will be raised, which will strengthen the capital capability of the Group and lay a sound foundation for the Group's further expansion of its operations, and, in turn, enable it to realise breakthrough in its development and enhance its competitive strength.

As mentioned in the section headed "III. Proposed Non-public Issuance of A Shares — A. Issuance proposal for the proposed Non-public Issuance of A Shares — 10. Amount and use of proceeds" above, certain of the proceeds raised through the Non-public Issuance of A Shares is expected to be applied in the Group's fuel cell industry chain development project, with an aim to substantively improve market competitiveness of the

LETTER FROM THE BOARD

Group's new energy products and develop a leading edge in terms of the new energy industry chain. By making use of the Group's research resources, the implementation of new energy developments of the Group could be further facilitated, which is in line with one of the long term strategic development targets of the Group. The Group's investments in its production projects are expected to improve the Group's digitalised and intelligent production standards and strengthen the Group's research and development abilities and production abilities in respect of the Group's large diameter engine segment, and thus improve the quality and production capacity of the Group's engines, which are expected to enhance the core competitiveness and profitability of the Group's operations; whereas investments in the Group's full series hydraulic pressure powertrain and large-scale CVT powertrain industrialisation project are expected to improve the Group's ability in capturing opportunities in upgrading hydraulic equipment within the domestic market. The above investment projects are expected to broaden and optimise the operational structure of the Group, facilitate the consistent high standard development of the Group's operations, and, in turn, lay a solid foundation on the Group's sustainable development in the future.

In addition, the proposed Non-public Issuance of A Shares will help to replenish liquidity of the Group for the main purpose of constructing a smart service system based on the full lifecycle of after-sales services, which after-sales service business is expected to constitute an important factor of the Group's future profit generation.

The Non-public Issuance of A Shares was proposed after comprehensively considering the relevant laws and regulations regarding non-public issuance of A Shares in the PRC, the securities market conditions and the actual circumstances of the Company. As non-public issuance of A Shares is a direct means of fundraising, the time required and financing costs of which are expected to be lower than other indirect means of fundraising and can effectively optimise the asset-liability structure of the Company while providing sufficient capital support for the Company's implementation of its strategic goals, the Company did not consider alternative fundraising methods appropriate. Moreover, the proposed size of the Non-public Issuance of A Shares (subject to the approval by the CSRC) is within the limit permitted under Rule 13.36(2)(b) (as modified by Rule 19A.38) of the Hong Kong Listing Rules. Therefore, the Directors are of the view that the proposed Non-public Issuance of A Shares under the General Mandate is compliant with the applicable laws, rules and regulations, time and cost efficient and in line with the Company's actual circumstances, strategic vision and sustainable development, and as such, it is in the best interest of the Company and its Shareholders as a whole.

In light of the above, the Directors are of the opinion that the proposed Non-public Issuance of A Shares is in the interests of the Company and the Shareholders as a whole.

G. Resolution on the Company's compliance with the conditions of Non-public Issuance of A Shares

After making an item-by-item check of the Company's actual operational and other circumstances in accordance with the requirements under the laws, regulations and other regulatory documents, including the Company Law of the PRC, the Securities Law of the PRC, the Administrative Measures for the Issuance of Securities by Listed Companies

LETTER FROM THE BOARD

(《上市公司證券發行管理辦法》), and the Implementation Rules for the Non-public Issuance of Stocks by Listed Companies (《上市公司非公開發行股票實施細則》), the Board confirmed that the Company has complied with the applicable conditions of non-public issuance of domestic listed RMB-dominated ordinary shares (A Shares) and will be eligible to conduct the proposed Non-public Issuance of A Shares.

The resolution has been considered and approved at the 10th provisional meeting of the Board for the year 2020, and will be proposed at the EGM for Shareholders' consideration and approval by way of special resolution.

H. Resolution on the Plan for the Non-public Issuance of A Shares

In accordance with the requirements under the relevant laws, regulations and other regulatory documents, including the Company Law of the PRC, the Securities Law of the PRC, the Administrative Measures for the Issuance of Securities by Listed Companies (《上市公司證券發行管理辦法》), the Implementation Rules for the Non-public Issuance of Stocks by Listed Companies (《上市公司非公開發行股票實施細則》), and the No. 25 of Standard of Content and Format on Information Disclosure for Publicly Listed Companies — Plan for and Issuance Report on Listed Companies' Non-public Issuance of Shares (《公開發行證券的公司信息披露內容與格式準則第25號 — 上市公司非公開發行股票預案和發行情況報告書》), the Company has formulated the Plan for the Non-public Issuance of A Shares in 2020 of Weichai Power Co., Ltd. (《濰柴動力股份有限公司2020年度非公開發行A股股票預案》) in Chinese, full text of which is set out in Appendix I to this circular. In the event of any discrepancy between the English translation and the Chinese version of the document, the Chinese version shall prevail.

The resolution has been considered and approved at the 10th provisional meeting of the Board for the year 2020, and will be proposed at the EGM for Shareholders' consideration and approval by way of special resolution.

I. Resolution on the Feasibility Analysis Report on the Use of Proceeds from the Non-public Issuance of A Shares

In accordance with the relevant requirements under the relevant laws, regulations and other regulatory documents, including the Company Law of the PRC, the Securities Law of the PRC, the Administrative Measures for the Issuance of Securities by Listed Companies (《上市公司證券發行管理辦法》), and the Implementation Rules for the Non-public Issuance of Stocks by Listed Companies (《上市公司非公開發行股票實施細則》), the Company has prepared the Feasibility Analysis Report on the Use of Proceeds from the Non-public Issuance of A Shares of Weichai Power Co., Ltd. (《濰柴動力股份有限公司非公開發行股票募集資金使用可行性分析報告》) in Chinese, full text of which is set out in Appendix II to this circular. In the event of any discrepancy between the English translation and the Chinese version of the document, the Chinese version shall prevail.

The resolution has been considered and approved at the 10th provisional meeting of the Board for the year 2020, and will be proposed at the EGM for Shareholders' consideration and approval by way of special resolution.

LETTER FROM THE BOARD

J. Resolution on the absence of need to prepare a report on the use of previously raised proceeds

In accordance with the Regulations on the Report on the Use of the Previously Raised Proceeds (Zheng Jian Fa Xing Zi [2007] No. 500) (《關於前次募集資金使用情況報告的規定》(證監發行字[2007]500號)) of the CSRC, if the listed companies apply for issuance of securities, and the previously raised proceeds have been received for less than five financial years, the board is required to compile a report on the use of proceeds previously raised, and resolve on such report, then submit to the general meeting for approval. As the Company did not raise funds through issuance or allotment of, or exchange of convertible bonds into Shares or other relevant securities specified in the relevant CSRC regulations in the last five financial years, there was no previously raised proceeds that was received by the Company for less than five financial years. As such, the Company is not required to compile a report on the use of proceeds previously raised, nor to engage a qualifying accounting firm to issue an assurance report on such report on the use of proceeds previously raised.

The resolution has been considered and approved at the 10th provisional meeting of the Board for the year 2020, and will be proposed at the EGM for Shareholders' consideration and approval by way of special resolution.

K. Resolution on the remedial measures for the dilution of immediate returns upon the Non-public Issuance of A Shares and undertakings by the relevant persons

In accordance with the requirements of the Opinions of the General Office of the State Council on Further Strengthening the Protection of Legitimate Rights and Interests of Small and Medium Investors in Capital Market (Guo Ban Fa [2013] No. 110) (《國務院辦公廳關於進一步加強資本市場中小投資者合法權益保護工作的意見》(國辦發[2013]110號)) and the Guidance on Matters Relating to the Dilution of Immediate Returns as a Result of Initial Public Offering, Refinancing and Major Asset Reorganisation (CSRC Notice [2015] No. 31) (《關於首發及再融資、重大資產重組攤薄即期回報有關事項的指導意見》(證監會公告[2015]31號)), the Company analysed the impact of the proposed Non-public Issuance of A Shares on immediate returns and proposed the relevant remedial measures based on the actual circumstances and obtained undertakings regarding the implementation of such remedial measures by the relevant persons. Details of to the dilution of immediate returns upon the Non-public Issuance of A Shares and remedial measures, and undertakings by the relevant persons are set out in Appendix III to this circular. In the event of any discrepancy between the English translation and the Chinese version of the document, the Chinese version shall prevail.

The resolution has been considered and approved at the 10th provisional meeting of the Board for the year 2020, and will be proposed at the EGM for Shareholders' consideration and approval by way of special resolution.

LETTER FROM THE BOARD

L. Resolution on the Company's Plan on Shareholders' Return for the Upcoming Three Years (2021 – 2023)

In order to further strengthen the awareness of rewarding Shareholders, improve the profit-distribution system and offer reasonable investment returns to Shareholders, the Company has formulated the Plan on Shareholders' Return for the Upcoming Three Years (2021 – 2023) of Weichai Power Co., Ltd. (《濰柴動力股份有限公司未來三年(2021 – 2023年)股東回報規劃》) in accordance with the requirements of the Company Law of the PRC, the Securities Law of the PRC, the Notice of the China Securities Regulatory Commission on Further Implementing Matters Relevant to the Cash Dividend Distribution by Listed Companies (《中國證券監督管理委員會關於進一步落實上市公司現金分紅有關事項的通知》), the Regulatory Guidance No. 3 on Listed Companies — Distribution of Cash Dividends of Listed Companies (《上市公司監管指引第3號 — 上市公司現金分紅》) as well as the Articles of Association and taking into full account its actual circumstances. Full text of the Company's Plan on Shareholders' Return for the Upcoming Three Years (2021 – 2023) is set out in Appendix IV to this circular. In the event of any discrepancy between the English translation and the Chinese version of the document, the Chinese version shall prevail.

The resolution has been considered and approved at the 10th provisional meeting of the Board for the year 2020, and will be proposed at the EGM for Shareholders' consideration and approval by way of special resolution.

M. Resolution on the proposed amendments to the Company's Management Measures on the Use of Raised Proceeds

In accordance with the requirements of the Company Law of the PRC, the Securities Law of the PRC, the Guidelines for Standardised Operation of Companies Listed on the Shenzhen Stock Exchange (2020 Revision) (《深圳證券交易所上市公司規範運作指引(2020年修訂)》), the Regulatory Guidance No. 2 on Listed Companies — Regulatory Requirements for Management and Use of Raised Funds of Listed Companies (《上市公司監管指引第2號 — 上市公司募集資金管理和使用的監管要求》) and the Articles of Association, and taking into full account of the actual circumstances of the Company and its operational and developmental needs, it is proposed that the Company's Management Measures on the Use of Raised Proceeds be amended. Full text of the amended Management Measures on the Use of Raised Proceeds of Weichai Power Co., Ltd. (《濰柴動力股份有限公司募集資金使用管理辦法》) is set out in Appendix V to this circular. In the event of any discrepancy between the English translation and the Chinese version of the document, the Chinese version shall prevail.

The resolution has been considered and approved at the 10th provisional meeting of the Board for the year 2020, and will be proposed at the EGM for Shareholders' consideration and approval by way of ordinary resolution.

LETTER FROM THE BOARD

IV. PROPOSED CONSEQUENTIAL AMENDMENTS TO THE ARTICLES OF ASSOCIATION

The existing registered capital of the Company is set out in the Articles of Association. Upon issue of Shares pursuant to the General Mandate, including the completion of the proposed Non-public Issuance of A Shares, the number of Shares in issue, the registered capital and the capital structure of the Company will change. Under the Company Law of the PRC and the Articles of Association, any increase in the registered capital and any material changes to the Articles of Association are subject to the approval of the Shareholders.

The Board will seek the Shareholders' authorisation at the EGM to authorise the Board or its authorised representative(s) to make necessary consequential amendments to the Articles of Association to the registered capital and capital structure of the Company subsequent to completion of the issue of Shares under the General Mandate (including the completion of the proposed Non-public Issuance of A Shares under the General Mandate) and deal with the relevant registration and filing procedures with the relevant authorities and other matters in relation to the implementation of the Shareholders' and the Board's resolutions during their validity period relating to each of the proposals.

V. EGM

It was proposed that (i) the General Mandate to issue Shares, (ii) the proposed Non-public Issuance of A Shares under the General Mandate, and (iii) the proposed consequential amendments to the Articles of Association shall be considered and, if thought fit, approved at the EGM.

The EGM will be held at 197, Section A, Fu Shou East Street, High Technology Industrial Development Zone, Weifang, Shandong Province, the PRC on 29 January 2021, Friday to consider and, if thought fit, approve, inter alia, the matters as set out in the notice convening the EGM set out in pages 136 to 139 of this circular.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder has a material interest in relevant matters relating to the General Mandate, the proposed Non-public Issuance of A Shares, or proposed consequential amendments to the Articles of Association. Therefore, no Shareholder is required to abstain from voting at the EGM in respect of the relevant resolutions.

It is a requirement of the Hong Kong Listing Rules that the voting at the EGM must be taken by poll.

The form of proxy for use at the EGM is enclosed with this circular. Holders of A Shares may use the forms of proxy published by the Company on the website of the Shenzhen Stock Exchange instead. Whether or not you intend to be present at such meetings, you are requested to complete the forms of proxy in accordance with the instructions printed thereon and return the same to Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong (with respect to the holders of H Shares) or the Company's registered office at Legal and Securities Affairs Department, 197, Section A, Fu Shou East Street, High Technology Industrial Development Zone, Weifang, Shandong Province, the PRC (postal code: 261061) (with respect to the holders of A Shares), no later than 24 hours before the time fixed for holding the EGM or any adjournment thereof.

LETTER FROM THE BOARD

Completion and delivery of the form of proxy will not prevent you from attending and voting at the relevant meeting or any adjournment thereof if you so wish.

VI. CLOSURE OF REGISTER OF HOLDERS OF H SHARES

The register of holders of H Shares of the Company will be closed from 26 January 2021 to 29 January 2021, both days inclusive, during which period no transfer of H Shares will be effected. In order to qualify for attending the EGM, all transfer documents of H Shares accompanied by the relevant share certificates must be lodged with Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 25 January 2021.

VII. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Hong Kong Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

VIII. RECOMMENDATIONS

Having considered the information set out herein, the Directors are of the opinion that all relevant resolutions to be proposed at the EGM are in the best interests of Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the resolutions regarding the same.

IX. FURTHER INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

Please note that, apart from the approvals to be sought from the Shareholders at the EGM, the proposed Non-public Issuance of A Shares shall be subject to the approval by the CSRC and/or other regulatory authorities as well as the satisfaction of a number of conditions which are more particularly set out above. There is no assurance that the proposed Non-public Issuance of A Shares will proceed. Investors are advised to exercise caution when dealing in the H Shares or other securities of the Company.

Yours faithfully,
For and on behalf of
the Board of Directors
Tan Xuguang
Chairman and CEO

A-Share stock abbreviation: Weichai Power

Stock Code: 000338

H-Share stock abbreviation: Weichai Power

Stock Code: 2338

潍柴动力股份有限公司
WEICHAI POWER CO., LTD.

(197, Section A, Fu Shou East Street, High Technology Industrial Development Zone, Weifang,
Shandong Province)



The Plan for the Non-public Issuance of A Shares in 2020

December 2020

Declaration of the Issuer

1. All Directors of Weichai Power Co., Ltd. (the “Company”) warrant that there is no false representation or misleading statement contained in the Plan or material omission from the Plan, and jointly and severally accept legal responsibility for the truthfulness, accuracy and completeness of the Plan.
2. The Plan is a statement of Board of the Company on the non-public issuance of A-shares (the “Non-public Issuance of A Shares”) in 2020 by the Company. Matters mentioned in the Plan do not represent any substantive judgment, confirmation or approval from the approving authorities regarding matters relating to the Non-public Issuance of A Shares. Effectiveness and completion of the matters relating to the Non-public Issuance of A Shares mentioned in the Plan shall be subject to approval or authorisation by approving authorities. Any decision or opinion expressed by the CSRC and other government authorities on the Non-public Issuance of A Shares does not represent their substantial judgment or guarantee on the price of the Company’s shares or returns to investors. Any statement contradicting the Plan is deemed false and a misrepresentation.
3. According to the Securities Law, upon the completion of the Non-public Issuance of A Shares, the Company shall be responsible for any change in its operation and revenue, while the investment risks arising from the Non-public Issuance of A Shares shall be borne by the investors.
4. If the investors are in any doubt as to the Plan, they should consult their stock brokers, legal advisers, professional accountants or other professional advisers.
5. The implementation of the Non-public Issuance of A Shares will not result in any failure of the shareholding structure of the Company in meeting the listing requirements.

Special Notice

1. The Plan of the Non-public Issuance of A Shares has been considered and approved at the Company's 10th provisional meeting of the Board for the year 2020, but is still subject to the approval at the general meeting following the obtaining of the consent from the competent authority for state-owned assets supervision and administration, and the implementation of which is subject to the approval of the CSRC.
2. The target subscribers of the Non-public Issuance of A Shares will be no more than 35 specific investors, including securities investment fund management companies, securities companies, insurance institutional investors, trust companies, finance companies, asset management companies, qualified foreign institutional investors, and qualified RMB foreign institutional investors etc., being legal persons, natural persons or other legal investment entities who meet the relevant legal and regulatory requirements. Securities investment fund management companies, securities companies, qualified foreign institutional investors and qualified RMB foreign institutional investors that participate in the subscription with two or more products managed by them shall be taken as one single target subscriber. If the target subscriber is a trust company, it may only use its internal funds for subscription.

Upon obtaining the approval of the CSRC for the proposed Non-public Issuance of A Shares, the final target subscribers shall be determined by the Board of the Company or its authorised person(s) under the authorisation granted at the general meeting, through negotiation with the sponsoring institution (lead underwriter) of the Non-public Issuance of A Shares according to the price inquiry results based on the principle of price priority according to the prices offered by the target subscribers.

All A Shares to be issued under the proposed Non-public Issuance of A Shares will be subscribed for in cash by the target subscribers.

3. The pricing benchmark date (the "Pricing Benchmark Date") of the proposed Non-public Issuance of A Shares shall be the first day of the issue period of the proposed Non-public Issuance of A Shares.

The issue price shall be no less than 80% of the average trading price of the Shares of the Company for the 20 trading days preceding the Pricing Benchmark Date (the average trading price of the Shares of the Company for the 20 trading days preceding the Pricing Benchmark Date = the total trading amount of the Shares of the Company for the 20 trading days preceding the Pricing Benchmark Date/the total trading volume of the Shares of the Company for the 20 trading days preceding the Pricing Benchmark Date), and shall be rounded up to the nearest two decimal places.

The final issue price of the Non-public Issuance of A Shares shall be determined in accordance with relevant requirements of laws and regulations and regulatory authorities and upon obtaining the approval of the CSRC for the proposed the Non-public Issuance of A Shares, by the Board of the Company or its authorised person(s) under the authorisation granted at the general meeting, through negotiation with the sponsoring institution (lead underwriter) based on the principle of price priority according to the prices offered by the target subscribers.

In the event that the Company distributes cash dividends, grants bonus shares, capitalisation of capital reserve or carries out other ex-right or ex-dividend activities in respect of A Shares during the period commencing from the Pricing Benchmark Date of the Non-public Issuance of A Shares to the issuance date, adjustments shall be made to the base price for the Non-public Issuance of A Shares accordingly.

4. The number of Shares to be issued under the Non-public Issuance of A Shares shall be determined by dividing the funds raised with the issue price (if the number of Shares obtained is not a whole number, it shall be rounded down to the nearest whole number), and will not exceed 793,387,389 Shares (inclusive), representing not more than 10% of the total issued share capital of the Company prior to the completion of the Non-public Issuance of A Shares. The maximum number of A Shares to be issued under the Non-public Issuance of A Share will be based on the approval granted by the CSRC. Within the scope approved by the CSRC, the Board or its authorised persons(s) shall, pursuant to the authorisation of the Shareholders in the general meeting, negotiate with the sponsoring institution (lead underwriter) to determine the final number of A Shares to be issued according to the relevant regulations of the CSRC and the actual circumstances at the time of issuance.

If ex-rights or ex-dividend events (such as distribution of dividends, bonus issues or capitalisation of capital reserve) occur during the period between the date of announcement on the resolution by the Board to the issuance date, or there occurs any change in the share capital of the Company due to events such as the implementation of share award schemes or repurchase of Shares during such period, then the number of Shares under the Non-public Issuance of A Shares will be adjusted correspondingly according to relevant requirements.

5. Upon the completion of the Non-public Issuance of A Shares, target subscribers shall not transfer or deal with the A Shares subscribed under the Non-public Issuance of A Shares during a period of six months commencing from the closing date of the Non-public Issuance of A Shares. After the end of the aforementioned lock-up period, the transactions under the Non-public Issuance of A Shares shall be conducted in accordance with the relevant regulations of the CSRC and the Shenzhen Stock Exchange.

In the event that the number of A Shares held by the target subscribers increases due to reasons such as bonus issue and/or capitalisation of capital reserve after completion of the Non-public Issuance of A Shares, such Shares shall also be subject to the aforementioned lock-up arrangement.

6. The gross proceeds from the Non-public Issuance of A Shares is expected to be not more than RMB13,000 million, which, after deduction of issuance expenses, are intended to be fully invested in the following projects:

Name of the investment project	Subproject name	Total investment amount of the relevant project <i>(RMB ten thousand)</i>	The amount of proceeds to be applied <i>(RMB ten thousand)</i>
Fuel cell industry chain development project (燃料電池產業鏈建設項目)	Hydrogen-fueled cell and key components industrialisation project (氫燃料電池及關鍵零部件產業化項目)	71,228.10	50,000.00
	Solid oxide fuel cell and key components industrialisation project (固態氧化物燃料電池及關鍵零部件產業化項目)	151,250.00	50,000.00
	Key components of fuel cell powertrain research and development and construction capabilities project (燃料電池動力總成核心零部件研發及製造能力建設項目)	147,927.00	100,000.00
Full series of H platform high-end road-going engines of China VI or above emission standards project (全系列國六及以上排放標準H平台道路用高端發動機項目)	New million units digitalised power industry base stage I project (新百萬台數字化動力產業基地一期項目)	562,585.00	300,000.00
	H platform engines intelligent manufacturing upgrade project (H平台發動機智能製造升級項目)	110,000.00	100,000.00

Name of the investment project		Total investment amount of the relevant project	The amount of proceeds to be applied
Project name	Subproject name	(RMB ten thousand)	(RMB ten thousand)
Large diameter high-end engine industrialisation project (大缸徑高端發動機產業化項目)	Large diameter high-end engine laboratory project (大缸徑高端發動機實驗室建設項目)	139,500.00	107,500.00
	High efficiency and high speed self-owned brand engine industrialisation project (自主品牌大功率高速機產業化項目)	99,842.00	68,500.00
	Large diameter high-end engine development project (大缸徑高端發動機建設項目)	184,784.00	124,000.00
Full series hydraulic pressure powertrain and large-scale continuously variable transmission (CVT) powertrain industrialisation project (全系列液壓動力總成和大型CVT動力總成產業化項目)		313,407.61	300,000.00
To replenish the working capital		<u>100,000.00</u>	<u>100,000.00</u>
Total		<u>1,880,523.71</u>	<u>1,300,000.00</u>

Prior to the receipt of the relevant proceeds raised from the Non-public Issuance of A Shares, based on the actual circumstances of the investment projects to be funded by the proceeds, the Company may utilise its internal funds or funds obtained through other financing methods to invest in such projects, and replace such investment amount with the proceeds upon receiving the same. Following the receipt of relevant proceeds, if the actual amount of net proceeds from the Non-public Issuance of A Shares (after deduction of issuance expenses) is less than the proposed aggregate amount of proceeds to be applied in the above projects, the Company will adjust and determine the specific investment projects, order of priority and specific investment amounts in each project based on the actual amount of net proceeds and the priority and capital requirements of the relevant projects, and any shortfall in the investment amounts will be made up by utilising the internal funds of the Company or through other financing methods.

7. The Non-public Issuance of A Shares will not result in any change to the de facto controller of the Company or any failure of the shareholding structure of the Company in meeting the listing requirements.
8. For the profit distribution in the latest three years, cash dividend policies and execution and the Company's Plan on Shareholders' Return for the Upcoming Three Years (2021-2023) (未來三年(2021-2023年)的股東分紅回報規劃), please see "Section IV Profit distribution policy and relevant information of the Company" in this Plan for details.
9. For the impact of dilution of immediate returns resulting from the Non-public Issuance of A Shares on the key financial indicators of the Company and the measures intended to be taken by the Company, please see "Section V Dilution of Immediate Returns Upon the Non-Public Issuance of A Shares and Remedial Measures" in this Plan for details. The investors are advised to pay attention to the risks associated with the dilution of shareholders' immediate returns by the Non-public Issuance of A Shares. Although the Company has formulated remedial measures against the risks associated with the dilution of immediate returns, such remedial measures cannot be construed as a guarantee of the future profits of the Company. Investors shall not make investment decisions accordingly and the Company is not liable for any losses caused due to any investment decisions so made by investors. Investors are advised to be aware of relevant risks.
10. Upon the completion of the Non-public Issuance of A Shares, the accumulated undistributed profits prior to the Non-public Issuance of A Shares will be shared among new and existing shareholders upon the completion of the Non-public Issuance of A Shares in accordance with the proportion of shareholding after the Non-public Issuance of A Shares.

Definitions

In this Plan, unless otherwise stated, the following abbreviations shall have the following specific meanings:

“Weichai Power” or “Company”	means	Weichai Power Co., Ltd.
“Weichai Group”	means	Weichai Group Holdings Limited
“Shandong Heavy Industry”	means	Shandong Heavy Industry Group Co., Ltd.
the “Issuance”, the “Non-public Issuance”, the “Non-public Issuance of A Shares”	means	the non-public issuance of not more than 793,387,389 A Shares (inclusive) by the Company
“Plan”	means	the plan for the Non-public Issuance of A Shares in 2020 by Weichai Power Co., Ltd.
“Pricing Benchmark Date”	means	the first day of the issue period of the Non-public Issuance of A Shares
“Listing Rules”	means	the listing rules of Shenzhen Stock Exchange
“Articles of Association”	means	the articles of association of Weichai Power Co., Ltd.
“CSRC”	means	the China Securities Regulatory Commission
“Company Law”	means	the Company Law of the People’s Republic of China
“Securities Law”	means	the Securities Law of the People’s Republic of China
“Implementation Rules”	means	the Implementation Rules for the Non-public Issuance of Stocks by Listed Companies (2020 Revision) (《上市公司非公开发行人股票实施细则》(2020年修订))
“Board”	means	the board of directors of Weichai Power Co., Ltd.

“Supervisory Committee”	means	the supervisory committee of Weichai Power Co., Ltd
“general meeting”	means	the general meeting of Weichai Power Co., Ltd.
“latest three years”	means	2017, 2018 and 2019
“latest period”	means	January to September 2020
“RMB”, “ten thousand”, “100 million”	means	Renminbi yuan, RMB ten thousand, RMB100 million

Note: unless otherwise specified, all the figures in the Plan are rounded off to 2 decimal places. Where there are discrepancies between the totals and the last digits of the sums of amounts listed, such discrepancies are due to rounding.

CONTENTS

SECTION I OVERVIEW OF THE PLAN	
FOR THE NON-PUBLIC ISSUANCE OF A SHARES	35
I. Basic Information of the Issuer	35
II. Background and Purposes of the Non-public Issuance of A Shares	36
III. Target Subscribers and their Relationship with the Company	40
IV. Overview of the Plan for the Non-public Issuance of A Shares.	41
V. Investment Projects to be Funded by the Proceeds	44
VI. Whether the Non-public Issuance of A Shares Constitutes a Connected Transaction .	47
VII. Whether the Non-public Issuance of A Shares Will Result in Any Change in Control of the Company	47
VIII. Approval Procedures of the Non-public Issuance of A Shares	47
IX. Whether the Non-public Issuance of A Shares will Result in Any Failure of the Shareholding Structure of the Company in Meeting the Listing Requirements . . .	47
SECTION II FEASIBILITY ANALYSIS OF THE BOARD ON THE USE OF	
PROCEEDS	48
I. Proposed Use of Proceeds	48
II. Information on the Investment Projects to be Funded by the Proceeds	50
III. Background and Necessity of the Investment Projects to be Funded by the Proceeds	68
IV. Effect Of The Non-Public Issuance of A Shares on Operation, Management and Financial Position of the Company	72
V. Feasibility Analysis and Conclusion	73

SECTION III DISCUSSION AND ANALYSIS OF THE BOARD OF DIRECTORS ON THE IMPACT OF THE NON-PUBLIC ISSUANCE OF A SHARES ON THE COMPANY	77
I. Changes to the Business and Assets, Articles of Association, Shareholding Structure, Composition of Senior Management and Business Structure of the Company Following the Non-public Issuance of A Shares	77
II. Changes in Financial Position, Profitability and Cash Flow of the Company Following the Non-public Issuance of A Shares	78
III. Changes in Business Relationship, Management Relationship and Related Party Transactions Between the Company and the Controlling Shareholder and its Associates and Industry Competition	79
IV. Appropriation of Funds and Assets of the Company by the Controlling Shareholder and its Associates or Provision of Guarantee for the Controlling Shareholder and its Associates Following the Completion of the Non-public Issuance of A Shares	79
V. Effect of the Non-public Issuance of A Shares on the Liabilities of the Company ..	79
VI. Risks Associated with the Non-public Issuance of A Shares	80
SECTION IV PROFIT DISTRIBUTION POLICY AND RELEVANT INFORMATION OF THE COMPANY	84
I. Profit Distribution Policy of the Company	84
II. Decision-making Procedures and Mechanism for Consideration of Profit Distribution	88
III. Conditions, Decision-making Procedures and Mechanism for Adjustments or Amendments to the Profit Distribution Policy	88
IV. Explanation on the Implementation of the Profit Distribution Policy in Regular Reports	89
V. Profit Distribution in the Latest Three Years	89
SECTION V DILUTION OF IMMEDIATE RETURNS UPON THE NON-PUBLIC ISSUANCE OF A SHARES AND REMEDIAL MEASURES	91
I. Analysis on the Impact of Dilution of Immediate Returns upon the Non-Public Issuance of A Shares on Key Financial Indicators of the Company	91
II. Alert of Risks Specific to the Dilution of Immediate Returns as a Result of the Non-Public Issuance of A Shares	94
III. The Necessity and Reasonableness of the Non-Public Issuance of A Shares	94
IV. Remedial Measures to Counteract the Dilution of Immediate Returns upon the Non-Public Issuance of A Shares	95
V. Undertakings by Persons Relevant to the Company Regarding Remedial Measures to Counteract the Dilution of Immediate Returns	96

**SECTION I OVERVIEW OF THE PLAN FOR THE NON-PUBLIC
ISSUANCE OF A SHARES****I. BASIC INFORMATION OF THE ISSUER**

Company name: 潍柴动力股份有限公司

English name: Weichai Power Co., Ltd.

Residence of the Company: 197, Section A, Fu Shou East Street, High Technology Industrial Development Zone, Weifang, Shandong Province

Legal representative: Tan Xuguang

Registered capital: RMB7,933,873,895

Date of incorporation: 23 December 2002

Listing date of the shares: 30 April 2007 (A Shares), 11 March 2004 (H Shares)

Places of listing of the shares: Shenzhen Stock Exchange; The Stock Exchange of Hong Kong Limited

Short name of the stock: Weichai Power

Stock code: 000338.SZ; 2338.HK

Secretary to the Board: Wang Li

Telephone: 0536-2297068

Email: weichai@weichai.com

Website: www.weichaipower.com

Scope of business: General businesses: research and development of machinery and equipment; sale of machinery and equipment; manufacture of general equipment (excluding special equipment); repair of general equipment; research and development of automobile components; manufacture of automobile components and parts; wholesale of automobile components and parts; sale of automobile components and parts; repair of speciality equipment; sale of mechanical parts and components; data processing and storage support services; software development; development of network and information security software; development of artificial intelligence theory and algorithm software; sale of software; design of integrated circuit; manufacture of integrated circuit; sale of integrated circuit; manufacture of intelligent vehicle equipment; sale of intelligent vehicle equipment; information technology consulting services; provision of geographic remote sensing information service; manufacture

of hydraulic power machinery and components; sale of hydraulic power machinery and components; manufacture of hydraulic pneumatic seals and systems; sale of hydraulic pneumatic seals and systems; research and development of new energy technology; engineering and technical research and experimental development; research and development of electric motor and its control system; manufacture of electric motors; manufacture of batteries; sale of batteries; manufacture of electronic components; sale of electronic components; sale of electronic accessories of new energy vehicles; technical services, technological development, technological consultation, technological exchange, technological transfer, technological promotion; processing and manufacture of lubricating oil (excluding hazardous chemicals); sale of lubricating oil; manufacture of speciality chemicals (excluding hazardous chemicals); sale of speciality chemicals (excluding hazardous chemicals); sale of petroleum products (excluding hazardous chemicals); wholesale of refined oil (excluding hazardous chemicals); lease of non-residential properties; sale of metal materials; enterprise management and consulting (except for the items subject to approval by laws, business activities shall be commenced independently by laws with business license). Permitted businesses: import and export of technology; import and export of goods (for the items subject to approval by laws, business activities shall only be commenced with the approval from relevant departments; specific business items are subject to the approval results).

II. BACKGROUND AND PURPOSES OF THE NON-PUBLIC ISSUANCE OF A SHARES

(I) Background of the Non-public Issuance of A Shares

1. *The development of new energy industry has reached national strategic level in various countries, with policies facilitating technological innovation in the new energy industry*

The development of new energy industry is not only a profound revolution for traditional energy structure, but also bears the historic mission to protect the global ecological environment. The development of new energy industry has gradually reached the national strategic heights in various European and American countries. Against the backdrop of energy structure transformation, the development of hydrogen energy has become a consensus among developed economies. The United States, the European Union, Japan, etc. all regard the development of hydrogen energy industry as their national energy strategy, whereas the application of hydrogen energy and fuel cell in the transportation field continues to expand. As estimated by the Hydrogen Council, by 2050, hydrogen energy will account for 18% of the end-user demand of energy in the world, thereby creating over USD2.5 trillion of market value; fuel cell vehicles will account for 20%-25% of the vehicles in the world, thereby becoming a kind of major energy consumption in the end-user energy system ranking at the same level with gasoline and diesel.

The Report on the Work of the Government 2019 (《2019年政府工作報告》) of the State Council put forward the idea of “promoting the construction of charging and hydrogen filling facilities”, and included hydrogen energy into the government work report for the first time. In November 2020, the General Office of the State Council published the New Energy Vehicle Industry Development Plan (2021-2035) (《新能源汽車產業發展規劃(2021-2035年)》), which pointed out that “since 2021, the proportion of new energy vehicles added to or upgraded in the key areas and public sector will be not less than 80%; by 2025, sales volume of new energy vehicles will account for approximately 20% of the total sales volume; by 2035, pure electric power vehicles will become the mainstream of new vehicles for commercial purposes, while the vehicles in the public sector will become fully powered by electricity and the commercialisation of fuel cell vehicles will be achieved.”

2. *Intelligent manufacturing is the only way by which traditional manufacturing industry is transformed and upgraded to high-end manufacturing*

In May 2015, the State Council published the Made in China 2025 (《中國製造2025》) development plan, which stated that the macro-strategic target with which China is to transform from a large manufacturing nation to a strong manufacturing nation. In July 2020, the State Information Center issued the China’s Industrial Digitalisation Report 2020 (《中國產業數字化報告2020》), which clarified the basic ideas and main focus of the industrial digitalisation development, with an emphasis to promote the transformation and upgrading target from “manufacturing” to “intelligent manufacturing” for the manufacturing industry in China. In recent years, the government of Shandong Province published relevant policies such as “The Opinion of Shandong Province in Support of Digital Economy Development” (山東省支持數字經濟發展的意見) and “The Development Plan for a Digital Shandong (2018-2022)” (數字山東發展規劃(2018-2022年)), which offered great support for the industrial upgrade in terms of the digitalisation and intelligence in the region.

Manufacturing industry (especially the high-quality development of equipment manufacturing industry) is of paramount importance to the high-quality development of domestic economy in China. It is the only way on which China may shift from a large manufacturing nation to a modernised and strong manufacturing nation. Intelligent manufacturing is the major direction to promote high-quality development of the manufacturing industry and an important format for advanced manufacturing industry to develop. It is the significant realisation of the comprehensive national strength of China, as well as the new direction and new trend for the transformation and upgrading of China’s manufacturing industry. The digital and intelligent enhancement of traditional manufacturing industry is the significant realisation towards high-end intelligent manufacturing and upgrading.

3. *Large diameter engines target at the global high-end market, and have accelerated growth in the market demand in China*

Large diameter high-end engines are mainly used in the field of significant infrastructure engineering projects such as energy, marine, hydraulic, port and high-speed railway. This kind of products is characterised by highly stringent requirements in respect of its power performance, economic and discharge efficiency, especially its functional reliability and useful life. The relevant research and development and manufacturing capabilities are an important inflection of the overall level of the manufacturing industry of a nation. In 2019, the sales volume of large diameter engines (400-10,000kW) amounted to approximately 140,000 units, with the market size reaching RMB160 billion. It is expected that the sales volume in the global market will reach 200,000 units by 2030. In addition, the emergence of the 5G era will accelerate the flow of data and information. In the context of new infrastructure, the number of data centres will be increased much more rapidly. The demand for stand-by products is expected to maintain a speedy grow, among which the growth rate in the Chinese market is expected to be more significant.

4. *There remains substantial room for domestic alternatives for China's hydraulic products; CVT powertrain is the key direction for agricultural equipment upgrades*

Hydraulic products have extensive applications. With product technologies and production process maturing gradually, the applications of hydraulic products have been expanding. The hydraulic industry in the world has entered a relatively mature stage. At present, the market size of the global hydraulic industry amounts to approximately EUR30 billion, of which the Chinese market accounts for approximately RMB60 billion. From a global perspective, the demand in Chinese hydraulic market has the quickest growth and its market position becomes higher and higher. It is currently the second largest hydraulic market in the world only after the United States. Notwithstanding that the market share of domestically produced brands in the Chinese construction machinery industry is already rather high, core engines and hydraulic powertrains are still predominated by foreign brands. There is substantial room for domestic alternatives for hydraulic powertrains.

CVT is a well-established and highly-efficient transmission solution. In the European and American markets, the penetration rate of CVT tractors is already very high. The penetration rate of CVT tractors in China however remains rather low at present where traditional tractors still predominate. In recent years, against the background of intensification of agricultural production as well as high-end and intelligent development of agricultural equipment, the tractor industry in China is in urgent need of technological upgrades and the growth prospects of high-end agricultural equipment is rather positive. Currently, CVT tractors in China rely highly on importation. The development of homemade CVT powertrain products will push forward the technological upgrades in the manufacturing industry for agricultural equipment.

(II) Purpose of the Non-public Issuance of A Shares**1. *Fully cultivating new growth poles and accelerating the implementation of strategies regarding new business formats***

In recent years, the Company has proactively fostered strategic transformation and structural adjustment, and accelerated the cultivation of new business formats including fuel cell, high-end hydraulic and large-scale CVT, which have already completed product research and development and been proved effective by the market. During the period of the “14th Five-Year Plan”, the Company will optimise the business structure comprehensively to accelerate the implementation of strategies with regard to new business formats.

The Company has completed the core technology layout of hydrogen-fueled cell and solid oxide fuel cell in the new energy powertrain segment, with leading key technology indicators in segments of commercial vehicles, energy and electricity in the world. RMB2 billion of the proceeds from the Non-public Issuance of A Shares will be applied to accelerate the enhancement of research and development and manufacturing capabilities of the fuel cell industry chain, so as to establish differentiated technological advantages based on the technological route of “three verticals and three horizontals” for new energy vehicles; and to create a world-leading fuel cell industry chain base in pursuit of the goals of “CO₂ Emission Peak” by 2030 and “Carbon Neutrality” by 2060, in order to take lead in the development of the global new energy industry.

The Company has successfully manufactured a high-end hydraulic pressure powertrain and large-scale CVT powertrain recognised by the market and achieved self-independence and full control over key and core technologies. RMB3 billion of the proceeds from the Non-public Issuance of A Shares will be applied in the high-standard construction of 100,000 sets of hydraulic pressure powertrains and 10,000 sets of large-scale agricultural equipment CVT powertrains, which can achieve an annual production capacity of 500,000 units of pumps/motors, 100,000 sets of multi-path valves and 10,000 sets of CVT powertrains, devoting efforts on fostering non-road-going powertrain business of the Company.

2. *Leveraging the leading advantages in principal businesses and promoting structural adjustment of products*

As a market leader in the equipment manufacturing industry, the Company will continue to enhance its independent innovation capability, foster upgrades of road-going engines towards the high end, and develop independent and controllable large diameter high-end engines. During the period of the “14th Five-Year Plan”, the Company will fully leverage the leading advantages in its principal businesses and promote structural adjustment of engine products.

The Company has completed the research and development of the full series of H platform high-end road-going engines, particularly, the successful release of the world's first commercial diesel engine with a thermal efficiency of over 50%. RMB4 billion of the proceeds from the Non-public Issuance of A Shares will be used to establish a digitalised, intelligent and modularised production base of full series of H platform high-end road-going engines of China VI or above emission standards and to upgrade the existing production lines to be flexible and intelligent, in order to fully meet the manufacturing requirements of engines with China VI and China VII emission standards, propel the large-scale commercialisation of diesel engines with a thermal efficiency of over 50% and achieve a leap from "manufacturing" to "intelligent manufacturing".

The Company has fully completed the development of large diameter high-end high-speed engine and achieved its mass production. RMB3 billion of the proceeds from the Non-public Issuance of A Shares will be invested in the production of 600-10000kw (over 150mm in diameter) large diameter high-end engines, and the development of large diameter natural gas engines, mainly to meet the power demand from 5G large-scale data centres backup power, ocean fishing, official vessels and inland shipping, and to comprehensively promote the structural adjustment of the Company's engine products.

3. *Investing RMB1 billion to build an intelligent after-sales service system throughout the life cycle of its products*

The digitalisation and intelligence of the end market is an irreversible trend, and the cost focus of customers has shifted from purchase cost to user cost thought the life cycle. RMB1 billion of the proceeds from the Non-public Issuance of A Shares will be used to establish a new after-sales service network for end customers, innovate service channels, extend service cycles, integrate all-element service resources, and create a full-cycle and full-range after-sales service system to become an important part of business profits by leveraging the advantages of high ownership rate.

III. TARGET SUBSCRIBERS AND THEIR RELATIONSHIP WITH THE COMPANY

The target subscribers of the Non-public Issuance will be no more than 35 specific investors, including securities investment fund management companies, securities companies, insurance institutional investors, trust companies, finance companies, asset management companies, qualified foreign institutional investors, and qualified RMB foreign institutional investors etc., being legal persons, natural persons or other legal investment entities who meet the legal and regulatory requirements. Securities investment fund management companies, securities companies, qualified foreign institutional investors and qualified RMB foreign institutional investors that participate in the subscription with two or more of the products managed by them shall be taken as one single target subscriber. A trust company that subscribes as a target subscriber may only use its proprietary funds for subscription.

Upon obtaining the approval of the CSRC for the proposed Non-public Issuance of A Shares, the final target subscribers shall be determined by the Board or its authorised person(s) under the authorisation granted at the general meeting, with the sponsoring institution (lead underwriter) of the Non-public Issuance of A Shares according to the price inquiry results based on the principle of price priority according to the prices offered by the target subscribers.

As of the date of announcement of the Plan, there is no identified target subscriber for the Non-public Issuance of A Shares of the Company, and therefore the relationship between target subscribers and the Company is yet to be confirmed. Disclosure of the relationship between target subscribers and the Company will be made in the issuance report to be published following the completion of the Non-public Issuance of A Shares.

IV. OVERVIEW OF THE PLAN FOR THE NON-PUBLIC ISSUANCE OF A SHARES

(I) Class and Par Value of the Shares to be Issued

The shares to be issued pursuant to the Non-public Issuance are ordinary shares in RMB (A Shares) with a par value of RMB1.00 per share.

(II) Method and Time of Issuance

The proposed Non-public Issuance of A Shares will be undertaken by way of non-public issuance to specific subscribers. The Company will issue A Shares to specific subscribers at an appropriate time within the required validity period as approved by the CSRC.

(III) Target Subscribers and Subscription Method

The target subscribers of the Non-public Issuance will be no more than 35 specific investors, including securities investment fund management companies, securities companies, insurance institutional investors, trust companies, finance companies, asset management companies, qualified foreign institutional investors, and qualified RMB foreign institutional investors etc., being legal persons, natural persons or other legal investment entities who meet the legal and regulatory requirements. Securities investment fund management companies, securities companies, qualified foreign institutional investors and qualified RMB foreign institutional investors that subscribe with two or more of the products managed by them, shall be taken as one single target subscriber. A trust company that subscribes as a target subscriber may only use its proprietary funds for subscription.

Upon obtaining the approval of the CSRC for the Non-public Issuance of A Shares Application, the final target subscribers shall be determined by the Board or its authorised person(s) under the authorisation granted at the general meeting, with the sponsoring institution (lead underwriter) of the Non-public Issuance of A Shares according to the price inquiry results based on the principle of price priority according to the prices offered by the target subscribers.

Target subscribers of the Non-public Issuance of A Shares shall subscribe the Shares of the Non-public Issuance of A Shares in cash.

(IV) Pricing Benchmark Date, Issue Price and Pricing Principles

The pricing benchmark date of the Non-public Issuance of A Shares (the “Pricing Benchmark Date”) is the first day of the issue period of the Non-public Issuance of Shares of the Company.

The issue price shall be no less than 80% of the average trading price of the Shares of the Company for the 20 trading days preceding the Pricing Benchmark Date (the average trading price of the Shares of the Company for the 20 trading days preceding the Pricing Benchmark Date = the total trading amount of the Shares of the Company for the 20 trading days preceding the Pricing Benchmark Date/the total trading volume of the Shares of the Company for the 20 trading days preceding the Pricing Benchmark Date), and shall be rounded up to the nearest two decimal places.

The final issue price of the Non-public Issuance of A Shares shall be determined in accordance with relevant requirements of laws and regulations and regulatory authorities and upon obtaining the approval of the CSRC for the proposed the Non-public Issuance of A Shares, by the Board of the Company or its authorised person(s) under the authorisation granted at the general meeting, through negotiation with the sponsoring institution (lead underwriter) based on the principle of price priority according to the prices offered by the target subscribers.

In the event that the Company distribute cash dividends, grants bonus shares, capitalisation of capital reserve or carries out other ex-right or ex-dividend activities in respect of A Shares during the period commencing from the Pricing Benchmark Date of the Non-public Issuance of A Shares to the issuance date, adjustments shall be made to the base price for the Non-public Issuance of A Shares accordingly. The methods of adjustments are as follow:

Distribution of cash dividends: $P1=P0-D$

Grant of bonus shares or capitalisation of capital reserve: $P1=P0/(1+N)$

Distributing cash dividends together with granting bonus shares or capitalisation of capital reserve: $P1=(P0-D)/(1+N)$

Among which, $P0$ is the base price for the Non-public Issuance of A Shares before adjustments, D is the distribution of cash dividend per share, N is the number of grant of bonus shares per share or capitalisation of capital reserve, and $P1$ is the base price for the Non-public Issuance of A Shares after adjustments.

(V) Number of A Shares to be Issued

The number of Shares to be issued under the Non-public Issuance of A Shares shall be determined by dividing the total amount of funds raised with the issue price (if the number of Shares obtained is not a whole number, it shall be rounded down to the nearest

whole number); meanwhile the number of Shares to be issued under the Non-public Issuance of A Shares will not exceed 793,387,389 Shares (inclusive) and will not exceed 10% of the total share capital of the Company preceding the Non-public Issuance. The maximum number of Shares to be issued shall be based on the approval granted by the CSRC in relation to the Non-public Issuance of A Shares. Within the scope approved by the CSRC, the Board or its authorised person(s) under the authorisation granted at the general meeting of the Company shall determine the final number of Shares to be issued according to relevant regulations of the CSRC and the actual circumstances at the time of issuance after negotiation with the sponsoring institution (lead underwriter).

If ex-rights or ex-dividend events (such as distribution of dividends, bonus issues or conversion of common reserve fund into share capital) occur during the period between the date of announcement of the resolution by the Board on the Non-public Issuance of A Shares to the issuance date, or there occurs any change in the total share capital of the Company due to events such as the implementation of share award schemes or repurchase of Shares, then the number of Shares to be issued under the Non-public Issuance of A Shares will be adjusted correspondingly.

(VI) Lock-up Period

Upon the completion of the Non-public Issuance of A Shares, target subscribers shall not transfer or deal on listing with the Shares subscribed during a period of six months commencing from the closing date of the Non-public Issuance of A Shares. After the end of the aforementioned lock-up period, and the transactions of shares issued under the Non-public Issuance of A Shares shall be conducted in accordance with the relevant regulations of the CSRC and the Shenzhen Stock Exchange.

In the event that the number of Shares of the Company held by the target subscribers increases due to reasons such as bonus issue or capitalisation of capital reserve from the date of this announcement on the board resolution to the date of the Issuance, such Shares shall also be subject to the aforementioned lock-up period arrangement.

(VII) Place of Listing

The Shares to be issued under the Non-public Issuance of A Shares will be listed and traded on the Shenzhen Stock Exchange.

(VIII) Arrangement of Accumulated Undistributed Profits Prior to the Non-public Issuance of A Shares

Upon the completion of the Non-public Issuance of A Shares, the accumulated undistributed profits prior to the Non-public Issuance of A Shares shall be shared among new and existing shareholders after completion of the Non-public Issuance of A Shares in proportion to the shareholding percentages upon the Non-public Issuance of A Shares.

(IX) Validity of the Resolutions in respect of the Non-Public Issuance of A Shares

The validity of the Plan of Non-public Issuance of A Shares shall be a period of 12 months from the date of consideration and approval of such resolutions at the general meeting of the Company.

V. INVESTMENT PROJECTS TO BE FUNDED BY THE PROCEEDS

The gross proceeds from the Non-public Issuance of A Shares is expected to be not more than RMB13,000 million, which, after deduction of issuance expenses, are intended to be fully invested in the following projects:

Name of the investment project	Subproject name	Total investment amount of the relevant project <i>(RMB ten thousand)</i>	The amount of proceeds to be applied <i>(RMB ten thousand)</i>
Fuel cell industry chain development project (燃料電池產業鏈建設項目)	Hydrogen-fueled cell and key components industrialisation project (氫燃料電池及關鍵零部件產業化項目)	71,228.10	50,000.00
	Solid oxide fuel cell and key components industrialisation project (固態氧化物燃料電池及關鍵零部件產業化項目)	151,250.00	50,000.00
	Key components of fuel cell powertrain research and development and construction capabilities project (燃料電池動力總成核心零部件研發及製造能力建設項目)	147,927.00	100,000.00

Name of the investment project		Total investment amount of the relevant project	The amount of proceeds to be applied
Project name	Subproject name	(RMB ten thousand)	(RMB ten thousand)
Full series of H platform high-end road-going engines of China VI or above emission standards project (全系列國六及以上排放標準H平台道路用高端發動機項目)	New million units digitalised power industry base stage I project (新百萬台數字化動力產業基地一期項目)	562,585.00	300,000.00
	H platform engines intelligent manufacturing upgrade project (H平台發動機智能製造升級項目)	110,000.00	100,000.00
Large diameter high-end engine industrialisation project (大缸徑高端發動機產業化項目)	Large diameter high-end engine laboratory project (大缸徑高端發動機實驗室建設項目)	139,500.00	107,500.00
	High efficiency and high speed self-owned brand engine industrialisation project (自主品牌大功率高速機產業化項目)	99,842.00	68,500.00
	Large diameter high-end engine development project (大缸徑高端發動機建設項目)	184,784.00	124,000.00
Full series hydraulic pressure powertrain and large-scale continuously variable transmission (CVT) powertrain industrialisation project (全系列液壓動力總成和大型CVT動力總成產業化項目)		313,407.61	300,000.00
To replenish the working capital		100,000.00	100,000.00
Total		1,880,523.71	1,300,000.00

Prior to the receipt of the relevant proceeds raised from the Non-public Issuance of A Shares, based on the actual circumstances of the investment projects to be funded by the proceeds, the Company may utilise its internal funds or funds obtained through other financing methods to invest in such projects, and replace such investment amount with the proceeds upon receiving the same. Following the receipt of relevant proceeds, if the actual amount of net proceeds from the Non-public Issuance of A Shares (after deduction of issuance expenses) is less than the proposed aggregate amount of proceeds to be applied in the above projects, the Company will adjust and determine the specific investment projects, order of priority and specific investment amounts in each project based on the actual amount of net proceeds and the priority and capital requirements of the relevant projects, and any shortfall in the investment amounts will be made up by utilising the internal funds of the Company or through other financing methods.

VI. WHETHER THE NON-PUBLIC ISSUANCE OF A SHARES CONSTITUTES A CONNECTED TRANSACTION

As of the date of announcement of the Plan, the target subscribers are yet to be confirmed. Disclosure of whether the Non-public Issuance of A Shares constitutes a connected transaction will be made in the issuance report to be published following the completion of the Non-public Issuance of A Shares.

VII. WHETHER THE NON-PUBLIC ISSUANCE OF A SHARES WILL RESULT IN ANY CHANGE IN CONTROL OF THE COMPANY

Both prior to and subsequent to the Non-public Issuance of A Shares, Weichai Group is the controlling shareholder of the Company and Shandong Heavy Industry is the de facto controller of the Company. The Issuance will not result in any change of control of the Company.

VIII. APPROVAL PROCEDURES OF THE NON-PUBLIC ISSUANCE OF A SHARES**(I) Approval Obtained for the Non-public Issuance of A Shares**

Matters in relation to the Non-public Issuance of A Shares have been considered and approved at the Company's 10th provisional meeting of the Board for the year 2020.

(II) Outstanding Approval Procedures to be Fulfilled for the Non-public Issuance of A Shares

1. The Non-public Issuance A Shares is subject to consideration and approval at the general meeting of the Company after obtaining consent from the competent authority for state-owned assets supervision and administration.
2. The Non-public Issuance of A Shares is subject to approval of the CSRC.

IX. WHETHER THE NON-PUBLIC ISSUANCE OF A SHARES WILL RESULT IN ANY FAILURE OF THE SHAREHOLDING STRUCTURE OF THE COMPANY IN MEETING THE LISTING REQUIREMENTS

The Non-public Issuance of A Shares will not result in any failure of the shareholding structure of the Company in meeting the listing requirements.

SECTION II FEASIBILITY ANALYSIS OF THE BOARD ON
THE USE OF PROCEEDS

I. PROPOSED USE OF PROCEEDS

The gross proceeds from the Non-public Issuance of A Shares is expected to be not more than RMB13,000 million, which, after deduction of issuance expenses, are intended to be fully invested in the following projects:

Name of the investment project	Subproject name	Total investment amount of the relevant project <i>(RMB ten thousand)</i>	The amount of proceeds to be applied <i>(RMB ten thousand)</i>
Fuel cell industry chain development project (燃料電池產業鏈建設項目)	Hydrogen-fueled cell and key components industrialisation project (氫燃料電池及關鍵零部件產業化項目)	71,228.10	50,000.00
	Solid oxide fuel cell and key components industrialisation project (固態氧化物燃料電池及關鍵零部件產業化項目)	151,250.00	50,000.00
	Key components of fuel cell powertrain research and development and construction capabilities project (燃料電池動力總成核心零部件研發及製造能力建設項目)	147,927.00	100,000.00
Full series of H platform high-end road-going engines of China VI or above emission standards project (全系列國六及以上排放標準H平台道路用高端發動機項目)	New million units digitalised power industry base stage I project (新百萬台數字化動力產業基地一期項目)	562,585.00	300,000.00
	H platform engines intelligent manufacturing upgrade project (H平台發動機智能製造升級項目)	110,000.00	100,000.00

Name of the investment project		Total investment amount of the relevant project	The amount of proceeds to be applied
Project name	Subproject name	(RMB ten thousand)	(RMB ten thousand)
Large diameter high-end engine industrialisation project (大缸徑高端發動機產業化項目)	Large diameter high-end engine laboratory project (大缸徑高端發動機實驗室建設項目)	139,500.00	107,500.00
	High efficiency and high speed self-owned brand engine industrialisation project (自主品牌大功率高速機產業化項目)	99,842.00	68,500.00
	Large diameter high-end engine development project (大缸徑高端發動機建設項目)	184,784.00	124,000.00
Full series hydraulic pressure powertrain and large-scale continuously variable transmission (CVT) powertrain industrialisation project (全系列液壓動力總成和大型CVT動力總成產業化項目)		313,407.61	300,000.00
To replenish the working capital		<u>100,000.00</u>	<u>100,000.00</u>
Total		<u>1,880,523.71</u>	<u>1,300,000.00</u>

Prior to the receipt of the relevant proceeds raised from the Non-public Issuance of A Shares, based on the actual circumstances of the investment projects to be funded by the proceeds, the Company may utilise its internal funds or funds obtained through other financing methods to invest in such projects, and replace such investment amount with the proceeds upon receiving the same. Following the receipt of relevant proceeds, if the actual amount of net proceeds from the Non-public Issuance of A Shares (after deduction of issuance expenses) is less than the proposed aggregate amount of proceeds to be applied in the above projects, the Company will adjust and determine the specific investment projects, order of priority and specific investment amounts in each project based on the actual amount of net proceeds and the priority and capital requirements of the relevant projects, and any shortfall in the investment amounts will be made up by utilising the internal funds of the Company or through other financing methods.

II. INFORMATION ON THE INVESTMENT PROJECTS TO BE FUNDED BY THE PROCEEDS

(I) Fuel Cell Industry Chain Development Project

1. *Hydrogen-fueled Cell and Key Components Industrialisation Project*(1) *Basic information of the project*

Project name	Hydrogen-fueled cell and key components industrialisation project
Total investment of the project	RMB712.281 million
The amount of proceeds to be applied	RMB500 million
Project construction subject	Weichai Power Co., Ltd.
Project construction period	18 months
Construction contents	Joint workshops and public infrastructure facilities will be newly built; a total of 170 units (sets) of production, research and development, and testing equipment, including key equipment such as bipolar plate production lines, stack production lines, and hydrogen fuel cell production lines will be purchased. Upon the commencement of operation of the project, an annual production capacity of 20,000 hydrogen fuel cells can be achieved.

(2) *Estimated investment*

The total investment of this project is RMB712.28 million, the breakdown of which is as follows:

Number	Project	Investment Amount (RMB ten thousand)
1	Construction fees	37,092.38
1.1	Civil works	5,038.18
1.2	Public utilities	6,710.04
1.3	Processing equipment	23,868.00
1.4	Master plan work	1,476.16
2	Other engineering and construction expenses	5,711.39
3	Reserves	3,424.30
4	Initial working capital	25,000.00
Total investment		71,228.00

(3) *Economic efficiency of the project*

As estimated, the after-tax internal return rate for this project is 25.30%, and the after-tax investment payback period is 7.97 years.

(4) *Approvals required for the project*

As of the announcement date of this Plan, the project has obtained the "Shandong Provincial Construction Project Filing Certificate" (project code: 2019-370791-36-03-035125); the "Approval for Environmental Impact Report of Hydrogen-fueled Cell and Key Components Industrialisation Project of Weichai Power Co., Ltd." (Weihuan Gaoshenzi [2019] No. 0618) granted by the High Technology Industrial Development Zone Branch of Weifang City Environmental Protection Bureau; and the Property Rights Certificate (Lu (2019) Weifang City Kuiwen District Property Rights No. 0071389) of the land for the investment project.

2. *Solid Oxide Fuel Cell and Key Components Industrialisation Project*(1) *Basic information of the project*

Project name	Solid oxide fuel cell and key components industrialisation project
Total investment of the project	RMB1,512.50 million
The amount of proceeds to be applied	RMB500 million
Project construction subject	Weichai Power Co., Ltd.
Project construction period	36 months
Construction contents	This project involves construction of a joint plant and public infrastructure supporting facilities, and purchase of about 294 unit (sets) of production, assembly, and testing equipment, including sintered part production lines, thermoelectric reaction component flexible assembly lines, hot box flexible assembly lines, power generation system assembly lines and other key equipment. Upon the completion of the project, an annual production capacity of 30,000 new type fuel cells and key components can be achieved.

(2) *Estimated investment*

The total investment of this project is RMB1,512.50 million, the breakdown of which is as follows:

Number	Project	Investment Amount <i>(RMB ten thousand)</i>
1	Construction fees	108,588.00
1.1	Equipment investment	90,176.00
1.2	Construction installation investment	9,032.00
1.3	Public system and plants	8,980.00
1.4	Office chairs, etc.	400.00
2	Other engineering expenses	2,693.33
3	Reserves	1,841.20
4	Initial working capital	38,128.29
Total investment		<u>151,250.00</u>

(3) *Economic efficiency of the project*

As estimated, the after-tax internal return rate for this project is 20.51%, and the after-tax investment payback period is 8.06 years.

(4) *Approvals required for the project*

As of the announcement date of this Plan, the project has obtained the Property Rights Certificate (Lu (2019) Weifang City Kuiwen District Property Rights No. 0071389) of the land for the investment project. Matters relating to the filing and environmental impact assessment of this investment project have yet to be completed, and the Company will perform the reviewing and approval procedures or filing procedures in accordance with relevant requirements.

3. *Key Components of Fuel Cell Powertrain Research and Development and Construction Capabilities Project*

(1) *Basic information of the project*

Project name	Key components of fuel cell powertrain research and development and construction capabilities project
Total investment of the project	RMB1,479.27 million
The amount of proceeds to be applied	RMB1,000 million
Project construction subject	Weichai Power Co., Ltd.
Project construction period	36 months
Construction contents	This project will utilise the existing plant to build a new production line for 10GWh lithium battery PACK, a production line for 100,000 sets of electric powertrain systems, a production line for hybrid and electronic control actuator, a production line for hydrogen storage system with 2 new hydrogen fuel battery test rooms and an electric battery test room, involves the purchase of 85 units/sets of corresponding fuel cell and electric battery test equipment and the construction of industrialised production lines for hydrogen fuel cell and on-board hydrogen supply system, electric motors and controls, lithium battery PACK, and new energy powertrain system, in order to increase the Company's industrialisation capabilities of new energy products.

(2) *Estimated investment*

The total investment of this project is RMB1,479.27 million, the breakdown of which is as follows:

Number	Project	Investment Amount <i>(RMB ten thousand)</i>
1	Construction fees	105,754.00
1.1	Equipment investment	87,400.00
1.2	Civil engineering investment	18,354.00
2	Other engineering expenses	2,676.84
3	Reserves	1,835.40
4	Initial working capital	<u>37,661.19</u>
Total investment		<u>147,927.00</u>

(3) *Economic efficiency of the project*

As estimated, the after-tax internal return rate for this project is 18.78%, and the after-tax investment payback period is 8.32 years.

(4) *Approvals required for the project*

As of the announcement date of this Plan, the Property Rights Certificate (Lu (2018) Weifang City High-tech District Property Rights No. 0069288) of the land for the investment project has been obtained. Matters relating to the filing and environmental impact assessment of this investment project have yet to be completed, and the Company will perform the reviewing and approval procedures or filing procedures in accordance with relevant requirements.

(II) Full Series of H Platform High-end Road-going Engines of China VI or above
Emission Standards Project1. *New Million Units Digitalised Power Industry Base Stage I Project*(1) *Basic information of the project*

Project name	New million units digitalised power industry base stage I project
Total investment of the project	RMB5,625.85 million
The amount of proceeds to be applied	RMB3,000 million
Project construction subject	Weichai Power Co., Ltd.
Project construction period	25 months
Construction contents	The new construction area of the project is 258,000 square metres, including new digitalised plants, digitalised logistics centers and public infrastructure; newly built production capacity of 50,000 units/year with WP13H/WP6H engine block, cylinder head (two fully automatic production lines for each); one new production line of WP13H/WP6H engines with newly added production capacity of 100,000 units/year; a new test run and spray painting packaging line with newly added production capacity of 200,000 units/year to meet the trial run of WP13H/WP6H engines, spray paint and packaging mixed line production, purchase of a total of 1,063 units (sets) of production, testing and other equipment, including cylinder head component lines, piston rod lines, final assembly lines, test runs, spray paint packaging, etc.

(2) *Estimated investment*

The total investment of this project is RMB5,625.85 million, the breakdown of which is as follows:

Number	Project	Investment Amount (RMB ten thousand)
1	Construction fees	407,937.25
1.1	Civil works	92,469.03
1.2	Public utilities	33,300.00
1.3	Processing equipment	277,449.00
1.4	Master plan work	4,719.22
2	Other engineering expenses	19,556.38
3	Reserves	34,199.49
4	Initial working capital	100,892.00
Total investment		<u>562,585.00</u>

(3) *Economic efficiency of the project*

As estimated, the after-tax internal return rate for this project is 23.17%, and the after-tax investment payback period is 6.54 years.

(4) *Approvals required for the project*

As of the announcement date of this Plan, the project has obtained the "Shandong Provincial Construction Project Filing Certificate" (project code: 2020-370791-36-03-083823); the "Approval for Environmental Impact Report of New Million Digitalised Power Industry Base Stage I Project of Weichai Power Co., Ltd." (Weihuan Gaoshushenzi [2020] No. 4) granted by the High Technology Industrial Development Zone Branch of Weifang City Environmental Protection Bureau; and the Property Rights Certificate (Lu (2020) Weifang City Kuiwen District Property Rights No. 0030279) of the land for the investment project.

2. *H Platform Engines Intelligent Manufacturing Upgrade Project*(1) *Basic information of the project*

Project name	H platform engines intelligent manufacturing upgrade project
Total investment of the project	RMB1,100 million
The amount of proceeds to be applied	RMB1,000 million
Project construction subject	Weichai Power Co., Ltd.
Project construction period	4 years
Construction contents	On top of the production line of original Landking phase I in factory no.2, this project will implement WP11H/13H/15NG new product production capacity project by removing and renovating the existing production line.

(2) *Estimated investment*

The total investment of this project is RMB1,100 million, the breakdown of which is as follows:

Number	Project	Investment Amount <i>(RMB ten thousand)</i>
1	Mechanical equipment investment	97,160.00
2	Civil engineering	3,000.00
3	Digitalisation	470.00
4	Others (production preparation)	<u>9,370.00</u>
Total investment		<u><u>110,000.00</u></u>

(3) *Economic efficiency of the project*

This project is primarily implemented on top of the existing production and supporting facilities of the Company and is a technological upgrade project, the purpose of which is to improve production process and upgrade operational and management efficiency, instead of generating economic efficiency directly.

(4) *Approvals required for the project*

As of the announcement date of this Plan, the project has obtained the Property Rights Certificate (Wei (2004) No. E093) of the land for the investment project. Matters relating to the filing and environmental impact assessment in respect of this investment project have yet to be completed, and the Company will perform the reviewing and approval procedures or filing procedures in accordance with relevant requirements.

(III) Large Diameter High-end Engine Industrialisation Project**1. Large Diameter High-end Engine Laboratory Project***(1) Basic information of the project*

Project name	Large diameter high-end engine laboratory project
Total investment of the project	RMB1,395.00 million
The amount of proceeds to be applied	RMB1,075.00 million
Project construction subject	Weichai Power Co., Ltd.
Project construction period	24 months
Construction contents	The construction area of this project is approximately 100,309 square metres, and the construction contents include: trial-run workshop and auxiliary buildings, assembly workshop, power station room, diesel collection station, chemical storage shelter, transformer station, roads in the plant area, parking lot, greening, pipeline and other facilities. The total new construction area is about 92,754 square metres. There are 22 large diameter engine test benches in the trial-run workshop, of which 12 are in the first phase and 10 are reserved for the second phase. The assembly workshop consists of large diameter engine prototype storage, assembly, analysis area, cleaning area, parts inspection area, etc. It includes a diesel collection station (five 50 cubic diesel tanks) as a supporting facility to meet the test requirements of the laboratory. The engine test bench has the test capability of various platform products below 10,000kW; the single-cylinder engine test bench meets the test requirements of single-cylinder diesel engines and gas engines; the test bench of generator meets the test requirements of 5,000 to 10,000kW generator sets. Upon the completion of the project, the Company will be able to test and develop new high-end platform products with large diameters, which will promote the upgrading of the Company's full range of high-power products and marine power products.

(2) *Estimated investment*

The total investment of this project is RMB1,395.00 million, the breakdown of which is as follows:

Number	Project	Investment amount <i>(RMB ten thousand)</i>
1	Construction fees	121,065.00
1.1	Processing equipment	48,055.00
1.2	Civil works and others	73,010.00
2	Other engineering expenses	8,102.00
3	Reserves	10,333.00
Total investment		139,500.00

(3) *Economic efficiency of the project*

This project mainly provides test support for the Company's high-end specialised power equipment, and does not directly generate economic benefits.

(4) *Approvals required for the project*

As of the announcement date of this Plan, the project has obtained the "Shandong Provincial Construction Project Filing Certificate" (project code: 2020-370792-34-03-007689) and is in the process of filing the change of name of the project. It has obtained the environmental assessment approval "Weibin Huan Biaoshen (19050)" issued by the Weifang City Ecological Environment Bureau, Binhai Branch; and the Property Rights Certificate (Lu (2019) Weifang City Binhai District Property Rights No. 0060051) of the land for the investment project.

2. *High Efficiency and High Speed Self-owned Brand Engine Industrialisation Project*

(1) *Basic information of the project*

Project name	High efficiency and high speed self-owned brand engine industrialisation project
Total investment of the project	RMB998.42 million
The amount of proceeds to be applied	RMB685.00 million
Project construction subject	Weichai Power Co., Ltd.
Project construction period	24 months
Construction contents	The project workshop covers an area of about 29,000 square metres. A new joint production plant and supporting public infrastructure will be built with multi-pallet processing centres, 275 sets of cleaning machines, tightening machines, dynamometers and other equipment, primarily for the production of Baudouin and high-end series marine engine products.

(2) *Estimated investment*

The total investment of this project is RMB998.42 million, the breakdown of which is as follows:

Number	Project	Investment amount <i>(RMB ten thousand)</i>
1	Construction fees	89,884.00
1.1	Civil works	8,729.00
1.2	Processing equipment and tooling	73,985.00
1.3	Public utilities	5,420.00
1.4	Master plan work	1,750.0
2	Other engineering expenses	2,562.30
3	Reserves	7,395.70
Total investment		<u>99,842.00</u>

(3) *Economic efficiency of the project*

For this project, the after-tax internal return rate for this project is 31.48%, and the after-tax investment payback period is 5.53 years.

(4) *Approvals required for the project*

As of the announcement date of this Plan, the project has obtained the “Shandong Provincial Construction Project Filing Certificate” (project code: 2018-370791-34-03-038052); the “Approval of Environmental Impact Report of Baudouin and High-end Series Marine Engine Production Base Project of Weichai Power Co., Ltd.” (Weihuan Gaoshushenzi [2018] No. 4) issued by the High Technology Industrial Development Zone Branch of Weifang City Environmental Protection Bureau; and the Property Rights Certificate (Wei Guoyong (2004) No. E093) of the land for the investment project.

3. *Large Diameter High-end Engine Development Project*(1) *Basic information of the project*

Project name	Large diameter high-end engine development project
Total investment of the project	RMB1,847.84 million
The amount of proceeds to be applied	RMB1,240.00 million
Project construction subject	Weichai Power Co., Ltd.
Project construction period	36 months
Construction contents	This project utilises the existing plant to build a new machining production line for cylinder blocks and cylinder heads of large diameter high-end engines, and will add about 54 units (sets) of key equipment of processing and testing. Upon the completion of the project, the production capacity for various large diameter high-end engines can be greatly increased.

(2) *Estimated investment*

The total investment of this project is RMB1,847.84 million, the breakdown of which is as follows:

Number	Project	Investment amount <i>(RMB ten thousand)</i>
1	Construction fees	121,263.30
1.1	Equipment investment	108,193.32
1.2	Civil engineering investment	13,069.98
2	Other engineering expenses	2,747.28
3	Reserves	1,307.00
4	Initial working capital	59,466.49
Total investment		184,784.00

(3) *Economic efficiency of the project*

As estimated, the after-tax internal return rate for this project is 38.71%, and the after-tax investment payback period is 5.53 years.

(4) *Approvals required for the project*

As of the announcement date of this Plan, the project has obtained the "Shandong Provincial Construction Project Filing Certificate" (project code: 2020-370772-34-03-144602); matters relating to the environmental impact assessment with respect to this project have yet to be finished and the Company will perform the approval or filing procedures in accordance with relevant requirements. The implementation location of the project is Weichai Binhai Industrial Park, and it is intended that land and plants will be leased from a related party of the Company, Weichai Heavy-duty Machinery Co., Ltd., without addition of newly construction land.

(IV) Full Series Hydraulic Pressure Powertrain and Large-scale Continuously Variable Transmission (CVT) Powertrain Industrialisation Project**1. Basic information of the project**

Project name	Full series Hydraulic pressure powertrain and large-scale continuously variable transmission (CVT) powertrain industrialisation project
Total Investment of the Project	RMB3,134.0761 million
The amount of proceeds to be applied	RMB3,000.00 million
Project construction subject	Weichai Power Co., Ltd.
Project construction period	36 months
Construction contents	This project will renovate the existing workshops, and add about 368 units (sets) of key equipment such as machining, cleaning and testing, research and development testing and assembly production. Upon the completion of the project, an annual production capacity of 500,000 units of pumps/motors and 100,000 sets of multi-path valves and 10,000 sets of CVT powertrain can be achieved.

2. *Estimated investment*

The total investment of this project is RMB3,134.0761 million, the breakdown of which is as follows:

Number	Project	Investment Amount <i>(RMB ten thousand)</i>
1	Construction fees	274,001.00
1.1	Equipment investment	265,946.00
1.2	Civil engineering investment	8,055.00
2	Other engineering expenses	3,791.82
3	Reserves	805.50
4	Initial working capital	<u>34,809.29</u>
Total investment		<u><u>313,407.61</u></u>

3. *Economic efficiency of the Project*

As estimated, the after-tax internal return rate for this project is 20.38%, and the after-tax investment payback period is 7.26 years.

4. *Approvals required for the project*

As of the announcement date of this Plan, the project has obtained the Property Rights Certificate (Lu (2018) Weifang City High-tech District Property Rights No. 0069288) of the land for the investment project. Matters relating to the filing and environmental impact assessment of this investment project have yet to be completed, and the Company will perform the reviewing and approval procedures or filing procedures in accordance with relevant requirements.

(V) **Replenishing working capital**

It is intended that not more than RMB1,000.00 million of the proceeds from the Non-Public Issuance of A Shares will be used to replenish the Company's working capital, which will be mainly used for the establishment of after-sales intelligent services system throughout the life cycle.

III. BACKGROUND AND NECESSITY OF THE INVESTMENT PROJECTS TO BE FUNDED BY THE PROCEEDS

(I) Fuel Cell Industry Chain Development Project

1. *Taking first-mover advantage to deploy resources in new energy and seizing opportunities in industry development*

In recent years, the Company has made continuous efforts in the technological research and development of new energy powertrains and components and has taken first-mover advantage to deploy its resources in the industrial chain of new energy business, and has established an initial product series of fuel cell engines with a wider coverage, broadening the application of fuel cell passenger vehicles and hydrogen refueling stations. The Company has also launched a series of new products such as the two-speed powertrains and motor controllers and accelerated the independent research and development of AMT and AT products as well as the development of the second generation of new energy products equipped with pure electric systems. At the same time, through in-depth research on the new energy vehicle networking system, the Company's development and application of LKA is also proceeding in an orderly manner, and the advanced driver assistance system for commercial vehicles has gradually been put into production and launched for sale. Through a series of advanced planning and deployment, the market competitiveness of the Company's new energy products has been significantly enhanced.

In the 2021-2035 Development Plan for New Energy Vehicles (《新能源汽车發展規劃2021-2035》), it is proposed that the proportion of new or revamped energy vehicles with new or renewal licences in the public areas of key regions shall be not less than 80% commencing from 2021; sales of new energy vehicles shall account for about 20% of total sales in 2025; and pure electric vehicles shall become the mainstream of the sales of new vehicles in 2035, such that electric vehicles will be used in all public areas and the full commercialisation of fuel cell vehicles can be attained. Given the enormous market potential of new energy powertrain business in the future, such forward-looking deployment will help the Company seize industry opportunities.

2. *New energy development strategies are the strategic goals of the Company's long-term development*

It is proposed in the 2020-2030 strategies of Weichai Power that "Weichai Power's new energy business shall lead the global industry development by 2030". In order to become the world's leading provider of new energy power system solutions with core technologies, Weichai Power needs to expedite its investment in research and development and the construction of production facilities for new energy products. New energy industrialisation is the industrial foundation to accelerate the development of new energy products and the implementation of

industrialisation. Currently, being the largest shareholder of Ballard Power Systems Inc., a global leader in hydrogen-fueled cell business based in Canada, and the largest shareholder of Ceres Power Holdings plc., a global leader in solid oxide fuel cell technology based in the United Kingdom, Weichai Power possesses abundant research and development resources, and has gradually mastered the key and core technologies of new energy. The implementation of this project will be conducive to the new energy industrialisation and establishment of a world-class new energy technology chain and an industrial chain, thereby driving the development of the Company's new energy business.

(II) Full series of H platform high-end road-going engines of China VI or above emission standards project

1. *China is currently at an important historical stage in the transition from a large manufacturing nation to a strong manufacturing nation, offering promising prospects for the high-end power products market*

The internal combustion engine industry is an important primary manufacturing industry in China. Through years of continuous innovation and development, the gap between technological level and innovation capability of China's internal combustion engine products and that of foreign countries have gradually narrowed, but there is still much room for improvement. In order to drive the overall transformation and upgrade of the entire internal combustion engine industry of China, the domestic internal combustion engine industry has to rely on powerful benchmarking enterprises in the domestic internal combustion industry to carry out research and development, and innovation, and to build a world-class engine.

In recent years, the Company has been committed to its innovation-driven strategy. Leveraging the research and development resources from global collaboration, the Company has accelerated its pace in developing high-end products and created a new generation of high-end engine platform "N+H+M". With the completion of the upgrade and development of full series of road-going China VI products, the Company has reached an obviously advanced position in the new round of emission standards upgrade. Driven by the national investment in infrastructure in China, as well as other positive factors such as the imposition of more stringent emission regulations, the anti-overloading policies and the structural adjustment in transportation industry, the high-end power market has enormous potential.

2. *Bringing the level of the Company's intelligent manufacturing to a new height to achieve the "dual million" engines sales target*

As a market leader in the equipment manufacturing industry, Weichai Power has actively responded to the national industrial policies and proactively seized market opportunities in the transformation and upgrade from old to new forms kinetic energy, so as to drive high-quality enterprise growth. This project focuses on

the construction of a digitalised industrial park, and the design of which embodied the characteristics such as digitalisation, automation, flexibility, flexible manpower, energy conservation and environmental protection. The implementation of this project will be conducive to fostering the development of digitalised technology for engine products, facilitate the enhancement of production capability and quality of engines, and achieve a leap from “manufacturing” to “intelligent manufacturing” of the Company’s high-end power products.

Based on its 2020-2030 strategic development plan, the Company has proposed a “dual million” engines sales target, whereby its existing engine production capacity is set to be further increased. The application of the proceeds from the Non-public Issuance of A Shares to the relevant investment project enables the upgrade in the level of digitalisation and intelligence of existing production plants, which will further enhance the competitiveness of the relevant products and continuously strengthen the leading position of its core business.

(III) Large Diameter High-end Engine Industrialisation Project

- 1. Aligning with the national development strategy of high-end equipment manufacturing industry enables the Company to enhance its competitiveness in the international market and provide domestic alternatives of large diameter high-end engines, thereby creating core competitiveness of its self-owned brands in the high-end products segment*

In the Proposal of the Central Committee of the Chinese Communist Party Regarding the Formulation of the 14th Five-Year Plan for National Economy and Social Development and the Long-term Goals for 2035 (《中共中央關於制定國民經濟和社會發展第十四個五年規劃和二〇三五年遠景目標的建議》) issued by the Central Committee of the Chinese Communist Party in November 2020, it is proposed that an emerging industrial chain is to be built relying on the nation’s advantages in industrial scale, infrastructure and leading positions in certain sectors, with an aim to push forward the movement upmarket and the enhancement in the level of intelligence and environmental-friendliness of the traditional industries, so as to develop a service-centric manufacturing industry.

At present, the global market capacity of large diameter high-speed engines is approximately 140,000 units per year. Such products have a high level of product added value, but a substantial share of the market has long been dominated by foreign brands. In order to satisfy the demands for high-power and high-end diesel engines in the domestic marine power market and break the market monopoly of foreign brand products, Weichai Power has self-developed the world-leading large diameter high-end engine products, which enjoy significant cost advantages and integrated services strengths as compared to those of foreign brands. The implementation of this project is expected to facilitate the enhancement of the Company’s competitiveness in the international market of large diameter high-speed engines.

2. *Strengthening the testing capabilities of large diameter high-speed engines and accelerating the transformation and upgrade of the Company's products*

With the accelerated transformation and upgrade of its businesses, Weichai Power has gradually improved its research and manufacturing and production capacity of large diameter high-end diesel engines. However, due to the large volume and weight of such products, as well as the complex test support system, the Company's existing resources are unable to meet the testing requirements of large diameter products. As there is no professional testing base for large diameter high-speed engines at the moment, the insufficiency of testing resources may severely hinder the development and production progress of such products.

The implementation of this project will provide testing support to the development of large diameter high-speed engines and ensure large-scale mass production of large diameter high-end products.

(IV) Full Series Hydraulic Pressure Powertrain and Large-scale Continuously Variable Transmission (CVT) Powertrain Industrialisation Project

1. *Huge room for domestic alternatives of hydraulic parts in China*

Hydraulic products are widely applied in various areas. With the gradual maturity of product technology and production process, the application fields of hydraulic products continue to expand. At present, the global hydraulic industry has entered a relatively mature stage with a market size of approximately 30 billion Euros, while the Chinese market is roughly RMB60 billion. From a global perspective, the hydraulic market in China has been moving up in position with the fastest growth in demand and is currently the world's second largest hydraulic market following the United States. Although the market share of domestic brands in China's construction machinery industry is relatively high, the hydraulic market in China is still dominated by three major foreign brands, showing a large room for domestic alternatives of hydraulic products.

The implementation of the project will contribute to the enhancement of manufacturing capacity, technological level, and research and development capabilities of domestically manufactured high-end hydraulic parts, and the nurturing of respective management and technical personnel, thereby producing positive effect on the improvement of the overall standard of the domestic equipment manufacturing industry.

2. *CVT powertrain is a key direction for agricultural equipment upgrades*

At present, the penetration rate of CVT tractors in the European and American markets is relatively high, while the Chinese market is still dominated by traditional tractors with a low penetration rate of CVT tractors. In recent years, against the backdrop of intensive agricultural production and high-end development of agricultural equipment, industrial demand for CVT tractor in China is rising with a better growth prospect.

In recent years, the Company completed the strategic acquisition of 51% shareholding in VDS Holding GmbH based in Austria and became its controlling shareholder which has effectively filled in the key technological gap in the CVT power system of agricultural equipment, and enabled the Company to master the relevant core technologies, and create the “Weichai Engine + Hydraulic CVT” high-end powertrain for agricultural equipment using synergistic advantages.

(V) Replenishment of Working Capital

The replenishment of working capital with the proceeds raised from the Non-public Issuance of A Shares will be mainly used to establish a new after-sales service network for end customers, innovate service channels, extend service cycles, integrate all-element service resources, and create a full-cycle and full-range after-sales service system to become an important part of business profits by leveraging the advantages of high ownership rate.

IV. EFFECT OF THE NON-PUBLIC ISSUANCE OF A SHARES ON OPERATION, MANAGEMENT AND FINANCIAL POSITION OF THE COMPANY

(I) Impact of the Non-public Issuance of A Shares on the Operation and Management of the Company

The investment projects to be funded by the proceeds from the Non-public Issuance of A Shares represent an expansion and improvement of the Company’s principal businesses. The implementation of the investment projects to be funded by the proceeds is an important measure for the Company to improve its industrial layout, consolidate its core competitiveness, and make breakthroughs in the key core technologies of the industry, which is in line with relevant national industrial policy and the overall strategic development direction of the Company in the future, and the investment projects have good market potential and technological advancement. The gradual commencement of operation of the said investment projects will directly improve the Company’s profitability, which is of considerable significance to the enhancement of its research and development capabilities, sustainable profitability and independent innovation capabilities.

(II) Impact of the Non-public Issuance of A Shares on the Financial Position of the Company

The Non-public Issuance of A Shares will help the Company improve its capital strength, increase its asset size, further optimise the asset-liability structure and lay a foundation for the future development of the Company.

Upon completion of the Non-public Issuance of A Shares, the total amount of share capital of the Company will increase but the investment projects to be funded by the proceeds will not be able to generate immediate benefits in the short term. Hence, earnings per share of the Company may be diluted in the short term.

The impact of the Non-public Issuance of A Shares on cash flow of the Company is shown as follows: 1. the Non-public Issuance of A Shares will increase the Company's cash inflow from financing activities and therefore enhance its liquidity and solvency; 2. the increase in the Company's net assets may enhance its ability of multi-channel financing, which will in turn bring a positive impact on its cash inflow from potential financing activities in the future; 3. with the benefits of the investment projects being realised, the Company's net cash flow from operating activities and sustainability are expected to be effectively increased.

V. FEASIBILITY ANALYSIS AND CONCLUSION

(I) High Degree of Feasibility on Policy Level due to Conformity with Industry Policies and Guidance

Proceeds from the Non-public Issuance of A Shares will mainly be used for the fuel cell industry chain development project, full series of H platform high-end road-going engines of China VI or above emission standards project, large diameter high-end engine industrialisation project and full series hydraulic pressure powertrain and large-scale continuously variable transmission (CVT) powertrain industrialisation project, all of which are in line with national policy guidance and requirements, industrial and regional development plans, and thus have a high degree of feasibility, details of which are as follows:

1. *The central government's emphasis on the development of new energy industry and the relevant favourable policies provide good policy guarantee for the fuel cell industry chain development project*

In recent years, the Chinese government has vigorously promoted the development of new energy industry and has successively issued a series of policies. In May 2015, the State Council issued "Made in China 2025", which proposes to continue to support the development of electric vehicles and fuel cell vehicles, master the core technologies of low-carbon, digitalised and intelligent vehicles, and improve the engineering and industrialisation capabilities of core technologies including power batteries, driving motors, high-efficiency internal combustion engines, advanced gear boxes, lightweight materials and intelligent control, so as to form a complete industrial system and an innovation system from key components to complete vehicles, and facilitate the attainment of advanced international standards by self-developed brands of energy-saving and new energy vehicles. In December 2016, the State Council issued the "'13th Five-Year' National Strategic Emerging Industry Development Plan (《"十三五"國家戰略性新興產業發展規劃》)"; in February 2017, the National Development and Reform Commission issued the "Guiding Catalogue of Key Products and Services for Strategic Emerging Industries (2016 Edition) (《戰略性新興產業重點產品和服務指導目錄(2016版)》)", both listing new energy vehicles as a strategic emerging industry. In addition, in order to guide the healthy development of the automobile industry and the new energy vehicle industry in China, government authorities including the Ministry of Industry and Information Technology has successively issued policy documents

such as the “Medium and Long-term Development Plan for the Automobile Industry (《汽車產業中長期發展規劃》)” and the “Development Plan for the New Energy Vehicle Industry (2021-2035)” (draft for comments) (《新能源汽車產業發展規劃(2021-2035年)》(徵求意見稿)). In particular, the “Development Plan for the New Energy Vehicle Industry (2021-2035) (draft for comments)” states the development goal that “by 2025, the market competitiveness of new energy vehicles will be significantly enhanced while key technologies such as power batteries, driving motors, vehicle operating systems, etc. will achieve major breakthroughs” by “putting equal emphasis on technological innovation of complete vehicle and parts, and making technological breakthroughs in key parts and components”.

2. *The full series of H platform high-end road-going engines of China VI or above emission standards project will promote in-depth integration of information technology and manufacturing technology, which meets the development requirements of China to become a “strong manufacturing nation”*

The full series of H platform high-end road-going engines of China VI or above emission standards project will accelerate the transformation and upgrading of the intelligent manufacturing equipment industry, thereby facilitating the integration and development of the new generation of information technology and manufacturing technology. It is proposed in the Outline of the 13th Five-Year Plan for the Economic and Social Development of the People’s Republic of China (《中華人民共和國國民經濟和社會發展第十三個五年規劃綱要》) that “the ‘Made in China 2025 (《中國製造2025》)’ plan is to be implemented with depth and with an emphasis on strengthening the innovation abilities and fundamental capabilities of the manufacturing industry, deepening the integration of information technology and manufacturing technology, and promoting the development of high-end, intelligent, green, and service-orientated manufacturing so as to foster a new competitive edge in manufacturing”, and that “new intelligent manufacturing models are to be cultivated and promoted in order to push forward the transformation towards flexible, intelligent, and sophisticated production”. The new million units digitalised power industry base stage I project is an intelligent production and manufacturing project, which meets the requirements of “promoting transformation towards flexible, intelligent, and sophisticated production” in the 13th Five-Year Plan.

3. *Large diameter high-end engine industrialisation project is in line with the national policy guidance on equipment manufacturing*

It is proposed in the “14th Five-Year Plan” to “develop strategic emerging industries; accelerate the growth of new generation of industries including information technology, biotechnology, new energy, new materials, high-end equipment, new energy vehicles, environmental protection, aerospace and marine equipment”. The “13th Five-Year Plan for Economic and Social Development of Shandong Province (《山東省國民經濟和社會發展第十三個五年規劃綱要》)” (hereinafter referred to as “Shandong Province’s 13th Five-Year Plan”) contemplates the vigorous development of advanced manufacturing industry. As manufacturing

industry is an important pillar supporting the provincial economy and offers outstanding advantages in Shandong Province, it is necessary to fully implement the “Made in China 2025” strategic initiative and the industrial foundation fortification project, support the development of nuclear and wind power equipment, aerospace equipment, power machinery and yachts, robots, precision machinery, re-manufacturing, power transmission and transformation equipment, electromechanical equipment, high-end hydraulic and system components, construction machinery, agricultural cold chain equipment, marine engineering equipment and high-tech ships, and solar thermal application equipment.

4. *The full series hydraulic pressure powertrain and large-scale continuously variable transmission (CVT) powertrain industrialisation project will help achieve national and industry development goals*

In recent years, the implementations of China’s “Belt and Road” development strategy, national new-type urbanisation, railway and urban rail transit planning, and social security housing development policies have driven the development of the hydraulic industry and its related industries. The PRC government has also successively launched various policies, including the Four-Infrastructure Development Catalogue (2016 edition) (《工業“四基”發展目錄(2016年版)》), the Plan for Standardising and Upgrading Quality of Equipment Manufacturing Industry (《裝備製造業標準化和品質提升規劃》), the Development Plan of Construction Machinery Industry under the 13th Five-Year Plan (《工程機械行業“十三五”發展規劃》), the Guiding Opinion on Accelerating Improvement in Industrial Infrastructure (《關於加快推進工業強基的指導意見》) and the 13th Five-Year Development Plan for the Hydraulic Pneumatics and Seals Industry (《液壓氣動密封行業“十三五”發展規劃》). The 13th Five-Year Development Plan for the Hydraulic Pneumatics Seals Industry clearly states the objectives that “indicators on performance stability, quality reliability, environmental adaptability, useful lives of products shall reach the international advanced level of similar products”, “over 60% of high-end hydraulic components and systems realises independent security, thus gradually removing constraints caused by reliance on labour, and widely promoting and applying the use of hydraulic components and systems that are urgently needed in the equipment industry”.

(II) Advanced Technical Foundation and Research and Development System will Provide Reliable Guarantee for Investment Projects to be Funded by the Proceeds

Weichai Power attaches great importance to technological innovation and has an advanced technical foundation. In recent years, it has undertaken major projects such as national intelligent manufacturing equipment projects and major national scientific and technological projects, and also led and participated in formulating numerous national and industry standards. Weichai Power has successively won the “China Quality Award”, the “PRC Trademark Gold Award – Trademark Innovation Award”, “National Demonstration Base of Enterprise Culture” and the “National Quality Award”, and its “heavy-duty commercial vehicle powertrain key technology and application” project was awarded the first prize of National Science and Technology Progress Award in 2018.

After years of development, the Company has established an excellent research and development team around the world. The core research and development team has many years of research and development experience in related fields as well as industry-leading technological level. The Company owns a number of state-level research and development platforms such as the State Key Laboratory of Internal Combustion Engine Reliability, the National Engineering Technology Research Centre for Powertrains of Commercial Vehicles, the National Industrial Innovation Strategic Alliance for New Energy Power System of Commercial Vehicles and Engineering Machinery, and the National Professional Makerspace. It has established research bases such as the “Post-doctoral Workstation”, as well as the State Intelligent Manufacturing Demonstration Base. It has also built research and development centers in Weifang, Shanghai, Xi’an, Chongqing, and Yangzhou, etc., and established cutting-edge technology innovation centres around the world to construct a globally coordinated research and development platform and to ensure that the Company’s technology level keeps up with the forefront of the world.

(III) Brand Advantage and Scale Advantage will Provide Effective Guarantee for Investment Projects to be Funded by the Proceeds

The Company always adheres to the operational strategy of driving development through both products and capital operations, and is dedicated to creating products with 3 aspects of core competitiveness, namely quality, core technology and cost-effectiveness. It has successfully formed a new pattern of synergetic development among business segments including powertrains, complete vehicles and intelligent logistics with the brands namely “Weichai Power Engines”, “Fast Gear Transmissions”, “Hande Axle”, “SHAC” and “Linde Hydraulics”. Its branches and subsidiaries are all over Europe, North America and Southeast Asia, with offices in over 30 countries and more than 300 authorised service locations, forming a platform with abundant resources. The Company’s products are sold to more than 100 countries and regions across the five continents around the world, creating an international marketing and service network and forming the foundation and landscape of global operations.

In light of the above, the investment projects to be funded by proceeds from the Non-public Issuance of A Shares are in line with the strategic goals of the Company. The implementation of relevant projects will further expand the Company’s business scale, enhance its core technology standard and strengthen its service capabilities in the market, which is conducive to its high-quality and sustainable development and therefore is in the interests of shareholders as a whole.

Accordingly, the proposal for the use of the proceeds from the Non-public Issuance of A Shares is reasonable and feasible.

SECTION III DISCUSSION AND ANALYSIS OF THE BOARD OF DIRECTORS ON THE IMPACT OF THE NON-PUBLIC ISSUANCE OF A SHARES ON THE COMPANY

I. CHANGES TO THE BUSINESS AND ASSETS, ARTICLES OF ASSOCIATION, SHAREHOLDING STRUCTURE, COMPOSITION OF SENIOR MANAGEMENT AND BUSINESS STRUCTURE OF THE COMPANY FOLLOWING THE NON-PUBLIC ISSUANCE OF A SHARES

(I) Effects on the Businesses and Assets of the Company

The proceeds from the Non-public Issuance of A Shares after deducting the issue expenses will be fully used for the fuel cell industry chain development project, full series of H platform high-end road-going engines of China VI or above emission standards project, large diameter high-end engine industrialisation project and full series hydraulic pressure powertrain and large-scale continuously variable transmission (CVT) powertrain industrialisation project as well as replenishment of the working capital for the establishment of after-sales intelligent services system throughout the life cycle. Upon the completion of the Non-public Issuance of A Shares, there will be no material change to the Company's principal business and none of the Company's businesses or assets will be integrated. Following the gradual implementation of the investment projects, the industrial chain layout and product structure of the Company will be fully optimised, facilitating the Company's continuous high-quality development.

(II) Effects on the Company's Articles of Association

Upon the completion of the Non-public Issuance of A Shares, the Company will make adjustments to its Articles of Association that are related to the Non-Public Issuance of A Shares, such as sections regarding registered capital, number of total shares and the share capital etc., and will handle the filing the relevant industrial and commercial registrations on the changes. Save for the above, the Company has no intention to revise other clauses in the Articles of Association in view of the Non-public Issuance of A Shares.

(III) Effects on Shareholding Structure

Upon the completion of the Non-public Issuance of A Shares, share capital of the Company will increase accordingly and shareholder structure of the Company will also change. The shareholding proportion of the existing shareholders will also change accordingly.

As at the date of this Plan, the total number of shares of the Company was 7,933,873,895, among which, the Company's controlling shareholder, Weichai Group, held 1,406,100,000 shares of the Company, representing 17.72% of the Company's total share capital, and Shandong Heavy Industry is the Company's de facto controller.

The total number of shares to be issued under the Non-public Issuance of A Shares shall not exceed 793,387,389 (inclusive), which is not more than 10% of the total share capital of the Company prior to the Non-public Issuance of A Shares. Based on an assumption of an Issuance of 793,387,389 shares, upon the completion, the shares of the Company held by the Weichai Group will represent 16.11% of the total share capital of the Company and the controlling shareholder and de facto controller of the Company remain unchanged.

(IV) Effects on the Composition of Senior Management

As at the date of this Plan, the Company has no plan to adjust the composition of its senior management and the composition of the senior management will not change due to the Non-public Issuance of A Shares. If the Company intends to adjust the composition of senior management in the future, it will strictly comply with the necessary approval procedures and information disclosure obligations in accordance with the relevant requirements.

(V) Effects on the Business Structure

Proceeds from the Non-public Issuance of A Shares will be used for the fuel cell industry chain development project, full series of H platform high-end road-going engines of China VI or above emission standards project, large diameter high-end engine industrialisation project and full series hydraulic pressure powertrain and large-scale continuously variable transmission (CVT) powertrain industrialisation project, which will be beneficial to the further expansion of the Company's business scale, the enhancement of the Company's research and development capabilities, the increase of the Company's core competitive and consolidation and enhancement of the Company's market position. Upon the completion of the Non-public Issuance of A Shares, there will be no material change to the Company's business structure.

II. CHANGES IN FINANCIAL POSITION, PROFITABILITY AND CASH FLOW OF THE COMPANY FOLLOWING THE NON-PUBLIC ISSUANCE OF A SHARES

(I) Effects on the Financial Position of the Company

Upon the completion of the Non-public Issuance of A Shares, both of the total assets and net assets of the Company will increase, and the capital base of the Company will be enhanced significantly. The gearing ratio of the Company will be lowered, which in turn will enhance the Company's ability to resist financial risks.

(II) Effects on profitability of the Company

Upon the completion of the Non-public Issuance of A Shares, the total share capital of the Company will increase. Although earnings per share of the Company may be diluted and return on net assets may be decreased in the short term, upon the completion of the investment projects, the core competitiveness of the Company's products as well as the indicators of profitability such as revenue and net profits of the Company will be significantly improved in the mid to long term.

(III) Effects on cash flow of the Company

Upon the completion of the Non-public Issuance A Shares, cash inflow from the financing activities of the Company will significantly increase. As the capital structure and capital strengths of the Company improve, net cash flow from the operating activities of the Company will also increase.

III. CHANGES IN BUSINESS RELATIONSHIP, MANAGEMENT RELATIONSHIP AND RELATED PARTY TRANSACTIONS BETWEEN THE COMPANY AND THE CONTROLLING SHAREHOLDER AND ITS ASSOCIATES AND INDUSTRY COMPETITION

Prior to the Non-public Issuance of A Shares, the Company's operation is independent in terms of business, personnel, assets, institution and financial, and is not under the influence of its controlling shareholder and its associates. Upon completion of the Non-public Issuance of A Shares, other than the proposed lease of land and plants from the Company's related party, Weichai Heavy-duty Machinery Co., Ltd. (潍柴重機股份有限公司) in the Company's implementation of the "large diameter high-end engine development project", the business relationship, management relationship, related party transactions and peer competition between the Company and its controlling shareholder and its associates will not be significantly changed. The Company will strictly comply the with relevant laws and regulations and rules regarding related party transactions of listed companies, strictly perform information disclosure obligations, uphold the principles of impartiality, fairness and openness, and strictly perform its information disclosure obligation and approval procedures of related party transactions, in order to maintain its independence as a listed company and safeguard the interest of the listed company and other shareholders.

IV. APPROPRIATION OF FUNDS AND ASSETS OF THE COMPANY BY THE CONTROLLING SHAREHOLDER AND ITS ASSOCIATES OR PROVISION OF GUARANTEE FOR THE CONTROLLING SHAREHOLDER AND ITS ASSOCIATES FOLLOWING THE COMPLETION OF THE NON-PUBLIC ISSUANCE OF A SHARES

Upon the completion of the Non-public Issuance of A Shares, there will be no circumstances where the funds or assets of the Company will be appropriated in violation of regulations by its controlling shareholder and its associates, and no guarantee will be provided by the Company to the controlling shareholder and its associates in violation of regulations.

V. EFFECT OF THE NON-PUBLIC ISSUANCE OF A SHARES ON THE LIABILITIES OF THE COMPANY

Upon the completion of the Non-public Issuance of A Shares, the total assets and net assets of the Company will increase, while the gearing ratio will be lowered and the Company's solvency and risk resistance capabilities will be effectively strengthened. The Non-public Issuance of A Shares will not significantly increase the Company's liabilities, including contingent liabilities, nor will it result in an excessively low liability proportion or an unreasonable financial cost.

VI. RISKS ASSOCIATED WITH THE NON-PUBLIC ISSUANCE OF A SHARES**(I) Risks Associated with the Non-public Issuance of A Shares to Specific Target****1. *Risks associated with approvals***

The issuance of A shares to specific targets is subject to the consideration and approval by the Shareholders at the general meeting following the obtaining of the consent from the competent authority having supervision and administration duties regarding state-owned assets, and can only be implemented after obtaining the approval by the CSRC. There are uncertainties associated with the outcome of, and timeframe for, the obtaining of approvals for the above matters.

2. *Risks associated with the issuance*

As the Non-public Issuance of A Shares is only available to no more than 35 specific qualified target subscribers for fund raising, and the result of issuance will be subject to various internal and external factors such as the general condition of the securities market, trend of the Company's share price and recognition of the investors on the proposal of the Non-public Issuance of A Shares. As such, the subject issuance to specific targets is subject to the risk of there being insufficient proceeds raised.

3. *Risks associated with the dilution of immediate returns as a result of issuance to specific target subscribers*

As the total share capital and net assets of the Company will increase significantly upon receipt of the proceeds raised from the Non-public Issuance of A Shares and it will take a certain period of time for the benefits arising from the proceeds to materialise, the profit of the Company and the returns to Shareholders still mainly rely on the existing businesses. Therefore, the issuance to specific targets may cause the Company's immediate returns to be diluted in the short term.

In addition, if the investment projects to be funded by the proceeds from the issuance to specific targets fail to realise the expected benefits, which in turn cause an inability for the Group's future business scale and profit level fail to generate corresponding growth, the earnings per share, net assets and other financial indicators of the Company will see a certain degree of decline. Investors are hereby reminded to pay attention to the risks that the Non-public Issuance may dilute the current returns.

(II) Market and Operating Risks**1. Risk associated with macroeconomic fluctuations**

Sales of the Company's major products, namely powertrain, complete vehicles and machineries and intelligent logistics, depend on the demand from downstream end-customers, and hence heavily rely on macroeconomic prospects and industry demand. The development of the automobile equipment manufacturing industry in which the Company operates is relatively cyclical. In particular, commercial vehicles such as trucks and cars and passenger vehicles are subject to the changes in macro-economy such as fixed assets investment and in the relevant police, and are closely related to the domestic and the international business cycles.

Uncertainties remain in the domestic and international macroeconomic condition. Any changes in the macroeconomic condition or occurrence of contingencies may still cause certain influence on the Company's production and operation. If industry upgrade and technological innovation are not making progress as expected, market demand for the Company's product will be affected, which in turn will cause impact on the Company's operating performance.

2. Risks associated with industry policy changes

In the past few years, the government's increasing investment in infrastructure, urbanisation and the "One Belt One Road" initiative, together with the promulgation of key policies on governing emission standard such as the Action Plan of Diesel Truck Pollution Control (《柴油貨車污染治理攻堅戰行動計畫》) and the Three-Year Action Plan to Win the Blue Sky Defense War (《打贏藍天保衛戰三年行動計畫》) have brought about development opportunities for the Company's businesses. If there is any change in the government's policies on the automobile equipment manufacturing industry in the future which leads to a decrease in industry demand, market demand for the Company's products will be adversely affected.

3. Risks associated with market competition

The automobile equipment manufacturing industry in which the Company operates is highly competitive. As the technological standard in the industry continues to rise in recent years, small and medium enterprises with limited research and development capabilities are facing larger pressure with more backward production capacity withdrew from the market, leading to oligopolistic competition. As a domestically leading automobile manufacturing group with comprehensive strengths, Weichai Power has strong technological research and development advantage, product, customer advantage, brand advantage and team advantage. However, if there is any material change in technological development or product competition in the industry and the Company is not able to further

consolidate and enhance its market position by leveraging its own competitive advantages, it will lose its competitive advantages and its market share will decrease. On the other hand, upon the cancellation of restrictions on joint venture share ratio of commercial vehicles, internationally renowned enterprisers with strong advantages in terms of brand, research and development and capital will be able to enter the domestic market directly, which in turn will intensify the competition in the domestic high-end market and expose the Company to intensifying market competition.

4. *Risks associated with the uncertainties arising from trade friction*

Under the influence of “China-U.S. trade friction”, the domestic trading and technology export industry will be affected to a certain extent within a certain period of time. Although the Company’s business has not been affect in the short term, domestic manufacturers face downward pressure of export business in the long term, leading to a slowdown in the increase of downstream demand.

5. *Risks associated with fluctuations in financial performance due to COVID-19*

Since January 2020, viral pneumonia cases related to COVID-19 has been spreading out in China and worldwide, exerting large pressure on the normal economic activities in China. During the early stage of the occurrence of COVID-19, production and sales of some of the Company’s products were inevitably under the negative effect of COVID-19.

If the COVID-19 epidemic situation in China and around the world is not brought under control in a timely manner, the Company will be subject to the following risks: (1) suspension or low capacity utilisation rate of production line; (2) decrease in demand from downstream customers; (3) and delay or disruption in logistics of supply chain and products due to the epidemic.

6. *Risks associated with other force majeure events*

The Company does not rule out the possibility that other uncontrollable factors such as politics, policies, economy and natural disasters may have an adverse impact.

(III) Risks Associated with Investment Projects

The Company has been focusing on its principal businesses for a long time. Leveraging its leading position in manufacturing powertrain systems and diversified industrial structure, it has successfully fostered synergistic development among its business segments of powertrain, complete vehicles and machineries and intelligent logistics. By the combination of internal research and development and external acquisition and merger, the Company continues to maintain a diversified business layout and implement a forward-looking layout covering new business formats, new modes and

new technologies. Upon utilisation of the proceeds from the Non-public Issuance of A Shares, the Company's product structure will be further broadened. Notwithstanding that the Company has conducted sufficient analysis and discussions on the feasibility of the investment projects to be funded and has made sufficient preparation for the utilisation of new products or production capacity of the investment projects, the efficiency of the use of proceeds will be adversely affected if the growth in market demand is lower than expected or the Company's efforts in market expansion is insufficient.

**SECTION IV PROFIT DISTRIBUTION POLICY AND
RELEVANT INFORMATION OF THE COMPANY****I. PROFIT DISTRIBUTION POLICY OF THE COMPANY****(I) The Relevant Provisions of the Articles of Association**

According to the Company's Articles of Association, which is currently in effect and approved by the Company's 2020 second extraordinary general meeting held on 13 November 2020, the profit distribution policy of the Company is as follows:

"Article 198 Profit distribution plan of the Company shall be drafted by the Board of Directors and submitted to the general meeting for consideration and approval. The independent directors shall give their opinions on the profit distribution plan. Opinions of the independent directors shall be disclosed when the Company makes an announcement on board resolutions or a notice convening the relevant general meeting. When the profit distribution plan is considered at the general meeting, a variety of channels shall be provided for communications and exchanges with shareholders (in particular, the minority shareholders), whose opinions and demands shall be fully heard. Notwithstanding the aforesaid provisions, pursuant to the authorisation given by the shareholders of the Company to the Board of Directors at the general meeting of each year, the Board of Directors may, prior to the next annual general meeting, distribute the interim dividend, in the amount as they may think fit in view of the Company's earnings, to shareholders of the Company from time to time without prior approval from the general meeting. Subsequent to the passing of the resolution in respect of a profit distribution plan by a general meeting, the Board of Directors of the Company shall complete the distribution of dividends (or shares) within two months from the date of the general meeting.

Article 199 The Company may distribute dividend in cash or in specie (or both), and, provided that the conditions of distribution of dividend in cash as required under this provision are met, priority shall be given to distribution of dividend in cash. The conditions of distribution of dividend in cash are: (1) the Company recording a profit for the year and the distributable profit (i.e. the after-tax profit of the Company after making up for losses, allocation to the common reserve fund) for the year is positive in value; (2) the Company having no major investment plan or significant cash expenditure (excluding fund-raising activities). Such major investment plan or significant cash expenditure refers to the proposed external investment by the Company with accumulated expenditure within the next twelve months amounting to or exceeding 50% of the latest audited net assets of the Company, or the proposed asset acquisition or facilities procurement by the Company with accumulated expenditure within the next twelve months amounting to or exceeding 30% of the latest audited total assets of the Company; and (3) the Company's funding needs for normal production and operation having been satisfied.

The conditions of distribution of dividend in specie are: provided that reasonable scale of share capital of the Company is ensured, the Company may distribute dividend in

specie according to its accumulated distributable profit, common reserve fund and cash flow position. The Company shall distribute profit at least once a year, and the accumulated profit distribution made in cash by the Company in the latest three years shall not be less than 30% of the average annual distributable profit realised in the latest three years. Dividends or other distributions for ordinary shares shall be denominated in Renminbi. The profit distribution policy of the Company should focus on the reasonable investment return of the investors while ensuring the Company's sustainable development and maintaining sustainability and stability. Dividends or other cash distributions for A shares shall be paid in Renminbi. Dividends or other cash distributions for overseas listed foreign shares shall be paid in Hong Kong dollar in accordance with the requirements of the state administration of foreign exchange of the PRC. The exchange rate to be used for the conversion shall be the average closing exchange rate of Hong Kong dollars against Renminbi for each of the business days during the week prior to the declaration date as quoted by the People's Bank of China or other exchange rates required or permitted by others laws or regulations decided by the Board of Directors.

Article 200 If, due to significant changes in the Company's operating conditions, investment planning and needs for long-term development, it is necessary to adjust the profit distribution policy as set out in these Articles, the Board of Directors of the Company shall submit a proposal for adjustment to the profit distribution policy based on actual circumstances. The adjusted profit distribution policy shall focus on protecting the interests of the shareholders and shall not violate the relevant requirements of the China Securities Regulatory Commission and the Stock Exchange. The independent directors shall give audit opinions on the adjusted profit distribution policy. Such adjustment is subject to consideration and approval by more than two-thirds of the voting rights represented by the shareholders present at the general meeting."

(II) Relevant Requirements of the Company's Plan on Shareholders' Return for the Upcoming Three Years

To further improve and perfect a constantly stable profit distribution mechanism of Weichai Power Co., Ltd. and make positive return to investors, the Plan on Shareholders' Return for the Upcoming Three Years (2021 – 2023) (hereinafter referred to as the "Shareholders' Return Plan") has been formulated by the Board of the Company pursuant to the Notice on Further Implementing Matters Relevant to the Cash Dividend Distribution by Listed Companies (《關於進一步落實上市公司現金分紅有關事項的通知》) and the Regulatory Guidance No. 3 on Listed Companies – Distribution of Cash Dividend by Listed Companies (《上市公司監管指引第3號—上市公司現金分紅》) issued by the CSRC and other regulatory documents, as well as the provisions of the Articles of Association, taking into account the Company's actual circumstances. The details of the Shareholders' Return Plan are as follows:

"I. Principles Of Formulating The Shareholders' Return Plan

- (i) To make positive return to investors while taking into account of the sustainable development of the Company;

- (ii) To further enhance the transparency of the Company's profit distribution especially regarding cash dividends to help investors to form stable expectation of return;
- (iii) To maintain the continuity and stability of the Company's profit distribution policy;
- (iv) To strictly comply with relevant requirements of profit distribution under relevant laws, regulations and the Articles of Association of Weichai Power Co., Ltd.

II. Considerations In Formulating The Shareholders' Return Plan

The plan on shareholders' return is an arrangement for profit distribution formulated on the basis of the comprehensive analysis of shareholders' demands and wishes regarding returns, the Company's developmental stage and plan, profitability, social capital cost and external financing environment, and giving full consideration to conditions such as the Company's current and future profitability scales, cash flows and capital needs of investment projects, capital structure and financing abilities, with the hope to balancing reasonable investment return to shareholders and capital needs for the Company's sustainable development.

III. Cycle Of Formulating Plan On Shareholders' Return

The Company will review the plan on shareholders' return every three years, and make proper and necessary amendments to its then effective dividend distribution policy based on the opinions of the shareholders (especially the minority shareholders), independent directors and supervisors, and determine the plan on shareholders' return for such period. The board of directors of the Company (the "Board") will formulate annual and interim dividend proposal based on specific operating information after fully considered the Company's then profitability, cash flows, developmental stage, ordinary working capital requirements and foreseeable substantial capital expenditures. The independent directors may seek the opinions of the minority shareholders, prepare a dividend distribution proposal accordingly and present it directly to the Board for consideration. When the profit distribution plan is considered at the general meeting, a variety of channels shall be provided for communications and exchanges with shareholders (in particular, the minority shareholders), whose opinions and demands shall be fully heard and whose questions and concerns shall be responded in a timely manner.

IV. Details Of The Company's Plan On Shareholders' Return For The Upcoming Three Years (2021 – 2023)

The Company actively implements a sustainable and stable dividend distribution policy giving comprehensive considerations to the reasonable investment return for investors and the long-term development of the Company. The Company will mainly distribute dividends in cash in the next three years (2021 – 2023). The Shareholders' Return Plan was formulated in accordance with provisions on profit distribution under the relevant laws, regulations and the Articles of Association of Weichai Power Co., Ltd. on the basis of maintaining the continuity and stability of profit distribution policy. Major highlights are as follow:

(i) Means of Profit Distribution

The Company may distribute dividend in cash or in shares (or both), and, provided that the conditions of distribution of dividend in cash as required under the articles of association of the Company are met, priority shall be given to distribution of dividend in cash.

(ii) Conditions of Distribution of Dividend in Cash

1. The Company has made positive profit for the year and the distributable profit (i.e. the profit after-tax of the Company after making up for losses, allocation to the common reserve fund) for the year is a positive figure;
2. The Company does not have any major investment plan or significant cash expenditure (other than any fund-raising project). Major investment plan or significant cash expenditure refers to the accumulated expenditure of proposed external investment by the Company within the next twelve months amounting to or exceeding 50% of the latest audited net assets of the Company, or the accumulated expenditure of proposed asset acquisition or facilities procurement by the Company within the next twelve months amounting to or exceeding 30% of the latest audited total assets of the Company; and
3. The Company's funding needs for normal production and operation can be satisfied.

(iii) Conditions of Distribution of Dividend in Shares

Provided that the scale of share capital of the Company is reasonable, the Company may distribute dividend in shares according to its accumulated distributable profit, common reserve fund and cash flow position.

(iv) Ratio of Dividend Distribution and Time Intervals

The Company shall distribute profit at least once a year, and the accumulated amount of cash dividend payout by the Company in the last three years shall not be less than 30% of the average annual distributable profit made in the last three years.”

II. DECISION-MAKING PROCEDURES AND MECHANISM FOR CONSIDERATION OF PROFIT DISTRIBUTION

The profit distribution plan of the Company shall be prepared by the Board and submitted to the general meeting for consideration and approval. The independent directors and supervisors shall give their opinions on the profit distribution plan. Opinions of the independent directors shall be disclosed when the Company makes an announcement on board resolutions or a notice convening the relevant general meeting. When the profit distribution plan is considered at the general meeting, a variety of channels shall be provided for communications and exchanges with shareholders (in particular, the minority shareholders), whose opinions and demands shall be fully heard.

Notwithstanding the aforesaid provisions, pursuant to the authorisation given by the shareholders of the Company to the Board at the general meeting of each year, the Board may, prior to the next general meeting, distribute the interim dividend, in the amount as they may think fit in view of the Company’s earnings, to shareholders of the Company from time to time without prior approval at the general meeting of the Company.

Subsequent to the passing of the resolution in respect of a profit distribution plan at a general meeting, the Board of the Company shall complete the distribution of dividends (or shares) within two months from the date of the general meeting.

III. CONDITIONS, DECISION-MAKING PROCEDURES AND MECHANISM FOR ADJUSTMENTS OR AMENDMENTS TO THE PROFIT DISTRIBUTION POLICY

If, due to significant changes in the Company’s operating conditions, investment planning and needs for long-term development, it is necessary to adjust the profit distribution policy as set out in the articles of association of the Company, the Board of the Company shall submit a proposal for adjustment to the profit distribution policy based on actual circumstances. The adjusted profit distribution policy shall focus on protecting the interests of the shareholders and shall not violate the relevant requirements of the CSRC and the stock exchanges. The independent directors shall opine on the adjusted profit distribution policy. Such adjustment is subject to consideration and approval by more than two-thirds of the voting rights represented by the shareholders present at the general meeting.

IV. EXPLANATION ON THE IMPLEMENTATION OF THE PROFIT DISTRIBUTION POLICY IN REGULAR REPORTS

1. The Company shall disclose the implementation of the profit distribution plan and cash dividend policy in its regular reports in accordance with relevant requirements of the CSRC and the relevant stock exchange(s).
2. If the Company recorded profits in last fiscal year but the Board of the Company did not propose cash profit distribution plan after the end of last fiscal year, the Board of the Company shall state the reasons for not distributing the profit and the usage of the profit retained by the Company in the annual report. The independent directors shall give independent opinions in such regard.

V. PROFIT DISTRIBUTION IN THE LATEST THREE YEARS**(I) Profit Distribution Plan in the Latest Three Years****1. Profit distribution of the Company for 2017**

- (1) 2017 interim profit distribution plan: the distribution to all shareholders of cash dividend of RMB1.50 (including tax) for every 10 shares held, based on the total number of shares of the Company of 7,997,238,556 shares, without any capitalisation of reserve.
- (2) 2017 annual profit distribution plan: the distribution to all shareholders of cash dividend of RMB2.50 (including tax) for every 10 shares held, based on the total number of shares of the Company of 7,997,238,556 shares, without any capitalisation of reserve.

2. Profit distribution plan of the Company for 2018

- (1) 2018 interim profit distribution plan: for the shareholders of 7,985,340,556 distributable shares of the Company, a cash dividend of RMB1.80 (including tax) will be distributed for every 10 shares held, without any capitalisation of reserve.
- (2) 2018 annual profit distribution plan: the distribution to all shareholders of cash dividend of RMB2.80 (including tax) for every 10 shares held, based on the total number of shares of the Company of 7,933,873,895 shares, without any capitalisation of reserve.

3. Profit distribution plan of the Company for 2019

- (1) 2019 interim profit distribution plan: the distribution to all shareholders of cash dividend of RMB1.50 (including tax) for every 10 shares held, based on the total number of shares of the Company of 7,933,873,895 shares, without any capitalisation of reserve.
- (2) 2019 annual profit distribution plan: the distribution to all shareholders of cash dividend of RMB1.36 (including tax) for every 10 shares held, based on the total number of shares of the Company of 7,933,873,895 shares, without any capitalisation of reserve.

(II) Distribution of Cash Dividends in the Latest Three Years

The Company's accumulated profit distribution made in cash for the latest three years were RMB9,626,740,564.26 in total, representing 117.54% of the average annual distributable profit of RMB8,190,275,068.93 realised in the latest three years, the details of which are as follows:

Items	<i>Unit: RMB</i>		
	2019	2018	2017
Total cash dividend amount (including tax)	2,269,087,933.97	4,158,757,207.89	3,198,895,422.40
Net profit attributable to shareholders of the listed company	9,104,955,354.35	8,657,527,308.21	6,808,342,544.23
Percentage of cash dividend to net profit attributable to shareholders of the listed company	24.92%	48.04%	46.98%
Total cash dividends accumulated (including tax) in the latest three years			9,626,740,564.26
Average annual distributable profit in the latest three years			8,190,275,068.93
Percentage of accumulative profit distribution in cash in the latest three years to the average annual distributable profit			117.54%

(III) Use of Undistributed Profit in the Latest Three Years

The retained undistributed profits of the Company are mainly used to replenish the working capital for the operation of the Company's principal businesses and the capital investment for new projects, so as to support the long-term sustainable development of the Company and maximise the interests of Shareholders.

**SECTION V DILUTION OF IMMEDIATE RETURNS UPON THE
NON-PUBLIC ISSUANCE OF A SHARES AND REMEDIAL MEASURES**

Pursuant to the Guidance on Matters Relating to the Dilution of Immediate Returns as a Result of Initial Public Offering, Refinancing and Major Asset Reorganisation (CSRC Announcement [2015] No. 31) (《關於首發及再融資、重大資產重組攤薄即期回報有關事項的指導意見》(證監會公告[2015]31號)), in order to safeguard the interests of small and medium investors, the Company has analysed the impact of the Non-public Issuance of A Shares on immediate returns and detailed remedial measures. The formulation of these remedial measures does not represent any guarantee to the future profits of the Company.

**I. ANALYSIS ON THE IMPACT OF DILUTION OF IMMEDIATE RETURNS UPON THE
NON-PUBLIC ISSUANCE OF A SHARES ON KEY FINANCIAL INDICATORS OF THE
COMPANY****(I) Assumptions**

1. It is assumed that there is no material adverse change in the business environment including macroeconomic conditions and industry policies.
2. It is assumed that the impact on the production operation, financial position (e.g. finance costs and investment income) and so forth upon the availability of the proceeds from the Non-public Issuance of A Shares shall be disregarded.
3. Assuming that 793,387,389 shares will be issued pursuant to the Non-public Issuance of A Shares, the total share capital of the Company will be 8,727,261,284 shares upon completion of the Non-public Issuance of A Shares, taking into account the effect of this Non-public Issuance of A Shares and disregarding other factors. The assumption is only adopted to estimate the impact of the Non-public Issuance of A Shares on the earnings per share of the Company, and does not represent the Company's judgment on the actual number of shares to be issued. The actual number of shares to be issued as approved by China Securities Regulatory Commission (CSRC) shall prevail.
4. It is assumed that the total proceeds from the Non-public Issuance of A Shares will be RMB13 billion, without regard to the effect of issue expenses.
5. It is assumed that the Company will complete the Non-public Issuance of A Shares by the end of 2020, which is merely for computing the impact of immediate returns as a result of the Non-public Issuance of A Shares and does not constitute a commitment to the actual completion date. Investors should not make investment decisions based on this assumptive completion date, and the Company shall not be held liable for any losses arising from such investment decision. The timeline at which the Company actually completes the Non-public Issuance of A Shares as approved by CSRC shall prevail.

6. It is assumed that the impact of factors other than the proceeds and net profit on the net assets of the Company is to be disregarded.
7. It is assumed that the three scenarios apply whereby the Company's net profit before and after extraordinary gains and losses attributable to shareholders of the parent for the year 2020 will decrease by 10%, remain flat, and increase by 10% as compared to year 2019. (Such data will merely be for estimating the impact of the Non-public Issuance of A Shares on the Company and does not represent the actual operational situation of the Company).

The assumptions stated above are merely for estimating the impact of the dilution of immediate returns as a result of the Non-public Issuance of A Shares on the key financial indicators of the Company, and does not constitute profit forecast in respect of the Company, nor does it represent the Company's judgment of the operating conditions and trends, and shall not be relied upon by investors in making their investment decisions. The Company does not bear any liability for any loss suffered by investors in making their investment decisions as such.

(II) Impact on the Key Financial Indicators of the Company

Based on the assumptions stated above, the impacts of the Non-public Issuance of A Shares on the key financial indicators of the Company are compared as follows:

Items	Year 2019/ End of Year 2019	Year 2020/ End of Year 2020	
		Before the Non-public Issuance of A Shares	After the Non-public Issuance of A Shares
Share capital (ten thousand shares)	793,387.39	793,387.39	872,726.13
Scenario 1: Net profit attributable to shareholders of the parent and net profit after extraordinary gains and losses attributable to shareholders of the parent for year 2020 will decrease by 10% as compared to the previous year			
Net profit attributable to ordinary shareholders of the parent company (ten thousand RMB)	910,495.54	819,445.98	819,445.98
Net profit attributable to ordinary shareholders (after extraordinary gains and losses)(ten thousand RMB)	832,270.67	749,043.60	749,043.60
Basic earnings per share (RMB/share)	1.148	1.033	1.024
Basic earnings per share (after extraordinary gains and losses)(RMB/share)	1.049	0.944	0.936
Diluted earnings per share (RMB/share)	1.148	1.033	1.024

Items	Year 2019/ End of Year 2019	Year 2020/ End of Year 2020	
		Before the Non-public Issuance of A Shares	After the Non-public Issuance of A Shares
Diluted earnings per share (after extraordinary gains and losses)(RMB/share)	1.049	0.944	0.936
Weighted average return on net assets	21.34%	16.61%	16.26%
Weighted average return on net assets (after extraordinary gains and losses)	19.58%	15.19%	14.86%

Scenario 2: Net profit attributable to shareholders of the parent and net profit after extraordinary gains and losses attributable to shareholders of the parent for year 2020 will remain flat as compared to the previous year

Net profit attributable to ordinary shareholders of the parent company (ten thousand)	910,495.54	910,495.54	910,495.54
Net profit attributable to ordinary shareholders (after extraordinary gains and losses)(ten thousand)	832,270.67	832,270.67	832,270.67
Basic earnings per share (RMB/share)	1.148	1.148	1.138
Basic earnings per share (after extraordinary gains and losses)(RMB/share)	1.049	1.049	1.040
Diluted earnings per share (RMB/share)	1.148	1.148	1.138
Diluted earnings per share (after extraordinary gains and losses)(RMB/share)	1.049	1.049	1.040
Weighted average return on net assets	21.34%	18.29%	17.90%
Weighted average return on net assets (after extraordinary gains and losses)	19.58%	16.72%	16.36%

Scenario 3: Net profit attributable to shareholders of the parent and net profit after extraordinary gains and losses attributable to shareholders of the parent for year 2020 will increase by 10% as compared to the previous year

Net profit attributable to ordinary shareholders of the parent company (ten thousand RMB)	910,495.54	1,001,545.09	1,001,545.09
Net profit attributable to ordinary shareholders (after extraordinary gains and losses)(ten thousand RMB)	832,270.67	915,497.73	915,497.73
Basic earnings per share (RMB/share)	1.148	1.262	1.252
Basic earnings per share (after extraordinary gains and losses)(RMB/share)	1.049	1.154	1.144

Items	Year 2019/ End of Year 2019	Year 2020/ End of Year 2020	
		Before the Non-public Issuance of A Shares	After the Non-public Issuance of A Shares
Diluted earnings per share (RMB/share)	1.148	1.262	1.252
Diluted earnings per share (after extraordinary gains and losses) (RMB/share)	1.049	1.154	1.144
Weighted average return on net assets	21.34%	19.94%	19.52%
Weighted average return on net assets (after extraordinary gains and losses)	19.58%	18.23%	17.84%

Note:

1. Basic earnings per share and return on net assets are calculated in accordance with the Compilation Rules No. 9 for Information Disclosure by Companies Offering Securities to the Public—Calculation and Disclosure of Return on Net Assets and Earnings per Share (《公開發行證券的公司信息披露編報規則第9號—淨資產收益率和每股收益的計算及披露》).

Based on the analysis above, the Company's immediate returns will be diluted as a result of the Non-public Issuance of A Shares, upon the increase in total share capital of the Company following the completion of the Non-public Issuance of A Shares and the increase in the scale of net assets of the Company following the availability of the proceeds.

Going forward, the full utilisation of the proceeds and further development of the principal businesses will facilitate the increase in earnings per share of the Company.

II. ALERT OF RISKS SPECIFIC TO THE DILUTION OF IMMEDIATE RETURNS AS A RESULT OF THE NON-PUBLIC ISSUANCE OF A SHARES

Upon receipt of the proceeds from the Non-public Issuance of A Shares, the total share capital and scale of net assets of the Company will increase, while it will take time for the financial benefits arising from the proceeds to materialise. Shortly after the receipt of the proceeds from the Non-public Issuance of A Shares, there will exist the risk of a drop in indicators including the earnings per share and weighted average return on net assets. Accordingly, investors are reminded of the risks relating to the dilution of immediate returns arising from the Non-public Issuance of A Shares.

III. THE NECESSITY AND REASONABLENESS OF THE NON-PUBLIC ISSUANCE OF A SHARES

For the details of the Plan, please refer to "II. Background and purposes of the Non-public Issuance of A Shares" under "Section I Overview of the Plan for the Non-public Issuance of A Shares".

IV. REMEDIAL MEASURES TO COUNTERACT THE DILUTION OF IMMEDIATE RETURNS UPON THE NON-PUBLIC ISSUANCE OF A SHARES

In order to safeguard the interests of investors, secure the effective utilisation of the proceeds from the Non-public Issuance of A Shares, prevent the risks of dilution of immediate returns, and enhance the return to shareholders of the Company, the Company proposes to implement the development strategies of the Company in a proactive manner, enhance operational management and internal control, strenuously foster technological advancements to lower costs and improve efficiency, to further enhance the Company's overall competitiveness and risk resistance capabilities; proactively foster innovations in management, to improve the operational management capability and profitability of the Company; strengthen the management of the proceeds raised to ensure the reasonable and well-regulated use of the proceeds; continue to improve the corporate governance level of the Company in order to provide institutional safeguards for the development of the Company; strengthen the control and management of the Group and boost vitality for development; stringently implement the Company's dividend policies and measures to protect the interests of shareholders, and to enhance the Company's ability to generate returns in future.

(I) Proactively Implement the Development Strategies of the Company and Stringently Execute Investments in Projects

The fund raising through the Non-public Issuance of A Shares will enhance the capital strengths of the Company, and improve the risk resistance capabilities and overall competitiveness of the Company. Meanwhile, the Company will further strengthen its existing advantages in segment markets, increase volume and improve efficiency, and cultivate stronger centres of profit growth, thereby improving the industry competitiveness of the Company and improving the return to shareholders.

(II) Regulating Internal Control and Proactively Enhancing the Core Competitiveness of the Company

The Company is committed to further consolidating and improving its core competitive strengths and will seek enhancement in both its revenue level and profitability. The Company will continually strengthen its internal control, improve the effectiveness of its talents and operational governance, control operational and management risks holistically and effectively, and enhance its operational efficiency and profitability.

(III) Continual Improvement of Corporate Governance Level of the Company to Provide Institutional Safeguard to the Development of the Company

In strict compliance with laws, regulations and other regulatory documents including the Company Law and the Securities Law, the Company will continually improve its corporate governance structure, ensure that shareholders can fully exercise their rights, ensure that the board of directors can exercise its rights and discharge its duties according to laws, regulations and the Articles of Association to make scientific,

prompt and prudent decisions, ensure that independent directors can perform their duties conscientiously, safeguard the overall interests of the Company especially the legitimate interests of small and medium shareholders, and provide scientific and effective corporate structure and institutional safeguard to sustainable and steady development of the Company.

(IV) Strengthening the Management and Control of the Company to Boost Vitality for Development

The Company will strengthen management and control and enhance the quality of operations of its subsidiaries, to continually strengthen the synergy among those companies. Meanwhile, it will make ongoing improvements to the approaches of its performance appraisal, step up efforts in performance appraisal, improve its remuneration and incentive mechanism, establish a scientific and reasonable mechanism of talent recruitment and training that caters to actual needs, establish a market-oriented talent operation model, improve its talent development strategy, with a view to boost vitality for development of the Company.

V. UNDERTAKINGS BY PERSONS RELEVANT TO THE COMPANY REGARDING REMEDIAL MEASURES TO COUNTERACT THE DILUTION OF IMMEDIATE RETURNS

(I) Undertakings by the Directors and Senior Management of the Company

In accordance with the relevant requirements of the CSRC, the following undertakings are made by the directors and senior management of the Company to ensure that the remedial measures taken by the Company to counteract the dilution of immediate returns upon the Non-public Issuance of A Shares will be fully implemented:

1. I/We will not transfer any benefits of the Company to other entities or individuals with no consideration or under unfair terms and shall not damage the Company's interests in any other ways;
2. I/We will restrict the duty-related consumption activities of myself/ourselves;
3. I/We will not utilise any assets of the Company for any investments or consumption activities unrelated to the performance of my/our duties;
4. The remuneration system established by the board of directors or the remuneration committee established under the board of directors of the Company is in line with the implementation of the remedial measures;
5. If the Company is to adopt an equity incentive plan in the future, the vesting conditions of the equity incentive plan set by the Company are in line with the implementation of the remedial measures.

(II) Undertakings by the Controlling Shareholder

In accordance with relevant requirements of the CSRC, to ensure that the remedial measures to counteract the dilution of immediate returns can be fully implemented, the following undertakings are made by the controlling shareholder of the Company:

1. I/We will not to act ultra vires as to intervene the operation and management activities of the Company or unlawfully encroach on the Company's interests;
2. From the date of making these undertakings until the completion of the Non-public Issuance of A Shares, if China Securities Regulatory Commission (the "CSRC") and/or the Shenzhen Stock Exchange impose other new regulatory requirements in relation to the remedial measures and the relevant undertakings and the above undertakings no longer satisfy such requirements of the CSRC and/or the Shenzhen Stock Exchange, I/we undertake to make supplementary undertakings at that time according to the latest requirements of the CSRC and/or the Shenzhen Stock Exchange;
3. I/We will effectively implement the remedial measures set by the Company and all of my/our undertakings relating to the remedial measures. If I/we breach such undertakings and cause losses to the Company or its investors, I am/we are willing to bear the responsibility for compensating to the Company or its investors in accordance with the laws.

As one of the relevant responsible persons in respect of the remedial measures, if I/we breach such undertakings or decline to perform such undertakings, I/we agree that securities regulatory institutions including the CSRC and the Shenzhen Stock Exchange may impose relevant penalties on me/us or take relevant regulatory actions against me/us according to the respective rules or regulations issued or promulgated by them.

By the Board of Directors of Weichai Power Co., Ltd.

24 December 2020

Stock abbreviation (A Shares): Weichai Power

Stock code: 000338

Stock abbreviation (H Shares): Weichai Power

Stock code: 2338

潍柴动力股份有限公司
WEICHAI POWER CO., LTD.

(197, Section A, Fu Shou East Street, High Technology Industrial Development Zone,
Weifang, Shandong Province)



**The Feasibility Analysis Report on
the Use of Proceeds from the Non-public Issuance of A Shares**

December 2020

THE FEASIBILITY ANALYSIS REPORT ON THE USE OF PROCEEDS FROM THE NON-PUBLIC ISSUANCE OF A SHARES

Weichai Power Co., Ltd. (hereinafter referred to as “Weichai Power” or the “Company”) intends to implement the Non-Public Issuance of A Shares in order to raise estimated gross proceeds of not more than RMB13,000 million. In accordance with the requirements under the Administrative Measures for the Issuance of Securities by Listed Companies (《上市公司證券發行管理辦法》) issued by the China Securities Regulatory Commission, the Company has conducted a feasibility analysis on the use of proceeds from the Non-public Issuance of A Shares as follows:

I. THE PROPOSAL FOR THE USE OF PROCEEDS FROM THE NON-PUBLIC ISSUANCE OF A SHARES

The gross proceeds from the Non-public Issuance of A Shares is expected to be not more than RMB13,000 million, which, after deduction of issuance expenses, are intended to be fully invested in the following projects:

Project category	Project name Subproject name	Total investment amount of the relevant project (RMB ten thousand)	The amount of proceeds to be applied (RMB ten thousand)
Fuel cell industry chain development project (燃料電池產業鏈建設項目)	Hydrogen-fueled cell and key components industrialisation project (氫燃料電池及關鍵零部件產業化項目)	71,228.10	50,000.00
	Solid oxide fuel cell and key components industrialisation project (固態氧化物燃料電池及關鍵零部件產業化項目)	151,250.00	50,000.00
	Key components of fuel cell powertrain research and development and construction capabilities project (燃料電池動力總成核心零部件研發及製造能力建設項目)	147,927.00	100,000.00

APPENDIX II THE FEASIBILITY ANALYSIS REPORT ON THE USE OF PROCEEDS FROM THE NON-PUBLIC ISSUANCE OF A SHARES

Project category	Project name Subproject name	Total investment amount of the relevant project (RMB ten thousand)	The amount of proceeds to be applied (RMB ten thousand)
Full series of H platform high-end road-going engines of China VI or above emission standards project (全系列國六及以上排放標準 H平台道路用高端發動機項目)	New million units digitalised power industry base stage I project (新百萬台數字化動力產業基地一期項目)	562,585.00	300,000.00
	H platform engines intelligent manufacturing upgrade project (H平台發動機智能製造升級項目)	110,000.00	100,000.00
Large diameter high-end engine industrialisation project (大缸徑高端發動機產業化項目)	Large diameter high-end engine laboratory project (大缸徑高端發動機實驗室建設項目)	139,500.00	107,500.00
	High efficiency and high speed self-owned brand engine industrialisation project (自主品牌大功率高速機產業化項目)	99,842.00	68,500.00
	Large diameter high-end engine development project (大缸徑高端發動機建設項目)	184,784.00	124,000.00
Full series hydraulic pressure powertrain and large-scale continuously variable transmission (CVT) powertrain industrialisation project (全系列液壓動力總成和大型CVT動力總成產業化項目)		313,407.61	300,000.00
To replenish the working capital		100,000.00	100,000.00
Total		<u>1,880,523.71</u>	<u>1,300,000.00</u>

Prior to the receipt of the relevant proceeds raised from the Non-public Issuance of A Shares, based on the actual circumstances of the investment projects to be funded by the proceeds, the Company may utilise its internal funds or funds obtained through other financing methods to invest in such projects, and replace such investment amount with the proceeds upon receiving the same. Following the receipt of relevant proceeds, if the actual amount of net proceeds from the Non-public Issuance of A Shares (after deduction of issuance expenses) is less than the proposed aggregate amount of proceeds to be applied in the above projects, the Company will adjust and determine the specific investment projects, order of priority and specific investment amounts in each project based on the actual amount of net proceeds and the priority and capital requirements of the relevant projects, and any shortfall in the investment amounts will be made up by utilising the internal funds of the Company or through other financing methods.

II. NECESSITY AND FEASIBILITY ANALYSIS ON THE INVESTMENT PROJECTS TO BE FUNDED BY THE PROCEEDS FROM THE NON-PUBLIC ISSUANCE OF A SHARES

(I) Necessity of the Use of the Proceeds

1. *Fuel Cell Industry Chain Development Project*

(1) Taking first-mover advantage to deploy resources in new energy and seizing opportunities in industry development

In recent years, the Company has made continuous efforts in the technological research and development of new energy powertrains and components and has taken first-mover advantage to deploy its resources in the industrial chain of new energy business, and has established an initial product series of fuel cell engines with a wider coverage, broadening the application of fuel cell passenger vehicles and hydrogen refueling stations. The Company has also launched a series of new products such as the two-speed powertrains and motor controllers and accelerated the independent research and development of AMT and AT products as well as the development of the second generation of new energy products equipped with pure electric systems. At the same time, through in-depth research on the new energy vehicle networking system, the Company's development and application of LKA is also proceeding in an orderly manner, and the advanced driver assistance system for commercial vehicles has gradually been put into production and launched for sale. Through a series of advanced planning and deployment, the market competitiveness of the Company's new energy products has been significantly enhanced.

In the 2021-2035 Development Plan for New Energy Vehicles (《新能源汽车發展規劃2021-2035》), it is proposed that the proportion of new or revamped energy vehicles with new or renewal licences in the public areas of key regions shall be not less than 80% commencing from 2021; sales of new energy vehicles shall account for about 20% of total sales in 2025; and pure electric vehicles

shall become the mainstream of the sales of new vehicles in 2035, such that electric vehicles will be used in all public areas and the full commercialisation of fuel cell vehicles can be attained. Given the enormous market potential of new energy powertrain business in the future, such forward-looking deployment will help the Company seize industry opportunities.

(2) *New energy development strategies are the strategic goals of the Company's long-term development*

It is proposed in the 2020-2030 strategies of Weichai Power that "Weichai Power's new energy business shall lead the global industry development by 2030". In order to become the world's leading provider of new energy power system solutions with core technologies, Weichai Power needs to expedite its investment in research and development and the construction of production facilities for new energy products. New energy industrialisation is the industrial foundation to accelerate the development of new energy products and the implementation of industrialisation. Currently, being the largest shareholder of Ballard Power Systems Inc., a global leader in hydrogen-fueled cell business based in Canada, and the largest shareholder of Ceres Power Holdings plc., a global leader in solid oxide fuel cell technology based in the United Kingdom, Weichai Power possesses abundant research and development resources, and has gradually mastered the key and core technologies of new energy. The implementation of this project will be conducive to the new energy industrialisation and establishment of a world-class new energy technology chain and an industrial chain, thereby driving the development of the Company's new energy business.

2. *Full series of H platform high-end road-going engines of China VI or above emission standards project*

(1) *China is currently at an important historical stage in the transition from a large manufacturing nation to a strong manufacturing nation, offering promising prospects for the high-end power products market*

The internal combustion engine industry is an important primary manufacturing industry in China. Through years of continuous innovation and development, the gap between technological level and innovation capability of China's internal combustion engine products and that of foreign countries have gradually narrowed, but there is still much room for improvement. In order to drive the overall transformation and upgrade of the entire internal combustion engine industry of China, the domestic internal combustion engine industry has to rely on powerful benchmarking enterprises in the domestic internal combustion industry to carry out research and development, and innovation, and to build a world-class engine.

In recent years, the Company has been committed to its innovation-driven strategy. Leveraging the research and development

resources from global collaboration, the Company has accelerated its pace in developing high-end products and created a new generation of high-end engine platform “N+H+M”. With the completion of the upgrade and development of full series of road-going China VI products, the Company has reached an obviously advanced position in the new round of emission standards upgrade. Driven by the national investment in infrastructure in China, as well as other positive factors such as the imposition of more stringent emission regulations, the anti-overloading policies and the structural adjustment in transportation industry, the high-end power market has enormous potential.

- (2) *Bringing the level of the Company’s intelligent manufacturing to a new height to achieve the “dual million” engines sales target*

As a market leader in the equipment manufacturing industry, Weichai Power has actively responded to the national industrial policies and proactively seized market opportunities in the transformation and upgrade from old to new forms kinetic energy, so as to drive high-quality enterprise growth. This project focuses on the construction of a digitalised industrial park, and the design of which embodied the characteristics such as digitalisation, automation, flexibility, flexible manpower, energy conservation and environmental protection. The implementation of this project will be conducive to fostering the development of digitalised technology for engine products, facilitate the enhancement of production capability and quality of engines, and achieve a leap from “manufacturing” to “intelligent manufacturing” of the Company’s high-end power products.

Based on its 2020-2030 strategic development plan, the Company has proposed a “dual million” engines sales target, whereby its existing engine production capacity is set to be further increased. The application of the proceeds from the Non-public Issuance of A Shares to the relevant investment project enables the upgrade in the level of digitalisation and intelligence of existing production plants, which will further enhance the competitiveness of the relevant products and continuously strengthen the leading position of its core business.

3. Large Diameter High-end Engine Industrialisation Project

- (1) *Aligning with the national development strategy of high-end equipment manufacturing industry enables the Company to enhance its competitiveness in the international market and provide domestic alternatives of large diameter high-end engines, thereby creating core competitiveness of its self-owned brands in the high-end products segment*

In the Proposal of the Central Committee of the Chinese Communist Party Regarding the Formulation of the 14th Five-Year Plan for National Economy and Social Development and the Long-term Goals for 2035 (《中共中央

關於制定國民經濟和社會發展第十四個五年規劃和二〇三五年遠景目標的建議》) issued by the Central Committee of the Chinese Communist Party in November 2020, it is proposed that an emerging industrial chain is to be built relying on the nation's advantages in industrial scale, infrastructure and leading positions in certain sectors, with an aim to push forward the movement upmarket and the enhancement in the level of intelligence and environmental-friendliness of the traditional industries, so as to develop a service-centric manufacturing industry.

At present, the global market capacity of large diameter high-speed engines is approximately 140,000 units per year. Such products have a high level of product added value, but a substantial share of the market has long been dominated by foreign brands. In order to satisfy the demands for high-power and high-end diesel engines in the domestic marine power market and break the market monopoly of foreign brand products, Weichai Power has self-developed the world-leading large diameter high-end engine products, which enjoy significant cost advantages and integrated services strengths as compared to those of foreign brands. The implementation of this project is expected to facilitate the enhancement of the Company's competitiveness in the international market of large diameter high-speed engines.

(2) *Strengthening the testing capabilities of large diameter high-speed engines and accelerating the transformation and upgrade of the Company's products*

With the accelerated transformation and upgrade of its businesses, Weichai Power has gradually improved its research and manufacturing and production capacity of large diameter high-end diesel engines. However, due to the large volume and weight of such products, as well as the complex test support system, the Company's existing resources are unable to meet the testing requirements of large diameter products. As there is no professional testing base for large diameter high-speed engines at the moment, the insufficiency of testing resources may severely hinder the development and production progress of such products.

The implementation of this project will provide testing support to the development of large diameter high-speed engines and ensure large-scale mass production of large diameter high-end products.

4. *Full Series hydraulic pressure powertrain and large-scale continuously variable transmission (CVT) powertrain industrialisation project*

(1) *Huge room for domestic alternatives of hydraulic parts in China*

Hydraulic products are widely applied in various areas. With the gradual maturity of product technology and production process, the application fields of hydraulic products continue to expand. At present, the

global hydraulic industry has entered a relatively mature stage with a market size of approximately 30 billion Euros, while the Chinese market is roughly RMB60 billion. From a global perspective, the hydraulic market in China has been moving up in position with the fastest growth in demand and is currently the world's second largest hydraulic market following the United States. Although the market share of domestic brands in China's construction machinery industry is relatively high, the hydraulic market in China is still dominated by three major foreign brands, showing a large room for domestic alternatives of hydraulic products.

The implementation of the project will contribute to the enhancement of manufacturing capacity, technological level, and research and development capabilities of domestically manufactured high-end hydraulic parts, and the nurturing of respective management and technical personnel, thereby producing positive effect on the improvement of the overall standard of the domestic equipment manufacturing industry.

(2) CVT powertrain is a key direction for agricultural equipment upgrades

At present, the penetration rate of CVT tractors in the European and American markets is relatively high, while the Chinese market is still dominated by traditional tractors with a low penetration rate of CVT tractors. In recent years, against the backdrop of intensive agricultural production and high-end development of agricultural equipment, industrial demand for CVT tractor in China is rising with a better growth prospect.

In recent years, the Company completed the strategic acquisition of 51% shareholding in VDS Holding GmbH based in Austria and became its controlling shareholder which has effectively filled in the key technological gap in the CVT power system of agricultural equipment, and enabled the Company to master the relevant core technologies, and create the "Weichai Engine + Hydraulic CVT" high-end powertrain for agricultural equipment using synergistic advantages.

5. *Replenishment of working capital*

The replenishment of working capital with the proceeds raised from the Non-public Issuance of A Shares will be mainly used to establish a new after-sales service network for end customers, innovate service channels, extend service cycles, integrate all-element service resources, and create a full-cycle and full-range after-sales service system to become an important part of business profits by leveraging the advantages of high ownership rate.

(II) Feasibility of the Use of Proceeds

1. *High degree of feasibility on policy level due to conformity with industry policies and guidance*

Proceeds from the Non-public Issuance of A Shares will mainly be used for the fuel cell industry chain development project, full series of H platform high-end road-going engines of China VI or above emission standards project, large diameter high-end engine industrialisation project and full series hydraulic pressure powertrain and large-scale continuously variable transmission (CVT) powertrain industrialisation project, all of which are in line with national policy guidance and requirements, industrial and regional development plans, and thus have a high degree of feasibility, details of which are as follows:

- (1) *The central government's emphasis on the development of new energy industry and the relevant favourable policies provide good policy guarantee for the fuel cell industry chain development project*

In recent years, the Chinese government has vigorously promoted the development of new energy industry and has successively issued a series of policies. In May 2015, the State Council issued "Made in China 2025", which proposes to continue to support the development of electric vehicles and fuel cell vehicles, master the core technologies of low-carbon, digitalised and intelligent vehicles, and improve the engineering and industrialisation capabilities of core technologies including power batteries, driving motors, high-efficiency internal combustion engines, advanced gear boxes, lightweight materials and intelligent control, so as to form a complete industrial system and an innovation system from key components to complete vehicles, and facilitate the attainment of advanced international standards by self-developed brands of energy-saving and new energy vehicles. In December 2016, the State Council issued the "'13th Five-Year' National Strategic Emerging Industry Development Plan (《“十三五”國家戰略性新興產業發展規劃》)"; in February 2017, the National Development and Reform Commission issued the "Guiding Catalogue of Key Products and Services for Strategic Emerging Industries (2016 Edition) (《戰略性新興產業重點產品和服務指導目錄(2016版)》)", both listing new energy vehicles as a strategic emerging industry. In addition, in order to guide the healthy development of the automobile industry and the new energy vehicle industry in China, government authorities including the Ministry of Industry and Information Technology has successively issued policy documents such as the "Medium and Long-term Development Plan for the Automobile Industry (《汽車產業中長期發展規劃》)" and the "Development Plan for the New Energy Vehicle Industry (2021-2035)" (draft for comments) (《新能源汽車產業發展規劃(2021-2035年)》(徵求意見稿)). In particular, the "Development Plan for the New Energy Vehicle Industry (2021-2035) (draft for comments)" states the development goal that "by 2025, the market competitiveness of new energy

vehicles will be significantly enhanced while key technologies such as power batteries, driving motors, vehicle operating systems, etc. will achieve major breakthroughs” by “putting equal emphasis on technological innovation of complete vehicle and parts, and making technological breakthroughs in key parts and components”.

- (2) *The full series of H platform high-end road-going engines of China VI or above emission standards project will promote in-depth integration of information technology and manufacturing technology, which meets the development requirements of China to become a “strong manufacturing nation”*

The full series of H platform high-end road-going engines of China VI or above emission standards project will accelerate the transformation and upgrading of the intelligent manufacturing equipment industry, thereby facilitating the integration and development of the new generation of information technology and manufacturing technology. It is proposed in the Outline of the 13th Five-Year Plan for the Economic and Social Development of the People’s Republic of China (《中華人民共和國國民經濟和社會發展第十三個五年規劃綱要》) that “the ‘Made in China 2025 (《中國製造2025》)’ plan is to be implemented with depth and with an emphasis on strengthening the innovation abilities and fundamental capabilities of the manufacturing industry, deepening the integration of information technology and manufacturing technology, and promoting the development of high-end, intelligent, green, and service-orientated manufacturing so as to foster a new competitive edge in manufacturing”, and that “new intelligent manufacturing models are to be cultivated and promoted in order to push forward the transformation towards flexible, intelligent, and sophisticated production”. The new million units digitalised power industry base stage I project is an intelligent production and manufacturing project, which meets the requirements of “promoting transformation towards flexible, intelligent, and sophisticated production” in the 13th Five-Year Plan.

- (3) *Large diameter high-end engine industrialisation project is in line with the national policy guidance on equipment manufacturing*

It is proposed in the “14th Five-Year Plan” to “develop strategic emerging industries; accelerate the growth of new generation of industries including information technology, biotechnology, new energy, new materials, high-end equipment, new energy vehicles, environmental protection, aerospace and marine equipment”. The “13th Five-Year Plan for Economic and Social Development of Shandong Province (《山東省國民經濟和社會發展第十三個五年規劃綱要》)” (hereinafter referred to as “Shandong Province’s 13th Five-Year Plan”) contemplates the vigorous development of advanced manufacturing industry. As manufacturing industry is an important pillar supporting the provincial economy and offers outstanding advantages in Shandong Province, it is necessary to fully implement the “Made in China 2025” strategic initiative and the industrial foundation fortification project,

support the development of nuclear and wind power equipment, aerospace equipment, power machinery and yachts, robots, precision machinery, re-manufacturing, power transmission and transformation equipment, electromechanical equipment, high-end hydraulic and system components, construction machinery, agricultural cold chain equipment, marine engineering equipment and high-tech ships, and solar thermal application equipment.

- (4) *Hydraulic pressure powertrain and large-scale continuously variable transmission (CVT) powertrain industrialisation project will help achieve national and industry development goals*

In recent years, the implementations of China's "Belt and Road" development strategy, national new-type urbanisation, railway and urban rail transit planning, and social security housing development policies have driven the development of the hydraulic industry and its related industries. The PRC government has also successively launched various policies, including the Four-Infrastructure Development Catalogue (2016 edition) (《工業“四基”發展目錄(2016年版)》), the Plan for Standardising and Upgrading Quality of Equipment Manufacturing Industry (《裝備製造業標準化和品質提升規劃》), the Development Plan of Construction Machinery Industry under the 13th Five-Year Plan (《工程機械行業“十三五”發展規劃》), the Guiding Opinion on Accelerating Improvement in Industrial Infrastructure (《關於加快推進工業強基的指導意見》) and the Thirteenth Five-Year Development Plan for the Hydraulic Pneumatics and Seals Industry (《液壓氣動密封行業“十三五”發展規劃》). The 13th Five-Year Development Plan for the Hydraulic Pneumatics Seals Industry clearly states the objectives that "indicators on performance stability, quality reliability, environmental adaptability, useful lives of products shall reach the international advanced level of similar products", "over 60% of high-end hydraulic components and systems realises independent security, thus gradually removing constraints caused by reliance on labour, and widely promoting and applying the use of hydraulic components and systems that are urgently needed in the equipment industry".

2. *Advanced technical foundation and research and development system will provide reliable guarantee for investment projects to be funded by the proceeds*

Weichai Power attaches great importance to technological innovation and has an advanced technical foundation. In recent years, it has undertaken major projects such as national intelligent manufacturing equipment projects and major national scientific and technological projects, and also led and participated in formulating numerous national and industry standards. Weichai Power has successively won the "China Quality Award", the "PRC Trademark Gold Award – Trademark Innovation Award", "National Demonstration Base of Enterprise Culture" and the "National Quality Award", and its "heavy-duty commercial vehicle powertrain key

technology and application” project was awarded the first prize of National Science and Technology Progress Award in 2018.

After years of development, the Company has established an excellent research and development team around the world. The core research and development team has many years of research and development experience in related fields as well as industry-leading technological level. The Company owns a number of state-level research and development platforms such as the State Key Laboratory of Internal Combustion Engine Reliability, the National Engineering Technology Research Centre for Powertrains of Commercial Vehicles, the National Industrial Innovation Strategic Alliance for New Energy Power System of Commercial Vehicles and Engineering Machinery, and the National Professional Makerspace. It has established research bases such as the “Post-doctoral Workstation”, as well as the State Intelligent Manufacturing Demonstration Base. It has also built research and development centers in Weifang, Shanghai, Xi’an, Chongqing, and Yangzhou, etc., and established cutting-edge technology innovation centres around the world to construct a globally coordinated research and development platform and to ensure that the Company’s technology level keeps up with the forefront of the world.

3. *Brand advantage and scale advantage will provide effective guarantee for investment projects to be funded by the proceeds*

The Company always adheres to the operational strategy of driving development through both products and capital operations, and is dedicated to creating products with 3 aspects of core competitiveness, namely quality, core technology and cost-effectiveness. It has successfully formed a new pattern of synergetic development among business segments including powertrains (comprising engines, gear boxes and axles), complete vehicles and intelligent logistics with the brands namely “Weichai Power Engines”, “Fast Gear Transmissions”, “Hande Axle”, “SHAC” and “Linde Hydraulics”. Its branches and subsidiaries are all over Europe, North America and Southeast Asia, with offices in over 30 countries and more than 300 authorised service locations, forming a platform with abundant resources. The Company’s products are sold to more than 100 countries and regions across the five continents around the world, creating an international marketing and service network and forming the foundation and landscape of global operations.

III. EFFECT OF THE NON-PUBLIC ISSUANCE OF A SHARES ON OPERATION, MANAGEMENT AND FINANCIAL POSITION OF THE COMPANY

(I) Impact of the Non-public Issuance of A Shares on the Operation and Management of the Company

The investment projects to be funded by the proceeds from the Non-public Issuance of A Shares represent an expansion and improvement of the Company's principal businesses. The implementation of the investment projects to be funded by the proceeds is an important measure for the Company to improve its industrial layout, consolidate its core competitiveness, and make breakthroughs in the key core technologies of the industry, which is in line with relevant national industrial policy and the overall strategic development direction of the Company in the future, and the investment projects have good market potential and technological advancement. The gradual commencement of operation of the said investment projects will directly improve the Company's profitability, which is of considerable significance to the enhancement of its research and development capabilities, sustainable profitability and independent innovation capabilities.

(II) Impact of the Non-public Issuance of A Shares on the Financial Position of the Company

The Non-public Issuance of A Shares will help the Company improve its capital strength, increase its asset size, further optimise the asset-liability structure and lay a foundation for the future development of the Company.

Upon completion of the Non-public Issuance of A Shares, the total amount of share capital of the Company will increase but the investment projects to be funded by the proceeds will not be able to generate immediate benefits in the short term. Hence, earnings per share of the Company may be diluted in the short term.

The impact of the Non-public Issuance of A Shares on cash flow of the Company is shown as follows: I. the Non-public Issuance of A Shares will increase the Company's cash inflow from financing activities and therefore enhance its liquidity and solvency; II. the increase in the Company's net assets may enhance its ability of multi-channel financing, which will in turn bring a positive impact on its cash inflow from potential financing activities in the future; III. with the benefits of the investment projects being realised, the Company's net cash flow from operating activities and sustainability are expected to be effectively increased.

**IV. CONCLUSION ON THE FEASIBILITY ANALYSIS OF THE USE OF PROCEEDS FROM
THE NON-PUBLIC ISSUANCE OF A SHARES**

In light of the above, the investment projects to be funded by proceeds from the Non-public Issuance of A Shares are in line with the strategic goals of the Company. The implementation of relevant projects will further expand the Company's business scale, enhance its core technology standard and strengthen its service capabilities in the market, which is conducive to its high-quality and sustainable development and therefore is in the interests of shareholders as a whole.

Accordingly, the proposal for the use of the proceeds from the Non-public Issuance of A Shares is reasonable and feasible.

By the Board of Directors of Weichai Power Co., Ltd.

24 December 2020

THE DILUTION OF IMMEDIATE RETURNS UPON THE NON-PUBLIC ISSUANCE OF
A SHARES AND REMEDIAL MEASURES, AND UNDERTAKINGS BY THE
RELEVANT PERSONS

Pursuant to the requirements of the relevant documents including of the Opinions of the General Office of the State Council on Further Strengthening the Protection of Legitimate Interests of Small and Medium Investors in the Capital Market (Guo Ban Fa [2013] No. 110) (《國務院辦公廳關於進一步加強資本市場中小投資者合法權益保護工作的意見》(國辦發[2013]110號)) (hereinafter, the “Opinions”) and Opinions of the State Council on Further Promoting the Healthy Development of the Capital Market (Guo Fa [2014] No. 17) (《國務院關於進一步促進資本市場健康發展的若干意見》(國發[2014]17號)) promulgated by the State Council, and the Guidance on Matters Relating to the Dilution of Immediate Returns as a Result of Initial Public Offering, Refinancing and Major Asset Reorganisation (CSRC Announcement [2015] No. 31) (《關於首發及再融資、重大資產重組攤薄即期回報有關事項的指導意見》(證監會公告[2015]31號)), in order to protect the rights of information of minority investors, and safeguard the interests of small and medium investors, Weichai Power Co., Ltd. (hereinafter the “Company”) has carefully analysed the impact of the Non-public Issuance of A Shares on dilution of immediate returns and introduced detailed remedial measures, and relevant persons have also made undertakings to fulfill the remedial measures of the Company. The particulars are as follows:

I. ANALYSIS ON THE IMPACT OF DILUTION OF IMMEDIATE RETURNS UPON THE NON-PUBLIC ISSUANCE OF A SHARES ON KEY FINANCIAL INDICATORS OF THE COMPANY**(I) Assumptions**

1. It is assumed that there is no material adverse change in the business environment including macroeconomic conditions and industry policies.
2. It is assumed that the impact on the production operation, financial position (e.g. finance costs and investment income) and so forth upon the availability of the proceeds from the Non-public Issuance of A Shares shall be disregarded.
3. Assuming that 793,387,389 shares will be issued pursuant to the Non-public Issuance of A Shares, the total share capital of the Company will be 8,727,261,284 shares upon completion of the Non-public Issuance of A Shares, taking into account the effect of this Non-public Issuance of A Shares and disregarding other factors. The assumption is only adopted to estimate the impact of the Non-public Issuance of A Shares on the earnings per share of the Company, and does not represent the Company’s judgment on the actual number of shares to be issued. The actual number of shares to be issued as approved by the CSRC shall prevail.
4. It is assumed that the total proceeds from the Non-public Issuance of A Shares will be RMB13 billion, without regard to the effect of issue expenses.

5. It is assumed that the Company will complete the Non-public Issuance of A Shares by the end of 2020, which is merely for computing the impact of immediate returns as a result of the Non-public Issuance of A Shares and does not constitute a commitment to the actual completion date. Investors should not make investment decisions based on this assumptive completion date, and the Company shall not be held liable for any losses arising from such investment decision. The timeline at which the Company actually completes the Non-public Issuance of A Shares as approved by CSRC shall prevail.
6. It is assumed that the impact of factors other than the proceeds and net profit on the net assets of the Company is to be disregarded.
7. It is assumed that the three scenarios apply whereby the Company's net profit before and after extraordinary gains and losses attributable to shareholders of the parent for the year 2020 will decrease by 10%, remain flat, and increase by 10% as compared to year 2019. (Such data will merely be for estimating the impact of the Non-public Issuance of A Shares on the Company and does not represent the actual operational situation of the Company).

The assumptions stated above are merely for estimating the impact of the dilution of immediate returns as a result of the Non-public Issuance of A Shares on the key financial indicators of the Company, and does not constitute profit forecast in respect of the Company, nor does it represent the Company's judgment of the operating conditions and trends, and shall not be relied upon by investors in making their investment decisions. The Company does not bear any liability for any loss suffered by investors in making their investment decisions as such.

(II) Impact on the Key Financial Indicators of the Company

Based on the assumptions stated above, the impacts of the Non-public Issuance of A Shares on the key financial indicators of the Company are compared as follows:

Items	Year 2019/ End of Year 2019	Year 2020/ End of Year 2020	
		Before the Non-public Issuance of A Shares	After the Non-public Issuance of A Shares
Share capital (ten thousand shares)	793,387.39	793,387.39	872,726.13
Scenario 1: Net profit attributable to shareholders of the parent and net profit after extraordinary gains and losses attributable to shareholders of the parent for year 2020 will decrease by 10% as compared to the previous year			
Net profit attributable to ordinary shareholders of the parent company (ten thousand RMB)	910,495.54	819,445.98	819,445.98
Net profit attributable to ordinary shareholders (after extraordinary gains and losses) (ten thousand RMB)	832,270.67	749,043.60	749,043.60
Basic earnings per share (RMB/share)	1.148	1.033	1.024
Basic earnings per share (after extraordinary gains and losses) (RMB/share)	1.049	0.944	0.936
Diluted earnings per share (RMB/share)	1.148	1.033	1.024
Diluted earnings per share (after extraordinary gains and losses) (RMB/share)	1.049	0.944	0.936
Weighted average return on net assets	21.34%	16.61%	16.26%
Weighted average return on net assets (after extraordinary gains and losses)	19.58%	15.19%	14.86%

Items	Year 2019/ End of Year 2019	Year 2020/ End of Year 2020	
		Before the Non-public Issuance of A Shares	After the Non-public Issuance of A Shares
Scenario 2: Net profit attributable to shareholders of the parent and net profit after extraordinary gains and losses attributable to shareholders of the parent for year 2020 will remain flat as compared to the previous year			
Net profit attributable to ordinary shareholders of the parent company (ten thousand RMB)	910,495.54	910,495.54	910,495.54
Net profit attributable to ordinary shareholders (after extraordinary gains and losses) (ten thousand RMB)	832,270.67	832,270.67	832,270.67
Basic earnings per share (RMB/share)	1.148	1.148	1.138
Basic earnings per share (after extraordinary gains and losses) (RMB/share)	1.049	1.049	1.040
Diluted earnings per share (RMB/share)	1.148	1.148	1.138
Diluted earnings per share (after extraordinary gains and losses) (RMB/share)	1.049	1.049	1.040
Weighted average return on net assets	21.34%	18.29%	17.90%
Weighted average return on net assets (after extraordinary gains and losses)	19.58%	16.72%	16.36%

Scenario 3: Net profit attributable to shareholders of the parent and net profit after extraordinary gains and losses attributable to shareholders of the parent for year 2020 will increase by 10% as compared to the previous year

Net profit attributable to ordinary shareholders of the parent company (ten thousand RMB)	910,495.54	1,001,545.09	1,001,545.09
Net profit attributable to ordinary shareholders (after extraordinary gains and losses) (ten thousand RMB)	832,270.67	915,497.73	915,497.73

Items	Year 2019/ End of Year 2019	Year 2020/ End of Year 2020	
		Before the Non-public Issuance of A Shares	After the Non-public Issuance of A Shares
Basic earnings per share (RMB/share)	1.148	1.262	1.252
Basic earnings per share (after extraordinary gains and losses) (RMB/share)	1.049	1.154	1.144
Diluted earnings per share (RMB/share)	1.148	1.262	1.252
Diluted earnings per share (after extraordinary gains and losses) (RMB/share)	1.049	1.154	1.144
Weighted average return on net assets	21.34%	19.94%	19.52%
Weighted average return on net assets (after extraordinary gains and losses)	19.58%	18.23%	17.84%

Note: 1. Basic earnings per share and return on net assets are calculated in accordance with the Compilation Rules No. 9 for Information Disclosure by Companies Offering Securities to the Public— Calculation and Disclosure of Return on Net Assets and Earnings per Share (《公開發行證券的公司信息披露編報規則第9號—淨資產收益率和每股收益的計算及披露》).

Based on the analysis above, the Company's immediate returns will be diluted as a result of the Non-public Issuance of A Shares, upon the increase in total share capital of the Company following the completion of the Non-public Issuance of A Shares and the increase in the scale of net assets of the Company following the availability of the proceeds.

Going forward, the full utilisation of the proceeds and further development of the principal businesses will facilitate the increase in earnings per share of the Company.

II. ALERT OF RISKS SPECIFIC TO THE DILUTION OF IMMEDIATE RETURNS AS A RESULT OF THE NON-PUBLIC ISSUANCE OF A SHARES

Upon receipt of the proceeds from the Non-public Issuance of A Shares, the total share capital and scale of net assets of the Company will increase, while it will take time for the financial benefits arising from the proceeds to materialise. Shortly after the receipt of the proceeds from the Non-public Issuance of A Shares, there will exist the risk of a drop in indicators including the earnings per share and weighted average return on net assets. Accordingly, investors are reminded of the risks relating to the dilution of immediate returns arising from the Non-public Issuance of A Shares.

III. THE NECESSITY AND REASONABLENESS OF THE NON-PUBLIC ISSUANCE OF A SHARES

(I) Fully cultivating new growth poles and accelerating the implementation of strategies regarding new business formats

In recent years, the Company has proactively fostered strategic transformation and structural adjustment, and accelerated the cultivation of new business formats including fuel cell, high-end hydraulic and large-scale CVT, which have already completed product research and development and been proved effective by the market. During the period of the "14th Five-Year Plan", the Company will optimise the business structure comprehensively to accelerate the implementation of strategies with regard to new business formats.

The Company has completed the core technology layout of hydrogen-fueled cell and solid oxide fuel cell in the new energy powertrain segment, with leading key technology indicators in segments of commercial vehicles, energy and electricity in the world. RMB2 billion of the proceeds from the Non-public Issuance of A Shares will be applied to accelerate the enhancement of research and development and manufacturing capabilities of the fuel cell industry chain, so as to establish differentiated technological advantages based on the technological route of "three verticals and three horizontals" for new energy vehicles; and to create a world-leading fuel cell industry chain base in pursuit of the goals of "CO₂ Emission Peak" by 2030 and "Carbon Neutrality" by 2060, in order to take lead in the development of the global new energy industry.

The Company has successfully manufactured a high-end hydraulic pressure powertrain and large-scale CVT powertrain recognised by the market and achieved self-independence and full control over key and core technologies. RMB3 billion of the proceeds from the Non-public Issuance of A Shares will be applied in the high-standard construction of 100,000 sets of hydraulic pressure powertrains and 10,000 sets of large-scale agricultural equipment CVT powertrains, which can achieve an annual production capacity of 500,000 units of pumps/motors, 100,000 sets of multi-path valves and 10,000 sets of CVT powertrains, devoting efforts on fostering non-road-going powertrain business of the Company.

(II) Leveraging the leading advantages in principal businesses and promoting structural adjustment of products

As a market leader in the equipment manufacturing industry, the Company will continue to enhance its independent innovation capability, foster upgrades of road-going engines towards the high end, and develop independent and controllable large diameter high-end engines. During the period of the “14th Five-Year Plan”, the Company will fully leverage the leading advantages in its principal businesses and promote structural adjustment of engine products.

The Company has completed the research and development of the full series of H platform high-end road-going engines, particularly, the successful release of the world’s first commercial diesel engine with a thermal efficiency of over 50%. RMB4 billion of the proceeds from the Non-public Issuance of A Shares will be used to establish a digitalised, intelligent and modularised production base of full series of H platform high-end road-going engines of China VI or above emission standards and to upgrade the existing production lines to be flexible and intelligent, in order to fully meet the manufacturing requirements of engines with China VI and China VII emission standards, propel the large-scale commercialisation of diesel engines with a thermal efficiency of over 50% and achieve a leap from “manufacturing” to “intelligent manufacturing”.

The Company has fully completed the development of large diameter high-end high-speed engine and achieved its mass production. RMB3 billion of the proceeds from the Non-public Issuance of A Shares will be invested in the production of 600-10000kw (over 150 mm in diameter) large diameter high-end engines, and the development of large diameter natural gas engines, mainly to meet the power demand from 5G large-scale data centres backup power, ocean fishing, official vessels and inland shipping, and to comprehensively promote the structural adjustment of the Company’s engine products.

(III) Investing RMB1 billion to build an intelligent after-sales service system throughout the life cycle of its products

The digitalisation and intelligence of the end market is an irreversible trend, and the cost focus of customers has shifted from purchase cost to user cost thought the life cycle. RMB1 billion of the proceeds from the Non-public Issuance of A Shares will be used to establish a new after-sales service network for end customers, innovate service channels, extend service cycles, integrate all-element service resources, and create a full-cycle and full-range after-sales service system to become an important part of business profits by leveraging the advantages of high ownership rate.

IV. REMEDIAL MEASURES TO COUNTERACT THE DILUTION OF IMMEDIATE RETURNS UPON THE NON-PUBLIC ISSUANCE OF A SHARES

In order to safeguard the interests of investors, secure the effective utilisation of the proceeds from the Non-public Issuance of A Shares, prevent the risks of dilution of immediate returns, and enhance the return to shareholders of the Company, the Company proposes to implement the development strategies of the Company in a proactive manner, enhance operational management and internal control, strenuously foster technological advancements to lower costs and improve efficiency, to further enhance the Company's overall competitiveness and risk resistance capabilities; proactively foster innovations in management, to improve the operational management capability and profitability of the Company; strengthen the management of the proceeds raised to ensure the reasonable and well-regulated use of the proceeds; continue to improve the corporate governance level of the Company in order to provide institutional safeguards for the development of the Company; strengthen the control and management of the Group and boost vitality for development; stringently implement the Company's dividend policies and measures to protect the interests of shareholders, and to enhance the Company's ability to generate returns in future.

(I) Proactively Implement the Development Strategies of the Company and Stringently Execute Investments in Projects

The fund raising through the Non-public Issuance of A Shares will enhance the capital strengths of the Company, and improve the risk resistance capabilities and overall competitiveness of the Company. Meanwhile, the Company will further strengthen its existing advantages in segment markets, increase volume and improve efficiency, and cultivate stronger centres of profit growth, thereby improving the industry competitiveness of the Company and improving the return to shareholders.

(II) Regulating Internal Control and Proactively Enhancing the Core Competitiveness of the Company

The Company is committed to further consolidating and improving its core competitive strengths and will seek enhancement in both its revenue level and profitability. The Company will continually strengthen its internal control, improve the effectiveness of its talents and operational governance, control operational and management risks holistically and effectively, and enhance its operational efficiency and profitability.

(III) Continual Improvement of Corporate Governance Level of the Company to Provide Institutional Safeguard to the Development of the Company

In strict compliance with laws, regulations and other regulatory documents including the Company Law and the Securities Law, the Company will continually improve its corporate governance structure, ensure that shareholders can fully exercise their rights, ensure that the board of directors can exercise its rights and discharge its duties according to laws, regulations and the Articles of Association to make scientific, prompt and prudent decisions, ensure that independent directors can perform their duties

conscientiously, safeguard the overall interests of the Company especially the legitimate interests of small and medium shareholders, and provide scientific and effective corporate structure and institutional safeguard to sustainable and steady development of the Company.

(IV) Strengthening the Management and Control of the Company to Boost Vitality for Development

The Company will strengthen management and control and enhance the quality of operations of its subsidiaries, to continually strengthen the synergy among those companies. Meanwhile, it will make ongoing improvements to the approaches of its performance appraisal, step up efforts in performance appraisal, improve its remuneration and incentive mechanism, establish a scientific and reasonable mechanism of talent recruitment and training that caters to actual needs, establish a market-oriented talent operation model, improve its talent development strategy, with a view to boost vitality for development of the Company.

V. UNDERTAKINGS BY PERSONS RELEVANT TO THE COMPANY REGARDING REMEDIAL MEASURES TO COUNTERACT THE DILUTION OF IMMEDIATE RETURNS

(I) Undertakings by the Directors and Senior Management of the Company

In accordance with the relevant requirements of the CSRC, the following undertakings are made by the directors and senior management of the Company to ensure that the remedial measures taken by the Company to counteract the dilution of immediate returns upon the Non-public Issuance of A Shares will be fully implemented:

1. I/We will not transfer any benefits of the Company to other entities or individuals with no consideration or under unfair terms and shall not damage the Company's interests in any other ways;
2. I/We will restrict the duty-related consumption activities of myself/ourselves;
3. I/We will not utilise any assets of the Company for any investments or consumption activities unrelated to the performance of my/our duties;
4. The remuneration system established by the board of directors or the remuneration committee established under the board of directors of the Company is in line with the implementation of the remedial measures;
5. If the Company is to adopt an equity incentive plan in the future, the vesting conditions of the equity incentive plan set by the Company are in line with the implementation of the remedial measures.

(II) Undertakings by the Controlling Shareholder

In accordance with relevant requirements of the CSRC, to ensure that the remedial measures to counteract the dilution of immediate returns can be fully implemented, the following undertakings are made by the controlling shareholder of the Company:

1. I/We will not to act ultra vires as to intervene the operation and management activities of the Company or unlawfully encroach on the Company's interests;
2. From the date of making these undertakings until the completion of the Non-public Issuance of A Shares, if China Securities Regulatory Commission (the "CSRC") and/or the Shenzhen Stock Exchange impose other new regulatory requirements in relation to the remedial measures and the relevant undertakings and the above undertakings no longer satisfy such requirements of the CSRC and/or the Shenzhen Stock Exchange, I/we undertake to make supplementary undertakings at that time according to the latest requirements of the CSRC and/or the Shenzhen Stock Exchange;
3. I/We will effectively implement the remedial measures set by the Company and all of my/our undertakings relating to the remedial measures. If I/we breach such undertakings and cause losses to the Company or its investors, I am/we are willing to bear the responsibility for compensating to the Company or its investors in accordance with the laws.

As one of the relevant responsible persons in respect of the remedial measures, if I/we breach such undertakings or decline to perform such undertakings, I/we agree that securities regulatory institutions including the CSRC and the Shenzhen Stock Exchange may impose relevant penalties on me/us or take relevant regulatory actions against me/us according to the respective rules or regulations issued or promulgated by them.

VI. THE PROCEDURES FOR CONSIDERING THE REMEDIAL MEASURES TO COUNTERACT THE DILUTION OF IMMEDIATE RETURNS AND THE UNDERTAKINGS

The analysis relating to the dilution of immediate returns upon the Non-public Issuance of A Shares, the remedial measures to counteract the dilution of immediate returns, and relevant undertakings by the relevant persons have been considered and approved by the board of directors, and will be submitted to the shareholders of the Company in general meeting for consideration.

The Company will, in its regular reports, make continuing disclosures on the completion of the remedial measures to counteract the dilution of immediate returns and the fulfilment of the undertakings made by the relevant persons.

**Plan on Shareholders' Return for the Upcoming Three Years (2021-2023)
of Weichai Power Co., Ltd.**

To establish a sound shareholders' return mechanism, enhance the transparency and operability of decision-making mechanism of the profit distribution policy of Weichai Power Co., Ltd. (hereinafter referred to as the "Company"), make positive return to investors and effectively protect the legal rights and interests of minority shareholders, the Plan on Shareholders' Return for the Upcoming Three Years (2021 – 2023) of Weichai Power Co., Ltd. (hereinafter referred to as the "Plan") has been formulated by the Company pursuant to the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, the Notice Regarding Further Implementation of Cash Dividends Distribution by Listed Companies (《關於進一步落實上市公司現金分紅有關事項的通知》) (Zheng Jian Fa [2012] No. 37) and the Listed Companies Regulatory Guidance No. 3 – Cash Dividends Distribution by Listed Companies (《上市公司監管指引第3號—上市公司現金分紅》) (CSRC Announcement [2013] No. 43) issued by China Securities Regulatory Commission (hereinafter referred to as the "CSRC") and other regulations, as well as the provisions of the Articles of Association of Weichai Power Co., Ltd., taking into account the Company's actual circumstances. The details of the Plan are as follows:

I. PRINCIPLES OF FORMULATING THE PLAN

- (i) To make positive return to investors while taking into account of the sustainable development of the Company;
- (ii) To further enhance the transparency of the Company's profit distribution especially regarding cash dividends to help investors to form stable expectation of return;
- (iii) To maintain the continuity and stability of the Company's profit distribution policy;
- (iv) To strictly comply with relevant requirements of profit distribution under relevant laws, regulations and the Articles of Association of Weichai Power Co., Ltd.

II. CONSIDERATIONS IN FORMULATING THE PLAN

The Plan on shareholders' return is an arrangement for profit distribution formulated on the basis of the comprehensive analysis of shareholders' demands and wishes regarding returns, the Company's developmental stage and plan, profitability, social capital cost and external financing environment, and giving full consideration to conditions such as the Company's current and future profitability scales, cash flows and capital needs of investment projects, capital structure and financing abilities, with the hope to balancing reasonable investment return to shareholders and capital needs for the Company's sustainable development.

III. CYCLE OF FORMULATING PLAN ON SHAREHOLDERS' RETURN

The Company will review the plan on shareholders' return every three years, and make proper and necessary amendments to its then effective dividend distribution policy based on the opinions of the shareholders (especially the minority shareholders), independent directors

and supervisors, and determine the plan on shareholders' return for such period. The board of directors of the Company (the "Board") will formulate annual and interim dividend proposal based on specific operating information after fully considered the Company's then profitability, cash flows, developmental stage, ordinary working capital requirements and foreseeable substantial capital expenditures. The independent directors may seek the opinions of the minority shareholders, prepare a dividend distribution proposal accordingly and present it directly to the Board for consideration. When the profit distribution plan is considered at the general meeting, a variety of channels shall be provided for communications and exchanges with shareholders (in particular, the minority shareholders), whose opinions and demands shall be fully heard and whose questions and concerns shall be responded in a timely manner.

IV. DETAILS OF THE COMPANY'S PLAN ON SHAREHOLDERS' RETURN FOR THE UPCOMING THREE YEARS (2021 – 2023)

The Company actively implements a sustainable and stable dividend distribution policy giving comprehensive considerations to the reasonable investment return for investors and the long-term development of the Company. The Company will mainly distribute dividends in cash in the next three years (2021 – 2023). The Plan was formulated in accordance with provisions on profit distribution under the relevant laws, regulations and the Articles of Association of Weichai Power Co., Ltd. on the basis of maintaining the continuity and stability of profit distribution policy.

(i) Means of Profit Distribution

The Company may distribute dividend in cash or in shares (or both), and, provided that the conditions of distribution of dividend in cash as required under the articles of association of the Company are met, priority shall be given to distribution of dividend in cash.

(ii) Conditions of Distribution of Dividend in Cash

1. The Company has made positive profit for the year and the distributable profit (i.e. the profit after-tax of the Company after making up for losses, allocation to the common reserve fund) for the year is a positive figure;
2. The Company does not have any major investment plan or significant cash expenditure (other than any fund-raising project). Major investment plan or significant cash expenditure refers to the accumulated expenditure of proposed external investment by the Company within the next twelve months amounting to or exceeding 50% of the latest audited net assets of the Company, or the accumulated expenditure of proposed asset acquisition or facilities procurement by the Company within the next twelve months amounting to or exceeding 30% of the latest audited total assets of the Company; and
3. The Company's funding needs for normal production and operation can be satisfied.

(iii) Conditions of Distribution of Dividend in Shares

Provided that the scale of share capital of the Company is reasonable, the Company may distribute dividend in shares according to its accumulated distributable profit, common reserve fund and cash flow position.

(iv) Ratio of Dividend Distribution and Time Intervals

The Company shall distribute profit at least once a year, and the accumulated amount of cash dividend payout by the Company in the last three years shall not be less than 30% of the average annual distributable profit made in the last three years.

V. PROCEDURES FOR CONSIDERATION OF PROFIT DISTRIBUTION AND AMENDMENTS TO THE PROFIT DISTRIBUTION POLICY**(i) Procedures for Consideration of Profit Distribution**

The profit distribution plan of the Company shall be prepared by the Board and submitted to the general meeting for consideration and approval. The independent directors and supervisors shall give their opinions on the profit distribution plan. Opinions of the independent directors shall be disclosed when the Company makes an announcement on board resolutions or a notice convening the relevant general meeting. When the profit distribution plan is considered at the general meeting, a variety of channels shall be provided for communications and exchanges with shareholders (in particular, the minority shareholders), whose opinions and demands shall be fully heard.

Notwithstanding the aforesaid provisions, pursuant to the authorisation given by the shareholders of the Company to the Board at the general meeting of each year, the Board may, prior to the next general meeting, distribute the interim dividend, in the amount as they may think fit in view of the Company's earnings, to shareholders of the Company from time to time without prior approval at the general meeting of the Company.

Subsequent to the passing of the resolution in respect of a profit distribution plan at a general meeting, the Board of the Company shall complete the distribution of dividends (or shares) within two months from the date of the general meeting.

(ii) Procedures for Consideration of Amendments to the Profit Distribution Policy

If, due to significant changes in the Company's operating conditions, investment planning and needs for long-term development, it is necessary to adjust the profit distribution policy as set out in the articles of association of the Company, the Board of the Company shall submit a proposal for adjustment to the profit distribution policy based on actual circumstances. The adjusted profit distribution policy shall focus on protecting the interests of the shareholders and shall not violate the relevant requirements of the CSRC and the stock exchanges. The independent directors shall opine on the adjusted profit

distribution policy. Such adjustment is subject to consideration and approval by more than two-thirds of the voting rights represented by the shareholders present at the general meeting.

VI. THE IMPLEMENTATION OF THE PLAN

Any matters not covered in the Plan shall be governed by the relevant laws, regulations, regulatory documents and the Articles of Association of Weichai Power Co., Ltd. The Board of the Company is responsible for interpreting the Plan. The Plan shall come into force on the date of its approval at the general meeting.

Management Measures on the Use of the Proceeds of Weichai Power Co., Ltd.**Chapter I General Provisions**

Article 1: In order to standardise the use and management of the proceeds raised by Weichai Power Co., Ltd. (the “**Company**”) and protect the interests of investors, these management measures (the “**Measures**”) have been formulated in accordance with relevant regulations including the Securities Law of the People’s Republic of China, the Company Law of the People’s Republic of China, the Guidelines for Standardised Operation of Companies Listed on the Shenzhen Stock Exchange (2020 Revision), the Regulatory Guidance No. 2 on Listed Companies – Regulatory Requirements for the Management and Use of Raised Funds of Listed Companies and the Articles of Association of Weichai Power Co., Ltd. and taking into full account the actual circumstances of the Company.

Article 2: For the purpose of the Measures, the proceeds shall refer to the proceeds raised from investors by the Company through public offerings of securities, including initial public offering, placing of shares, issuance of additional shares, issuance of convertible corporate bonds, detachable convertible corporate bonds, corporate bonds and warrants and through non-public offering of securities, which are intended for specific purposes.

For the purpose of the Measures, the excess proceeds shall refer to the portion of actual net proceeds in excess of the amount of the proceeds planned to be raised.

Article 3: The board of the Company (the “**Board**”) shall adequately demonstrate the feasibility of the investment projects to be funded by the proceeds and satisfy itself that the investment project has good market prospects and profitability, in order to effectively avoid investment risks and enhance efficiency in terms of the use of the proceeds.

Article 4: In the event that the investment projects funded by the proceeds are implemented through a subsidiary of the Company or other enterprises controlled by the Company, such subsidiary or such other enterprises controlled by the Company shall comply with the Measures.

Article 5: In the event that the Company suffers any loss (including financial and reputational loss) due to a breach of the Measures, the responsible person shall be penalised depending on the actual circumstances and shall assume civil compensation liability in accordance with the relevant laws.

Chapter II Deposit of the Proceeds

Article 6: The Company shall prudently select a commercial bank for opening a specified account for the proceeds (the “**Specified Account**”). The proceeds raised the Company shall be deposited into the Specified Account as approved by the Board for centralised management, and the Specified Account shall not be used for the deposit of funds other than the proceeds nor used for other purposes.

If the Company has undertaken two or more fund raising activities, it shall establish separate specified accounts for the proceeds.

The excess proceeds shall also be deposited into the Specified Account for management.

Article 7: A tripartite regulatory agreement (the "**Tripartite Agreement**") shall be entered into among the Company, the sponsoring institution or the independent financial advisor, and the commercial bank in which the proceeds are deposited (the "**Commercial Bank**") within one month upon receipt of the proceeds. The Tripartite Agreement shall at least include the following terms:

- (1) The Company shall deposit all the proceeds into the Specified Account;
- (2) The account number of the Specified Account for the proceeds, the projects to be funded by the proceeds in the Specified Account and the amount deposited;
- (3) In the event that the Company makes a one-off withdrawal or withdrawals in any 12 consecutive months from the Specified Account in an amount (or aggregate amount) of more than RMB50 million or 20% of the net proceeds, the Company and the Commercial Bank shall notify the sponsoring institution or the independent financial advisor in a timely manner;
- (4) The Commercial Bank shall provide reconciliation statements to the Company on a monthly basis, and copy the same to the sponsoring institution or the independent financial advisor;
- (5) The sponsoring institution or the independent financial advisor may at any time inquire information on the Specified Account at the Commercial Bank;
- (6) The supervision duties of the sponsoring institution or the independent financial advisor, the notification and support duties of the Commercial Bank, and the supervision methods of the sponsoring institution or the independent financial advisor and the Commercial Bank in respect of the use of the proceeds of the Company;
- (7) The rights, obligations and liabilities for breach of contract of the Company, the Commercial Bank, the sponsoring institution or the independent financial advisor;
- (8) If the Commercial Bank fails in three occasions, to timely provide reconciliation statements or notify any withdrawal of large amount from the Specified Account to the sponsoring institution or the independent financial advisor, or to cooperate with the requests of the sponsoring institution or the independent financial advisor in its inquiry and investigation of information in respect of the Specified Account, the Company may terminate the agreement and close such Specified Account for the proceeds.

Upon signing of the above Tripartite Agreement, the Company shall publish an announcement on the principal terms of such Tripartite Agreement in a timely manner.

In the event that investment projects funded by the proceeds are implemented by the Company through its controlled subsidiaries, the Tripartite Agreement shall be entered into among the Company, the controlled subsidiaries which will implement such projects, the Commercial Bank and the sponsoring institution or the independent financial advisor, and the Company and its controlled subsidiaries together shall be deemed as a party.

In the event of early termination of the above Tripartite Agreement before expiry, the Company shall enter into a new agreement with the relevant parties within one month from the date of termination of the Tripartite Agreement and publish an announcement in a timely manner.

Chapter III Use of the Proceeds

Article 8: Use of the proceeds of the Company shall be in line with the purposes set out in the prospectus or capital raising prospectus. In the event of any circumstances severely affecting the normal implementation of the proceeds investment plan, the Company shall report to the Shenzhen Stock Exchange and publish an announcement in a timely manner.

Article 9: In principle, the proceeds of the Company shall be used for its principal business, and shall not be used for high-risk investments including securities investment and derivatives trading or provision of financial assistance to other parties, or direct or indirect investments in companies whose principal activity is the trading of marketable securities.

Article 10: The Company shall not use the proceeds for pledges, entrusted loans or other investments which would essentially change the use of the proceeds.

Article 11: The Company shall ensure the authenticity and fairness of the use of the proceeds, prevent the proceeds from being occupied or misappropriated by related parties such as controlling shareholders and de facto controllers, and shall take effective measures to prevent related parties from using investment projects funded by the proceed to seek illegitimate interests.

Article 12: The use of the proceeds by the Company for the following purposes shall be subject to consideration and approval by the Board, with express consents given by independent directors, the Supervisory Committee and the sponsoring institution or the independent financial advisor:

- (1) replacement of the self-raised funds previously injected in the investment projects with the proceeds raised;
- (2) use of temporarily idle proceeds for cash management;
- (3) use of temporarily idle proceeds for temporary replenishment of working capital;
- (4) change of the use of the proceeds;
- (5) change of the implementation location of the investment projects funded by the proceeds;
- (6) use of the surplus proceeds.

In respect of the change of the use of the proceeds by the Company, the Company shall publish an announcement within two trading days after the consideration and approval by the Board and subject to the consideration and approval at the general meeting.

Relevant matters involving connected transactions, asset acquisitions or external investments shall also undergo review procedures and comply with information disclosure obligation in accordance with regulations such as the requirements under Chapter 9 and 10 of the Listing Rules of Shenzhen Stock Exchange and Decision Making System in respect of Connected Transactions of Weichai Power Co., Ltd. (《潍柴動力股份有限公司關聯交易決策制度》).

Article 13: Where any of the following circumstances occur to the investment projects funded by the proceeds, the Company shall examine the feasibility and expected return of such projects, and decide whether to proceed with the projects and disclose the progress of the projects, reasons for abnormality and the adjusted proceeds investment plan (if applicable) in the latest regular report:

- (1) where the market environment in relation to the investment projects funded by the proceeds has undergone material changes;
- (2) where the investment project funded by the proceeds has been put on hold for over 1 year;
- (3) where the latest proceeds investment plan has extended beyond the deadline and the amount of the proceeds invested has not reached 50% of the amount as set out in the relevant plan;
- (4) where other abnormal situations occur in relation to the investment projects funded by the proceeds.

Article 14: After the completion of a single investment project or all investment projects funded by the proceeds, in the event that the surplus proceeds (including interest income) are less than 10% of the net proceeds for such projects, the Company shall perform the relevant procedures under Clause 1 Article 12 of the Measures to use the surplus proceeds.

In the event that the surplus proceeds (including interest income) accounts for 10% or more of the net proceeds of such projects, its use by the Company is subject to the consideration and approval at the general meeting.

In the event that the surplus proceeds (including interest income) are less than RMB5 million or 1% of the net proceeds of such projects, the Company is exempted from the above-mentioned procedures while the use of the proceeds shall be disclosed in the annual report.

Article 15: In the event that the Company replaces the self-raised funds previously injected in the investment projects with the proceeds raised, a verification report in relation to the replacement shall be issued by an accounting firm. In the event that the Company has already disclosed its intention to replace the self-raised funds previously injected with the proceeds raised in the offering application documents and the amount previously injected is certain, it shall publish an announcement before such replacement takes place.

Article 16: The Company may use the temporarily idle proceeds for cash management purposes. The duration of the investment products shall not exceed 12 months and the following conditions shall also be satisfied:

- (1) The investment products shall have a high level of safety and satisfy the requirement of principal protection. The issuer of the product shall be able to provide guarantee of principal protection;
- (2) The investment products shall have high liquidity and shall not affect the normal implementation of the proceeds investment plan.

The investment products shall not be pledged and the specific settlement account for the products (if applicable) shall not be used to maintain any funds other than the proceeds or for any other purposes. The Company shall promptly publish an announcement when it sets up or terminates a specific settlement account for the products.

An announcement in respect of the above matters shall be published within two trading days after the board meeting.

Article 17: In the event that the Company temporarily uses the idle proceeds to replenish working capital, it shall be limited to the use in production and operation related to the principal business and the following requirements should be met:

- (1) The use of the proceeds shall not undergo essential change and the normal progress of the proceeds investment plan shall not be affected;
- (2) The proceeds used for the latest temporary replenishment of working capital shall have been repaid;
- (3) The replenishment of working capital shall last no more than 12 months each time;
- (4) The idle proceeds shall not be used directly or indirectly for high-risk investments including securities investment and derivatives trading.

An announcement in respect of the above matters shall be published within two trading days after the consideration and approval by the Board.

Prior to the lapse of the period on the replenishment of working capital, the Company shall return such funds to the Specified Account for the proceeds and publish an announcement within two trading days after the funds are returned in full.

Article 18: Prior to the completion of all investment projects funded by the proceeds, in the event that the Company has surplus proceeds as a result of the termination or completion of some of the investment projects funded by the proceeds, the Company may use a portion of the proceeds for permanent replenishment of working capital, subject to the following conditions:

- (1) The proceeds have been acquired for more than one year;
- (2) The implementation of other investment projects funded by the proceeds will not be affected;
- (3) The approval procedures and the information disclosure obligation are performed in accordance with the requirements regarding the change of use of the proceeds.

Article 19: The excess proceeds shall be used in the following order after taking into account the actual production and operation needs of the Company and subject to consideration and approval by the Board or at the general meeting:

- (1) making up the shortfall in funding to investment projects funded by the proceeds;
- (2) financing projects under development and new projects;
- (3) repayment of bank loans;
- (4) temporary replenishment of working capital;
- (5) engaging in cash management;
- (6) permanently replenishing working capital.

Article 20: Where the Company applies the excess proceeds to projects under development and new projects, it shall do so based on the progress of such projects. In the event that any excess proceeds are to be used by the Company to finance projects under development and new projects, the sponsoring institution or the independent financial advisor and independent directors shall issue specific opinions. Projects involving connected transactions, asset acquisitions or external investments shall also undergo review procedures and comply with information disclosure obligation in accordance with regulations such as the requirements under Chapter 9 and 10 of the Listing Rules of Shenzhen Stock Exchange and Decision Making System in respect of Connected Transactions of Weichai Power Co., Ltd. (《潍柴動力股份有限公司關聯交易決策制度》).

Article 21: In the event that the Company uses the excess proceeds to repay bank loans or permanently replenish working capital, it shall be subject to consideration and approval at the general meeting with express consent given by the independent directors and the sponsoring institution or the independent financial advisor, and the Company shall make relevant disclosure and meet the following requirements:

- (1) The Company shall undertake that it will not conduct any high-risk investment such as securities investment and derivatives trading or provide financial assistance to targets other than its controlled subsidiaries within 12 months after replenishing its working capital;
- (2) The Company shall repay its bank loans or replenish its working capital according to its actual needs, and the aggregate amount used for this purpose in any 12 consecutive months shall not exceed 30% of the aggregate excess proceeds.

Chapter IV Change in the Use of the Proceeds

Article 22: Any one of following events shall be deemed as a change in the use of the proceeds by the Company:

- (1) Cancellation or termination of the original investment projects funded by the proceeds and implementation of new projects;
- (2) Change of implementing entity of the investment projects funded by the proceeds (except for change of implementing entity from the Company to the Company's wholly-owned subsidiaries and vice versa);
- (3) Change of the way of implementation of the investment projects funded by the proceeds;
- (4) Other circumstances taken by the Shenzhen Stock Exchange as a change in the use of the proceeds.

Article 23: In the event of a change in the use of the proceeds, the Company shall publish an announcement within two trading days after the consideration and approval by the Board.

Article 24: The Board of the Company shall conduct sound and prudent analysis of the feasibility of the new investment project funded by the proceeds after the proposed change and shall be satisfied that the new investment projects have better market prospects and profitability, in order to effectively avoid investment risks and enhance efficiency in terms of the use of the proceeds.

Article 25: Where the Company implements investment projects funded by the proceeds through joint ventures, it shall prudently consider the necessity of joint venturing based on a thorough understanding of the basic information of the joint venture partners, and shall be the controlling shareholder of the joint venture to ensure an effective control over the investment projects funded by the proceeds.

Article 26: Where the Company changes the use of the proceeds to acquire assets (including interests) of its controlling shareholder or de facto controller, it shall ensure effective avoidance of peer competition and reduction of connected transactions after the acquisition.

Article 27: In respect of changes in the implementation location of the investment projects funded by the proceeds, the Company shall publish an announcement within two trading days after the consideration and approval by the Board, stating the change, the reasons, the effect on the investment projects funded by the proceeds and the opinions issued by the sponsoring institution or the independent financial advisor.

Chapter V Management and Supervision of Use of the Proceeds

Article 28: The Secretary of the Board shall take the lead to audit the information disclosure report for the use of the proceeds, which will be jointly signed by relevant departments including the financial management department and the auditing department after auditing.

Article 29: The accounting department of the Company shall set up a ledger account for the use of the proceeds, recording details of spending of the proceeds and the application of the proceeds to investment projects.

The internal audit department of the Company shall examine the deposit and use of the proceeds at least once a quarter and promptly report the inspection findings to the audit committee.

Where the audit committee is of the opinion that irregularities or material risk exist in the Company's management of the proceeds, or that the internal audit department did not report any inspection findings in accordance with the aforementioned provision, it shall promptly report such event to the Board. The Board shall report the same to Shenzhen Stock Exchange and publish an announcement thereon within two trading days upon receipt of the report from the audit committee.

Article 30: The Board of the Company shall conduct comprehensive verification against the progress of investment projects funded by the proceeds following the end of each half-year period, issue half-year and annual special reports on the deposit and use of the proceeds, and appoint an accounting firm to issue an assurance report on the deposit and the use of the proceeds for the year. The Company shall disclose the assurance report issued by the accounting firm and its regular report on qualified media at the same time.

In the event of discrepancy between the actual investment progress of investment projects funded by the proceeds and the investment plan, the Company shall provide specific explanation. In the event of a more than 30% discrepancy between the actual amount of proceeds used in investment projects funded by the proceeds in a given year and the expected amount of proceeds to be used as stated in the latest disclosed proceeds investment plan, the Company shall adjust the proceeds investment plan, and disclose information including the latest annual proceeds investment plan, current actual investment progress, expected investment plan by year after adjustment, and reasons for the changes in investment plan in the special report of the use of the proceeds for the year and in the regular report.

The accounting firm shall provide reasonable assurance and make a conclusion as to whether the special report has been prepared by the Board in compliance with the Guidelines for Standardised Operation of Companies Listed on the Shenzhen Stock Exchange (2020 Revision) (《深圳證券交易所上市公司規範運作指引(2020年修訂)》) and relevant format instructions and whether it gives a true view of the actual deposit and use of the proceeds for the year.

In the event that the conclusion issued by the accounting firm is a “Qualified opinion” or “Adverse opinion” or the accounting firm is “unable to form an opinion”, the Board of the Company shall conduct an analysis in respect of the reasons for the conclusion given by the certified public accountants in the assurance report, propose rectification measures and make disclosure in the annual report.

Article 31: Independent directors shall pay attention to material discrepancies between the actual use of the proceeds and the information disclosed by the Company. With the consent of more than half of the independent directors, they may engage an accounting firm to issue an assurance report on the deposit and use of the proceeds. The Company shall be fully cooperative and bear the necessary expenses.

Article 32: The sponsoring institution or the independent financial advisor shall conduct on-site investigation on the deposit and use of the proceeds of the Company at least once on a semi-annual basis. At the end of each accounting year, the sponsoring institution or the independent financial advisor shall issue and disclose a special review report on the deposit and use of the proceeds of the Company for the year.

In the event that the conclusion on the deposit and use of the proceeds of the Company issued by the accounting firm is a “Qualified opinion” or “Adverse opinion” or the accounting firm is “unable to form an opinion”, the sponsoring institution or the independent financial advisor shall conduct careful analysis on the reasons for the above assurance conclusion made by the accounting firm and express a clear review opinion in its review report.

Where the sponsoring institution or the independent financial advisor identifies any material violation or risk in the management of the proceeds of the Company during the on-site inspection on the Company, they shall report to Shenzhen Stock Exchange in a timely manner.

Chapter VI Information Disclosure Concerning the Proceeds

Article 33: The Company shall, in accordance with the information disclosure procedure, disclose the use, approval and project implementation progress of the proceeds in its regular reports. Other information relevant to the proceeds which shall be disclosed, including but not limited to signing of the supervisory agreement for the proceeds, replacement of self-raised funds previously invested with the proceeds, changes in the location and the method of implementation of investment projects funded by the proceeds, and use of idle proceeds for temporary replenishment of working capital, shall be announced in the form of provisional report in accordance with the Listing Rules of Shenzhen Stock Exchange and relevant laws and regulations and regulatory documents.

Article 34: The information disclosure procedure of the above regular and provisional reports shall be implemented with reference to Management Measures of Information Disclosure (《信息披露管理辦法》) of the Company.

Chapter VII Supplementary Provisions

Article 35: Directors, supervisors and senior management of the Company shall be diligent and responsible, and urge the Company to standardise the use of the proceeds and consciously safeguard the safety of the assets of the Company, and shall not participate in, assist or connive at the change or essential change of the use of the proceeds by the Company.

Article 36: The Measures shall come into force upon consideration and approval at the general meeting of the Company, and the previous Management Measures for the Use of the Proceeds of Weichai Power Co., Ltd. shall cease to be effective at the same time.

Article 37: The Measures shall be interpreted by the Board of the Company.



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)

**NOTICE OF EXTRAORDINARY GENERAL MEETING OF
THE SHAREHOLDERS OF WEICHAI POWER CO., LTD.**

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “EGM”) of Weichai Power Co., Ltd. (the “Company”) will be held at the Company’s conference room at 197, Section A, Fu Shou East Street, High Technology Industrial Development Zone, Weifang, Shandong Province, the People’s Republic of China on 29 January 2021 at 2:50 p.m. for the purposes of considering and, if thought fit, approving the matters set out below. Unless the context otherwise requires, terms defined in the circular to the shareholders of the Company dated 11 January 2021, of which this notice forms part (the “Circular”) shall have the same meaning when used herein.

AS SPECIAL RESOLUTIONS

1. To consider and approve the grant of the General Mandate to issue Shares to the Board. *(Note H)*
2. To consider and approve the resolution on the Company’s compliance with the conditions of Non-public Issuance of A Shares.
3. To consider and approve the Issuance Proposal for the proposed Non-public Issuance of A Shares:
 - 3.1 class and par value of Shares to be issued;
 - 3.2 method and time of issuance;
 - 3.3 target subscribers and subscription method;
 - 3.4 Pricing Benchmark Date, issue price and pricing;
 - 3.5 number of Shares to be issued;
 - 3.6 lock-up period arrangement;
 - 3.7 place of listing of the new A Shares to be issued;
 - 3.8 arrangement of accumulated undistributed profits;

NOTICE OF EGM

- 3.9 validity of the resolutions in respect of the Non-public Issuance of A Shares;
and
- 3.10 use of proceeds.
4. To consider and approve the resolution on the Plan for the Non-public Issuance of A Shares.
5. To consider and approve the resolution on the Feasibility Analysis Report on the Use of Proceeds from the Non-public Issuance of A Shares.
6. To consider and approve the resolution on the absence of need to prepare a report on the use of previously raised proceeds.
7. To consider and approve the resolution on the remedial measures for the dilution of immediate returns upon the Non-public Issuance of A Shares and undertakings by the relevant persons.
8. To consider and approve the resolution on the Company's Plan on Shareholders' Return for the Upcoming Three Years (2021 – 2023).
9. To consider and approve the resolution on the authorisation to the Board and its authorised person(s) to deal with matters relevant to the Non-public Issuance of A Shares.

AS ORDINARY RESOLUTION

10. To consider and approve the resolution on the proposed amendments to the Company's Management Measures on the Use of Raised Proceeds.

By Order of the Board of Directors
Weichai Power Co., Ltd.
Kwong Kwan Tong
Company Secretary

Hong Kong, 11 January 2021

NOTICE OF EGM

Notes:

- (A) The Company will not process registration of transfers of H shares (being overseas listed foreign shares and ordinary shares) in the share capital of the Company with a Renminbi denominated par value of RMB1.00 each, which are subscribed and/or paid for in Hong Kong dollars and listed on The Stock Exchange of Hong Kong Limited (“**H Shares**”) from 26 January 2021 to 29 January 2021 (both days inclusive). Holders of H Shares whose names appear on the register of H Shares kept at Computershare Hong Kong Investor Services Limited on 29 January 2021 are entitled to attend and vote at the EGM following completion of the registration procedures. To qualify for attendance and voting at the EGM, documents on transfers of H Shares of the Company, accompanied by the relevant share certificates, must be lodged with the Company’s H-Share Registrar, not later than 4:30 p.m. on 25 January 2021. The address of the Company’s H-Share Registrar is as follows:

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor, Hopewell Centre
183 Queen’s Road East
Wanchai
Hong Kong

- (B) Each holder of H Shares of the Company entitled to attend and vote at the EGM may, by completing the form of proxy of the Company, appoint one or more proxies to attend and vote at the EGM on his/her behalf. A proxy need not be a shareholder of the Company. With respect to any shareholder who has appointed more than one proxy, the proxy holders may only vote on a poll.
- (C) Holders of H Shares of the Company must use the form of proxy of the Company for appointing a proxy and the appointment must be in writing. The form of proxy must be signed by the relevant shareholder or by a person duly authorised by the relevant shareholder in writing (a “**power of attorney**”). If the form of proxy is signed by the person authorised by the relevant shareholder as aforesaid, the relevant power of attorney and other relevant documents of authorisation (if any) must be notarised. If a corporate shareholder appoints a person other than its legal representative to attend the EGM on its behalf, the relevant form of proxy must be affixed with the company seal/chop of the corporate shareholder or duly signed by its director or any other person duly authorised by that corporate shareholder as required by the Articles of Association of the Company.
- (D) To be valid, the form of proxy and the relevant notarised power of attorney (if any) and other relevant documents of authorisation (if any) as mentioned in Note (C) above must be delivered to the Company’s H-Share Registrar, Computershare Hong Kong Investor Services Limited (address: 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong), not less than 24 hours before the time appointed for the EGM.
- (E) Each holder of A shares (being ordinary shares) in the share capital of the Company with a Renminbi denominated par value of RMB1.00 each, which are traded in Renminbi and listed on the Shenzhen Stock Exchange (“**A Shares**”) who is entitled to attend and vote at the EGM may also, by completing the form of proxy of the Company, appoint one or more proxies to attend and vote at the EGM on his behalf. A proxy need not be a shareholder of the Company. Notes (B) and (C) above also apply to the holders of A Shares of the Company, except that, to be valid, the form of proxy and the relevant power of attorney (if any) and other relevant documents of authorisation (if any) must be delivered to the Secretary to the board of Directors of the Company not less than 24 hours before the time appointed for the EGM. The address of the Secretary to the board of Directors of the Company is as follow:

Legal and Securities Affairs Department
197, Section A, Fu Shou East Street
High Technology Industrial Development Zone
Weifang
Shandong Province
The People’s Republic of China
Postal Code: 261061
Telephone No.: 86 (536) 819 7069
Facsimile No.: 86 (536) 819 7073

NOTICE OF EGM

- (F) A shareholder or his/her proxy should produce proof of identity when attending the EGM. If a corporate shareholder's legal representative or any other person authorised by the board of directors or other governing body of such corporate shareholder attends the EGM, such legal representative or other person shall produce his/her proof of identity, and proof of designation as legal representative and the valid resolution or authorisation document of the board of directors or other governing body of such corporate shareholder (as the case may be) to prove the identity and authorisation of that legal representative or other person.
- (G) Any proposal to appoint any person to the office of director of the Company at the EGM shall be given in writing and, notice in writing by that person of his consent to be elected as director shall be, lodged at the registered office of the Company at 197, Section A, Fu Shou East Street, High Technology Industrial Development Zone, Weifang, Shandong Province, the People's Republic of China. The period for lodgement of such notices shall commence on (and include) the day after the date of this notice of the EGM and end on (and exclude) the date that is seven (7) days before the date of the EGM.
- (H) Resolutions numbered 2 to 9 as set out in this EGM notice are conditional upon the passing of the resolution numbered 1 in this EGM notice by way of special resolution.
- (I) The EGM is expected to last for not more than half a day. Shareholders who attend the EGM shall bear their own travelling and accommodation expenses.

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