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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.

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**WEICHAI**  
**潍柴**  
**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)**

**(1) NON-EXEMPT CONTINUING CONNECTED TRANSACTION,  
(2) PRC CONTINUING CONNECTED TRANSACTION,  
(3) MAJOR AND CONTINUING CONNECTED TRANSACTIONS,  
(4) PROPOSED PAYMENT OF CASH DIVIDENDS,  
(5) PROPOSED AMENDMENTS TO  
THE RULES OF PROCEDURE FOR BOARD MEETINGS  
AND  
(6) NOTICE OF ANNUAL GENERAL MEETING**

**Independent financial adviser to the independent board committee and the independent shareholders of Weichai Power Co., Ltd. in relation to (i) the Non-exempt Continuing Connected Transaction and (ii) the provision of deposit services under the New Financial Services Agreement**

**TRINITY**  
**Trinity Corporate Finance Limited**

A letter from the Board is set out on pages 6 to 28 of this circular.

A letter from the Independent Board Committee to the Independent Shareholders on the Non-exempt Continuing Connected Transaction is set out on page 29 of this circular. A letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the Non-exempt Continuing Connected Transaction is set out on pages 30 to 40 of this circular.

A letter from the Independent Board Committee to the Independent Shareholders in relation to the provision of deposit services under the New Financial Services Agreement is set out on pages 41 to 42 of this circular. A letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the provision of deposit services under the New Financial Services Agreement is set out on pages 43 to 54 of this circular.

A notice convening the AGM to 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 PRC on 28 June 2022 at 2:30 p.m. is set out on pages 66 to 69 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 197, Section A, Fu Shou East Street, High Technology Industrial Development Zone, Weifang, Shandong Province, the PRC (postal code: 261061) (attention: the office of the Board of Directors) (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.

26 May 2022

# CONTENTS

	<i>Page</i>
<b>DEFINITIONS .....</b>	<b>1</b>
<b>LETTER FROM THE BOARD .....</b>	<b>6</b>
<b>LETTER FROM THE INDEPENDENT BOARD COMMITTEE ON THE NON-EXEMPT CONTINUING CONNECTED TRANSACTION .....</b>	<b>29</b>
<b>LETTER FROM THE INDEPENDENT FINANCIAL ADVISER ON THE NON-EXEMPT CONTINUING CONNECTED TRANSACTION .....</b>	<b>30</b>
<b>LETTER FROM THE INDEPENDENT BOARD COMMITTEE ON THE MAJOR AND CONTINUING CONNECTED TRANSACTIONS .....</b>	<b>41</b>
<b>LETTER FROM THE INDEPENDENT FINANCIAL ADVISER ON THE MAJOR AND CONTINUING CONNECTED TRANSACTIONS .....</b>	<b>43</b>
<b>APPENDIX I – FINANCIAL INFORMATION OF THE GROUP .....</b>	<b>55</b>
<b>APPENDIX II – GENERAL INFORMATION .....</b>	<b>59</b>
<b>NOTICE OF AGM .....</b>	<b>66</b>

## DEFINITIONS

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

“0.1% Threshold”	the thresholds referred to in Rule 14A.76(1)(a) of the Listing Rules
“5% Threshold”	the thresholds referred to in Rule 14A.76(2)(a) of the Listing Rules
“AGM”	the annual general meeting of the Company to be held on Tuesday, 28 June 2022, the notice of which is contained in this circular
“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
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Beiqi Foton”	北汽福田汽車股份有限公司 (Beiqi Foton Motor Co., Ltd.*), a company established in the PRC
“Board”	the board of Directors
“CBIRC”	China Banking and Insurance Regulatory Commission
“Cash Dividends”	has the meaning ascribed thereto under the section headed “V. Proposed Payment of Cash Dividends” in the letter from the Board contained in this circular
“China” or “PRC”	the People’s Republic of China
“CNHTC”	中國重型汽車集團有限公司 (China National Heavy Duty Truck Group Company Limited), a state-owned enterprise organized under the laws of the PRC with limited liability and a connected person of the Company
“CNHTC Group”	CNHTC and its associates

## DEFINITIONS

“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(s)”	has the meaning ascribed thereto under the Listing Rules
“Continuing Connected Transaction”	the transaction between the Group and the CNHTC Group as set out in the section headed “II. The Non-exempt Continuing Connected Transaction” in the letter from the Board contained in this circular
“Director(s)”	the director(s) of the Company
“Existing Financial Services Agreement”	the financial services agreement entered into between the Company and Shandong Finance on 25 March 2019
“Exempt Continuing Connected Transaction(s)”	being continuing connected transaction(s) of the Group exempt from circular, independent financial advice and shareholders’ approval requirements, or the proposed new caps for which do not exceed the 5% Threshold and, accordingly, are not subject to the approval by the Independent Shareholders under the Listing Rules, and, where such new caps exceed the 0.1% Threshold, are only subject to the reporting, announcement and annual review requirements of Chapter 14A of the Listing Rules
“Group”	the Company and its subsidiaries (as defined in the Listing Rules), 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 Stock Exchange
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	a committee of the Board comprising Mr. Li Hongwu, Mr. Wen Daocai, Ms. Jiang Yan, Mr. Yu Zhuoping and Ms. Zhao Huifang, being the independent non-executive Directors

## DEFINITIONS

“Independent Financial Adviser”	Trinity Corporate Finance Limited, the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of (i) the Non-exempt Continuing Connected Transaction and (ii) the provision of deposit services under the New Financial Services Agreement
“Independent Shareholders”	Shareholders who are not required to abstain from voting at the AGM in respect of the Non-exempt Continuing Connected Transaction and the provision of deposit services under the New Financial Services Agreement
“Latest Practicable Date”	20 May 2022, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“New Cap(s)”	the annual cap(s) for the Continuing Connected Transaction and/or the deposit services under the New Financial Services Agreement (as the case maybe) as set out in the sections headed “II. The Non-exempt Continuing Connected Transaction” and “IV. Major and Continuing Connected Transactions – 4. Proposed annual caps and reasons – Deposit services” in the letter from the Board contained in this circular
“New CNHTC Purchase Agreement”	the agreement entered into between the Company and CNHTC on 30 March 2022 as more particularly set out in section III in the letter from the Board contained in this circular
“New CNHTC Supply Agreement”	the agreement entered into between the Company and CNHTC on 30 March 2022 as more particularly set out in section II in the letter from the Board contained in this circular
“New Financial Services Agreement”	the financial services agreement entered into between the Company and Shandong Finance on 30 March 2022

## DEFINITIONS

“Non-exempt Continuing Connected Transaction”	being the Continuing Connected Transaction at the Company level, the proposed New Caps for which exceed the 5% Threshold, and accordingly, will be subject to the reporting requirements, the announcement requirement and the annual review requirements under the Listing Rules, and approval from the Independent Shareholders at the AGM will be required
“PRC Continuing Connected Transaction(s)”	the transaction(s) set out under the section headed “III. PRC Continuing Connected Transaction” in the letter from the Board contained in this circular, which constitute continuing connected transactions of the Company under the relevant laws and regulations of the PRC and the Shenzhen Listing Rules and are subject to the approval by the independent Shareholders at the AGM
“Previous Cap(s)”	the previous cap(s) for the Continuing Connected Transaction (before becoming continuing connected transactions of the Company) set out in the section headed “II. The Non-exempt Continuing Connected Transaction” in the letter from the Board contained in this circular
“Previous CNHTC Purchase Agreement”	the agreement entered into between the Company and CNHTC on 25 February 2021, details of which are disclosed in section II.(a). of the announcement of the Company dated 25 February 2021
“Previous CNHTC Supply Agreement”	the agreement entered into between the Company and CNHTC on 25 February 2021, details of which are disclosed in section II.(b). of the announcement of the Company dated 25 February 2021
“Record Date”	means the record date to be determined by the Board by reference to which entitlements to the payment of the Cash Dividends be determined
“RMB”	Renminbi, the lawful currency of the PRC
“Rules of Procedure for Board Meetings”	the Rules of Procedure for Board Meetings (董事會議事規則) of the Company
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

## DEFINITIONS

“Shandong Finance”	山東重工集團財務有限公司 (Shandong Heavy Industry Group Finance Co., Ltd.*), a company established in the PRC with limited liability which is owned as to 37.5%, 31.25%, 12.5%, 12.5% and 6.25% by Shandong Heavy Industry, the Company, 濰柴重機股份有限公司 (Weichai Heavy-duty Machinery Co., Ltd.*), 山推工程機械股份有限公司 (Shantui Engineering Machinery Co., Ltd.*) and 陝西法士特齒輪有限責任公司 (Shaanxi Fast Gear Co., Ltd.*, a 51% subsidiary of the Company), respectively
“Shandong Heavy Industry”	山東重工集團有限公司 (Shandong Heavy Industry Group Co., Ltd.), a substantial shareholder and connected person of the Company holding the entire capital of Weichai Holdings, a subsidiary of the State-owned Assets Supervision and Administration Commission of Shandong Province
“Share(s)”	share(s) of RMB1.00 each in the capital of the Company
“Shareholder(s)”	holder(s) of the shares of the Company
“Shenzhen Listing Rules”	《股票上市規則》 (“listing rules”) of the Shenzhen Stock Exchange
“Sinotruk Annoucement”	the announcement issued by Sinotruk (Hong Kong) Limited dated 28 February 2022 in respect of the completion of gratuitous transfers of 65% of the equity interest in CNHTC to Shandong Heavy Industry
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supervisor(s)”	supervisor(s) of the Company
“Weichai Holdings”	濰柴控股集團有限公司 (Weichai Group Holdings Limited*) (formerly known as 濰坊柴油機廠 (Weifang Diesel Engine Works*)), a legal person established in the PRC, a substantial shareholder of the Company and a connected person of the Company
“%”	per cent

\* For identification purposes only

*If there is any inconsistency between the Chinese name of the entities mentioned in this circular and their English translation, the Chinese version shall prevail.*

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  
Xu Xinyu  
Sun Shaojun  
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  
Ma Changhai  
Wu Hongwei

*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

26 May 2022

To: Holders of H Shares  
Holders of A Shares

Dear Sir or Madam,

- (1) NON-EXEMPT CONTINUING CONNECTED TRANSACTION,  
(2) PRC CONTINUING CONNECTED TRANSACTION,  
(3) MAJOR AND CONTINUING CONNECTED TRANSACTIONS,  
(4) PROPOSED PAYMENT OF CASH DIVIDENDS,  
(5) PROPOSED AMENDMENTS TO  
THE RULES OF PROCEDURE FOR BOARD MEETINGS  
AND  
(6) NOTICE OF ANNUAL GENERAL MEETING



## LETTER FROM THE BOARD

### I. INTRODUCTION

Reference is made to (i) the announcement of the Company dated 30 March 2022 in relation to the entering into of the New CNHTC Supply Agreement in respect of the Continuing Connected Transaction and the New CNHTC Purchase Agreement in respect of the PRC Continuing Connected Transaction; (ii) the announcement of the Company dated 30 March 2022 in relation to the New Financial Services Agreement; and (iii) the announcement of the Company dated 30 March 2022 in relation to the annual results for the year ended 31 December 2021.

The purpose of this circular is to provide you with, among other things, further details on (i) the Continuing Connected Transaction (being a Non-exempt Continuing Connected Transaction) and the advice of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Continuing Connected Transaction; (ii) the PRC Continuing Connected Transaction; (iii) the deposit services under the New Financial Services Agreement and the advice of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the terms of the deposit services under the New Financial Services Agreement; (iv) the payment of Cash Dividends; and (v) the proposed amendments to the Rules of Procedure for Board Meetings. This circular also contains the notice convening the AGM.

### II. THE NON-EXEMPT CONTINUING CONNECTED TRANSACTION

Reference is made to the announcement of the Company dated 25 February 2021 in respect of certain possible continuing connected transactions between the Group and the CNHTC Group. Reference is also made to the Sinotruk Announcement, pursuant to which Sinotruk (Hong Kong) Limited disclosed that it received a notice from CNHTC on 28 February 2022 which stated that the gratuitous transfers in respect of 65% of the equity interest in CNHTC to Shandong Heavy Industry had been registered with the relevant government authorities in the PRC and hence, the gratuitous transfers had been completed. Accordingly, Shandong Heavy Industry has become holder of 65% of the equity interest CNHTC, and in turn, CNHTC and its associates have become connected persons of the Company.

As the Group has been conducting certain transactions with the CNHTC Group and intend to continue the same following the completion of gratuitous transfers as set out in the Sinotruk Announcement, the Group entered into, among other things, the CNHTC Supply Agreement with CNHTC on 30 March 2022 to govern the principle terms of such transactions for three years ending 31 December 2024.

## LETTER FROM THE BOARD

### 1. Summary of the Continuing Connected Transaction and the Proposed New Caps

The Non-exempt Continuing Connected Transaction is the following Continuing Connected Transaction:

Name of connected person	Name of Group Company	Connected person's relationship with the Group	Nature of the connected transaction with the Group
CNHTC (and its associates)	The Company (for itself and on behalf of its subsidiaries)	Shandong Heavy Industry is the holder of 65% of the equity interest of CNHTC	Sale of vehicles, vehicle parts and components and related products, engines, engine parts and components and related products, and relevant services by the Company (and its subsidiaries) to CNHTC (and its associates)

The proposed New Caps for the Non-exempt Continuing Connected Transaction are set out below:

Details of the relevant Continuing Connected Transaction	Proposed New Caps		
	For the year ending	For the year ending	For the year ending
	31 December 2022	31 December 2023	31 December 2024
	RMB	RMB	RMB
Sale of vehicles, vehicle parts and components and related products, engines, engine parts and components and related products, and relevant services by the Company (and its subsidiaries) to CNHTC (and its associates)	16,127,000,000	17,889,000,000	19,758,000,000

### 2. Details of the Continuing Connected Transaction and the New CNHTC Supply Agreement

*Continuing Connected Transaction between CNHTC (and its associates) and the Group*

*The Company*

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

## LETTER FROM THE BOARD

### CNHTC

CNHTC is a commercial vehicles manufacturer. It is a state-owned enterprise organised under the laws of the PRC with limited liability and is ultimately governed and controlled by Shandong Provincial People's Government\* (山東省人民政府).

Shandong Heavy Industry is a substantial shareholder of the Company indirectly holding approximately 16.30% of the issued share capital of the Company. As such, Shandong Heavy Industry is a substantial shareholder of the Company and, in turn, a connected person of the Company. As Shandong Heavy Industry is a holder of 65% of the equity interest in CNHTC following completion of the gratuitous transfers as disclosed in the Sinotruk Announcement, CNHTC is an associate of Shandong Heavy Industry and, accordingly, a connected person of the Company.

*Sale of vehicles, vehicle parts and components and related products, engines, engine parts and components and related products, and relevant services by the Company (and its subsidiaries) to CNHTC (and its associates)*

Agreement:	New CNHTC Supply Agreement
Date:	30 March 2022
Parties:	1. The Company 2. CNHTC
Term:	1 January 2022 to 31 December 2024

The terms of the New CNHTC Supply Agreement are substantially the same as those of the Previous CNHTC Supply Agreement.

Pursuant to the New CNHTC Supply Agreement, the Company and/or other Group Company (as the case may be) shall sell vehicles, vehicle parts and components and related products, engines, engine parts and components and related products and relevant services (as the case may be) to CNHTC and/or its associates (as the case may be) at market prices and settled on a monthly or quarterly basis (depending on the terms of the definitive agreements to be entered into by the parties), for a term of three years ending 31 December 2024, upon the expiry of which the parties shall have an option to renew the same for a period of three years on a mutually agreed basis.

The price of the said products shall be determined according to the following mechanism: the marketing department of the Company regularly conducts market research and analysis regarding specific products, in which a number of factors, including the overall market prices, market shares, ordering situation and performance of major competitors of such products, are comprehensively considered. Taking into account the results of the aforementioned research and analysis and with reference to the relevant mark up to the production costs of the products of different specifications on a "cost-plus" basis with reference to the industrial gross profit margin, which generally ranges between

## LETTER FROM THE BOARD

3% to 10% for light duty truck products, and 16% to 25% and for heavy duty truck products, the marketing department of the Group would submit a price suggestion after its analysis to the Company's price management department and the final prices are determined at arm's length negotiation among the parties. The price management department of the Company regularly reviews the reasonableness of prices and makes amendments when necessary. The Directors are of the view that the abovementioned methods and procedures under the pricing policies can ensure that this Continuing Connected Transaction is conducted on normal commercial terms, the terms of sale shall be no less favourable than the terms available to independent third parties and not prejudicial to the interests of the Company and its minority Shareholders.

The Previous Cap for the year ended 31 December 2021 for the Continuing Connected Transaction is RMB16,600,000,000. For the Shareholder's information purposes, the actual transaction amounts in respect of the Group's sale of relevant products and services to the CNHTC Group for each of the three years ended 31 December 2021 (as detailed below) were less than RMB16,600,000,000.

The table below summarises the actual transaction amounts involved for the three years ended 31 December 2021 (unaudited) in respect of the Group's sale of relevant products and services to the CNHTC Group:

	For the year ended 31 December 2019 RMB (unaudited)	For the year ended 31 December 2020 RMB (unaudited)	For the year ended 31 December 2021 RMB (unaudited)
Actual transaction amount	210,480,749	5,758,015,100	9,377,634,275

Based on the consolidated management accounts of the Company, during the period since completion of the gratuitous transfers on 25 February 2022 to 31 March 2022, the Group's sale of relevant products and services to the CNHTC Group amounted to approximately RMB820,038,000.

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

As CNHTC has become an associate of Weichai Holdings following completion of the gratuitous transfers on 25 February 2022, the Group's sale of relevant products and services to the CNHTC Group for the period from 25 February 2022 onwards constitute

## LETTER FROM THE BOARD

part of the Weichai Holdings CCT. As at the Latest Practicable Date, the approved annual cap for the year ending 31 December 2022 under the Weichai Holdings CCT has not been exceeded. Before obtaining the Independent Shareholders' approval in respect of the proposed New Caps, the Company will ensure that the approved annual cap under the Weichai Holdings CCT is not exceeded having taken into account the sales of relevant products and services by the Group to the CNHTC Group from 25 February 2022 onwards.

The Company estimates that the transaction amount in respect of the Continuing Connected Transaction for the three years ending 31 December 2024 will not exceed RMB16,127 million, RMB17,889 million and RMB19,758 million, respectively, and such amounts have accordingly been set as the proposed New Caps for this Continuing Connected Transaction.

The above proposed New Caps have been estimated by the Company primarily based on:

- (i) the relevant historical transaction amounts,
- (ii) the estimate increase in the number of products required by the CNHTC Group in view of the implementation of the Group's sales plan for the years 2022 to 2024, having taken into account the estimated market conditions and export performance, the average unit prices of the same, and the costs of the processing services to be provided. In 2021, with the pandemic under control, the Chinese economic growth was higher than the global average level due to strong export and domestic demand. It is expected that such a demand in export will continue in the coming years, which along with the imposition of restriction policies in respect of China IV and China V standard automobiles, will further increase demands for the Group's products. Based on the aforementioned, and on the basis on a general increasing trend of costs and accordingly unit prices of product, the Group has devised its sales plan, and pursuant to which, for the years 2022 to 2024, the Group intends to sell approximately 230,000 to 270,000 units of engines, engine parts and components and related products to the CNHTC Group at an average unit price of RMB60,000, further, the turnover for the sales of vehicles, vehicle parts and components and related products to the CNHTC Group for the years 2022 to 2024 is estimated to be approximately RMB2,000 million to RMB2,500 million;
- (iii) the fact that the Group has since 2019 established a business relationship with the CNHTC Group involving the sale of relevant products and services by the Group to the CNHTC Group for the manufacturing of vehicles by the CNHTC Group. Given the track record of the Group being able to constantly supply products and services of reliable quality to the CNHTC Group, a closer cooperation between the Group and the CNHTC Group has been developed since the beginning of year 2021, further boosting the CNHTC Group's demand for the Group's products and services;

## LETTER FROM THE BOARD

- (iv) with the expected continual growth of the commercial vehicle market and an enhanced market recognition of the CNHTC Group's vehicles installed with the Group's engines, the CNHTC Group is expected to face a substantial increase in the need for the Group's engines, in order to meet with the increase in the CNHTC Group's sales of both its heavy duty trucks and light duty trucks; and
- (v) a buffer of approximately 5% in preparation of possible market fluctuations.

Taking into account and on the basis of all the aforesaid factors, it is estimated that the overall transaction amount of the sale of products and services by the Group to the CNHTC Group will increase by approximately 0.7 times for the year ending 31 December 2022 as compared with the actual transaction amount in 2021, and further by approximately 10.9% and 10.4% for each of the years ending 31 December 2023 and 31 December 2024, respectively.

In order to ensure that the actual transaction amounts do not exceed the proposed New Caps, the Group has implemented certain internal control policies and procedures, pursuant to which, designated personnel of the Company's finance department has been assigned to monitor the actual transaction amounts of the transactions contemplated under the New CNHTC Supply Agreement on a monthly basis, and reports will also be made to the senior management periodically such that if the actual transaction amounts reaches over 80% of the proposed New Caps, appropriate measures will be taken to revise the New Caps or to adjust the conducting of the transaction in a timely manner.

The table below sets out the proposed New Caps for the Continuing Connected Transaction set out in this sub-section 2. for the three years ending 31 December 2024:

	<b>2022</b>	<b>2023</b>	<b>2024</b>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Proposed New Cap	16,127,000,000	17,889,000,000	19,758,000,000

As all percentage ratios calculated in accordance with the Listing Rules for the Continuing Connected Transaction exceed the 5% Threshold, such Continuing Connected Transaction constitutes a Non-exempt Continuing Connected Transaction of the Company and the New CNHTC Supply Agreement and the relevant proposed New Caps will be subject to the reporting and announcement requirements, the annual review requirements, and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

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

## LETTER FROM THE BOARD

### 3. Reasons for the Continuing Connected Transaction

The Company is principally engaged in the research and development, manufacture and sale of high-speed, heavy-duty diesel engines and CNHTC is a commercial vehicles manufacturer. Leveraging on the existing business relationship between the Group and the CNHTC Group, the Board considers that the Continuing Connected Transaction will allow the Group to maintain a strong strategic and business relationship with the CNHTC Group, thereby generating synergy potential and mutual economic benefits between the Group and the CNHTC Group.

In respect of the Continuing Connected Transaction between the Group and the CNHTC Group, the Board is of the view that the sale of vehicles, vehicle parts and components and related products, engines, engine parts and components and related products and relevant services to the CNHTC Group will provide a secure source of revenue for the Group and contribute to the implementation of the Group's sales plan.

The Directors (including the independent non-executive Directors after considering the advice of the Independent Financial Adviser in respect of the Continuing Connected Transaction) have confirmed that the Continuing Connected Transaction has been subject to arm's length negotiation between the Company and CNHTC, and has been entered into by the Group in the ordinary and usual course of business and the New CNHTC Supply Agreement is either (i) on normal commercial terms or better, or (ii) on terms no less favourable to the Group than those available to or from (as appropriate) independent third parties, and the Continuing Connected Transaction and the relevant New Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole. In determining that the proposed New Caps are fair and reasonable, the Directors (including the independent non-executive Directors) have, in compliance with the requirements of the applicable laws, rules and regulations, the articles of association of the Company and the internal procedures of the Company, considered (i) the basis of setting the New Caps as disclosed above in the section headed "II. The Non-exempt Continuing Connected Transaction – Details of the Continuing Connected Transaction and the New CNHTC Supply Agreement" in the letter from the Board, and (ii) the advice of the Independent Financial Adviser in respect of the Continuing Connected Transaction.

At the meeting of the Board on 30 March 2022 approving, inter alia, the Continuing Connected Transaction, Mr. Tan Xuguang, Mr. Jiang Kui and Mr. Sun Shaojun have abstained from voting on the resolutions in respect of the Continuing Connected Transaction for the reasons of their respective interest and/or position (as the case may be) in the relevant connected person. Save as disclosed, no other Directors have any material interest in the Continuing Connected Transaction.

### 4. Listing Rules implications

As all percentage ratios calculated in accordance with the Listing Rules for the Continuing Connected Transaction exceed the 5% Threshold, such Continuing Connected Transaction constitutes a Non-exempt Continuing Connected Transaction of the Company and the New CNHTC Supply Agreement and proposed New Caps will be subject to the reporting and



## LETTER FROM THE BOARD

announcement requirements, the annual review requirements, and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

It was proposed that the New CNHTC Supply Agreement and the relevant New Caps in respect of the Continuing Connected Transaction shall be considered and, if thought fit, approved at the AGM.

Other than Weichai Holdings (which held 1,422,550,620 Shares representing approximately 16.30% of the issued Shares of the Company as at the Latest Practicable Date) and its associates, no Shareholder is required to abstain from voting in respect of such resolution in the AGM.

### III. PRC CONTINUING CONNECTED TRANSACTION

Reference is made to the announcement of the Company dated 30 March 2022 on the Stock Exchange, which announced, *inter alia*, that the Company has entered into the Exempt Continuing Connected Transaction which constitutes a PRC Continuing Connected Transaction.

A summary of the proposed PRC Continuing Connected Transaction and the relevant new caps is set out below:

Details of the relevant continuing connected transactions	Proposed new caps		
	For the year	For the year	For the year
	ending 31	ending 31	ending 31
	December	December	December
	2022	2023	2024
	RMB	RMB	RMB
<b>CNHTC (and its associates)</b>			
Purchase of vehicles, vehicle parts and components and related products, engines, engine parts and components and related products, and relevant services by the Company (and its subsidiaries) from CNHTC (and its associates)	617,000,000	847,000,000	1,083,000,000

As set out in the section headed II.(a) of the announcement of the Company dated 30 March 2022, the transactions contemplated under the New CNHTC Purchase Agreement constitute an Exempt Continuing Connected Transaction and are, accordingly, not subject to the approval of the Independent Shareholders under Chapter 14A of the Listing Rules. However, according to the relevant laws and regulations of the PRC and the Shenzhen Listing Rules, the transactions contemplated under the New CNHTC Purchase Agreement constitute a PRC Continuing Connected Transaction and are subject to the approval by the independent Shareholders at the AGM.

A summary of the salient terms of the New CNHTC Purchase Agreement is set out below for Shareholders' information.



## LETTER FROM THE BOARD

*Purchase of vehicles, vehicle parts and components and related products, engines, engine parts and components and related products, and relevant services by the Company (and its subsidiaries) from CNHTC (and its associates)*

Agreement: New CNHTC Purchase Agreement

Date: 30 March 2022

Parties: 1. The Company  
2. CNHTC

Term: 1 January 2022 to 31 December 2024

The terms of the New CNHTC Purchase Agreement are substantially the same as those of the Previous CNHTC Purchase Agreement.

Pursuant to the New CNHTC Purchase Agreement, CNHTC and/or its associates (as the case may be) shall supply certain vehicles, vehicle parts and components and related products, engines, engine parts and components and related products and relevant services (as the case may be) to the Company and/or other Group Company (as the case may be) at market prices and settled on a monthly or quarterly basis (depending on the terms of the definitive agreements to be entered into by the parties), for a term of three years ending 31 December 2024, upon the expiry of which the parties shall have an option to renew the same for a period of three years on a mutually agreed basis.

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

The previous cap for the year ended 31 December 2021 for this PRC Continuing Connected Transaction is RMB2,251,000,000.

## LETTER FROM THE BOARD

The table below summarises the actual transaction amounts involved for the three years ended 31 December 2021 (unaudited) in respect of the Group's purchase of relevant products and services from the CNHTC Group:

	<b>For the year ended 31 December 2019 RMB (unaudited)</b>	<b>For the year ended 31 December 2020 RMB (unaudited)</b>	<b>For the year ended 31 December 2021 RMB (unaudited)</b>
Actual transaction amount	70,063,598	73,436,800	231,832,628

The Company estimates that the transaction amounts in respect of this PRC Continuing Connected Transaction for the three years ending 31 December 2024 will not exceed RMB617 million, RMB847 million and RMB1,083 million, respectively, and such amounts have accordingly been set as the proposed new caps for this PRC Continuing Connected Transaction.

The above proposed new caps have been estimated by the Company primarily based on (i) the relevant historical costs, (ii) its estimate of an increase in transaction volume of the said purchases in view of the implementation of the Group's sales plan for the years 2022 to 2024, which in turn is based on the estimated production volume, material cost, processing cost and the volume of diesel engines to be sold and exported, (iii) the fact that the Group has since 2019 established a business relationship with the CNHTC Group involving the supply of relevant products and services by the CNHTC Group to the Group for the processing and manufacturing of vehicles and vehicle engines, and (iv) the increased demands from customers of the Group requesting for the installation of vehicle parts and components and engines from the CNHTC Group, and the Group's anticipated adjustment in replacing third party suppliers with the CNHTC Group in order to meet with such demands. Given the track record of CNHTC Group being able to constantly supply products and services of reliable quality to the Group, a closer cooperation between the Group and the CNHTC Group has been developed since the beginning of year 2021, which is expected to further boost the Group's demand for CNHTC Group's products and services.

Taking into account and on the basis of all the aforesaid factors, it is estimated that the overall transaction amount of the said purchase of products and services by the Group from the CNHTC Group will substantially increase by approximately 1.7 times for the year ending 31 December 2022 as compared with the actual transaction amount in 2021, and further by approximately 37.3% and 27.9% for each of the years ending 31 December 2023 and 31 December 2024, respectively.

The table below sets out the proposed new caps for the PRC Continuing Connected Transaction for the three years ending 31 December 2024:

	<b>2022 RMB</b>	<b>2023 RMB</b>	<b>2024 RMB</b>
Proposed new caps	617,000,000	847,000,000	1,083,000,000

## LETTER FROM THE BOARD

As the highest percentage ratio calculated in accordance with the Listing Rules for the PRC Continuing Connected Transaction exceeds the 0.1% Threshold but does not exceed the 5% Threshold, such PRC Continuing Connected Transaction is subject to the reporting, announcement and annual review requirements of Chapter 14A of the Listing Rules but is exempt from the Independent Shareholders' approval under the Listing Rules.

However, according to the relevant laws and regulations of the PRC and the Shenzhen Listing Rules, such continuing connected transaction constitutes a PRC Continuing Connected Transaction under the Shenzhen Listing Rules and is subject to the approval by the independent Shareholders at the AGM.

For further details of the PRC Continuing Connected Transaction, please refer to (i) the announcement of the Company entitled 《潍柴動力股份有限公司日常持續性關聯交易公告》 ("Announcement of Weichai Power Co., Ltd. in respect of its Continuing Connected Transactions in the Ordinary Course of Business") dated 30 March 2022 on the Shenzhen Stock Exchange, and (ii) the section headed "II.(a). Purchase of vehicles, vehicle parts and components and related products, engines, engine parts and components and related products, and relevant services by the Company (and its subsidiaries) from CNHTC (and its associates)" in the announcement of the Company dated 30 March 2022 in respect of the continuing connected transactions of the Company.

### IV. MAJOR AND CONTINUING CONNECTED TRANSACTIONS

#### 1. The background

Reference is made to the announcement of the Company dated 30 March 2022. As announced by the Board in such announcement, the Group entered into the New Financial Services Agreement on 30 March 2022, pursuant to which Shandong Finance has conditionally agreed to provide, inter alia, certain deposit services to the Company in accordance with the terms and conditions set out in the New Financial Services Agreement.

The Group shall utilise the services of Shandong Finance on a voluntary, non-exclusive basis and is not under any obligations to engage Shandong Finance for any particular service. Shandong Finance is a non-banking financial institution with the approval of the CBIRC, which is merely one of a number of financial institutions providing financial services to the Group.

#### 2. New Financial Services Agreement

Date: 30 March 2022

Parties: (1) the Company  
(2) Shandong Finance

The transactions under the New Financial Services Agreement are non-exclusive and the Group has the right to decide whether it requires and accepts the financial services

## LETTER FROM THE BOARD

to be provided by Shandong Finance, and to choose the financial institution at its discretion to engage the financial services, with reference to its own business needs.

### *Effective date and term*

The New Financial Services Agreement shall become effective on the execution date of the New Financial Services Agreement and has a term of three years ending 29 June 2025, subject to the approval at the AGM of the transactions contemplated under the New Financial Services Agreement and the proposed New Caps. The term of the New Financial Services Agreement can be extended on a mutually agreed basis.

### *Deposit services*

Shandong Finance shall provide certain deposit services to the Group, the principal terms of which are as follows:

- (a) the interest rate for the deposit of the Group's funds with Shandong Finance shall, subject to the compliance of the relevant requirements of the People's Bank of China, be no less than the highest interest rate for the same type of deposit offered by the major commercial banks in the PRC for the same period. It is estimated that the interest rate will range from the benchmark deposit rate announced by the People's Bank of China over the same period for the same level to 40% above such rate, which may be adjusted in accordance with changes in the currency policy of the People's Bank of China and interest rates in the market; and
- (b) the maximum daily balance (including interests) of the Group's deposit with Shandong Finance shall not exceed the following caps for each of the three years ending 29 June 2025:

	From 30 June 2022 to 29 June 2023 (RMB billion)	From 30 June 2023 to 29 June 2024 (RMB billion)	From 30 June 2024 to 29 June 2025 (RMB billion)
New Caps	34	37	40

### *Other terms of the New Financial Services Agreement*

In addition to the abovementioned deposit services, Shandong Finance has also agreed to provide the following financial services to the Group:

- (1) *Loan services*

Shandong Finance shall provide certain loan services to the Group under the New Financial Services Agreement. As the said loan services to be

## LETTER FROM THE BOARD

provided by Shandong Finance to the Group are on normal commercial terms similar to or more favourable than those offered by other financial institutions for the provision of comparable services in the PRC and are for the benefit of the Group, and no security over the assets of the Group is granted in respect of such loan services, the loan services to be provided by Shandong Finance to the Company under the New Financial Services Agreement are exempt from the reporting, announcement and independent shareholders' approval requirements under the Listing Rules according to Rule 14A.90 of the Listing Rules.

For completeness, the major terms of the said loan services to be provided by Shandong Finance to the Group are set out below for the Shareholders' information:

- (a) the loan services to be provided by Shandong Finance include the provision of loans, discounted notes and bill acceptance services and the grant of credit facilities within the scope allowed by the laws, regulations and policies of the PRC and in accordance with the requirements of the CBIRC;
- (b) the interest rate for the loan services to be provided by Shandong Finance to the Group shall, subject to the compliance of the relevant requirements of the People's Bank of China in relation to the interest of loans, not exceed the lowest interest rate for the same type and class of loan provided by other major commercial banks in the PRC to the Group for the same period. Accordingly, the interest rate will be determined with reference to the loan prime rate as announced by the People's Bank of China, which may be adjusted in accordance with changes in the currency policy of the People's Bank of China and interest rates in the market;
- (c) the Group shall not be required to provide any security over its assets for the loan services; and
- (d) Shandong Finance shall provide a credit facility in respect of the loan services of up to RMB26 billion, RMB27 billion and RMB28 billion, for each of the 12 months ending 29 June 2023, 29 June 2024 and 29 June 2025, respectively, to the Group and the annual interest that shall accrue thereunder shall not exceed RMB1,150 million, RMB1,200 million and RMB1,250 million for each of the 12 months ending 29 June 2023, 29 June 2024 and 29 June 2025, respectively.

(2) *Miscellaneous financial services*

Shandong Finance shall also provide certain other miscellaneous financial services to the Group under the New Financial Services Agreement.

## LETTER FROM THE BOARD

In respect of the provision of such financial services by Shandong Finance to the Group, as they are conducted on normal commercial terms or better to the Group, and the Group expects that all the percentage ratios (if applicable) of the relevant annual fees payable by the Group to Shandong Finance in aggregate will be below 0.1%, the provision of such financial services by Shandong Finance to the Group will be exempt from the reporting, announcement and independent shareholders' approval requirements under the Listing Rules according to Rule 14A.76 of the Listing Rules.

For completeness, the major terms of the provision of such financial services to be provided by Shandong Finance to the Group are set out below for the Shareholders' information:

- (a) the miscellaneous financial services include settlement services to be provided by Shandong Finance to the Group, pursuant to which Shandong Finance will provide payment and receipt services as well as other ancillary services related to such settlement services and other financial services within the business scope of Shandong Finance; and
- (b) the fees to be charged by Shandong Finance for (i) the provision of the settlement services shall not exceed the lowest rate for the same type of services provided by other major commercial banks in the PRC to the Group in the same period; and (ii) the other financial services shall not exceed the fair market price or the standard rates imposed according to the PRC regulations.

### **3. Existing annual caps and historical amount of deposit**

Pursuant to the terms of the Existing Financial Services Agreement, the existing annual caps, i.e. the maximum daily balance (including interests) of the Company's deposit with Shandong Finance for each of the 12 months ended 29 June 2020 and 29 June 2021, and the 12 months ending 29 June 2022 were RMB24.5 billion, RMB28 billion and RMB33 billion, respectively.

The maximum daily balance (including interests) of the Company's deposit with Shandong Finance during each of the 12 months ended 29 June 2020 and 29 June 2021, and the eight months ended 28 February 2022 were approximately RMB24.4 billion, RMB28.0 billion and RMB33.0 billion, respectively.

Since 28 February 2022 and up to the Latest Practicable Date, the actual daily balance (including interests) of the Company's deposit with Shandong Finance had not exceeded the existing annual cap (i.e. maximum daily balance) of RMB33 billion for the 12 months ending 29 June 2022.

## LETTER FROM THE BOARD

### 4. Proposed annual caps and reasons

#### *Deposit services*

The Board, having considered:

- (1) the historical cash position of the Group, in particular, the actual aggregate cash and deposit balances of the Group as at 31 December 2021 amounted to approximately RMB75 billion, among which the bank balance maintained by the Group with commercial banks and financial institutions as at 31 December 2021 amounted to approximately RMB65 billion. With the current average concentration rate of deposits of the Group maintained with Shandong Finance being only approximately 60%, the Board consider that there exists a demand for an expansion of the deposit services with Shandong Finance;
- (2) the utilisation of the existing annual caps (i.e. the maximum daily balances (including interests)) was approximately 99.6%, 100% and 100% for the each of the 12 months ended 29 June 2020 and 29 June 2021, and the eight months ended 28 February 2022, respectively, under the Existing Financial Services Agreement;
- (3) the expected growth of the business operations of the Group which is expected to create an increase in the cash inflow to the Group during the term of the Financial Services Agreement, and, in turn, lead to an increase in demand for deposit services with Shandong Finance which offers favourable interest rates to the Group as detailed in the sub-section headed “2. New Financial Services Agreement – Deposit services” above; and
- (4) the expected amount of interest income from Shandong Finance, took a conservative view that the actual daily balance (including interests) of the Company’s deposit with Shandong Finance for the 12 months ended 29 June 2023 shall increase by approximately 3% when compared with the existing annual cap of RMB33 billion for the 12 months ending 29 June 2022, and subsequently by approximately 8.8% and 8.1% for each of the 12 months ending 29 June 2024 and 29 June 2025, respectively. Hence, it was proposed that the maximum daily deposit balance (including interests) of the aggregated deposits placed by the Group with Shandong Finance pursuant to the New Financial Services

## LETTER FROM THE BOARD

Agreement shall not exceed the following caps for each of the three years ending 29 June 2025 (the “New Cap(s)”):

	From 30 June 2022 to 29 June 2023 (RMB billion)	From 30 June 2023 to 29 June 2024 (RMB billion)	From 30 June 2024 to 29 June 2025 (RMB billion)
New Caps	34	37	40

The Directors (including the independent non-executive Directors after considering the advice of the Independent Financial Adviser) consider that the above New Caps in respect of the deposit services are fair and reasonable.

### *Loan services and miscellaneous financial services*

As disclosed above, the provision of loan services and miscellaneous financial services by Shandong Finance to the Company pursuant to the New Financial Services Agreement are exempt from the reporting, announcement and independent shareholders’ approval requirements under the Listing Rules according to Rule 14A.90 and Rule 14A.76 of the Listing Rules, respectively.

### **5. Internal control procedures**

To secure the Shareholders’ interests, Shandong Finance has given certain undertakings under the New Financial Services Agreement and the Company has adopted certain internal control procedures, pursuant to which:

1. Shandong Finance shall ensure that it is in strict compliance with the requirements of the relevant PRC financial laws and regulations;
2. the monthly report or financial statements of Shandong Finance for each month will be provided to the Group;
3. a specific setting has been implemented within Shandong Finance’s fund management system which monitors the balance of the Group’s deposit with Shandong Finance on a daily basis, and pursuant to which a warning will be automatically generated and be notified to the Company should the aggregate amount of daily deposit maintained by the Group with Shandong Finance exceed a certain level;
4. specially designated personnel from the finance settlement department of the Company and the finance management department of the Company will be assigned to monitor the aggregate amount of daily balance maintained by the Group with Shandong Finance on a daily basis and to review the daily report issued by the fund management system of Shandong Finance as mentioned in paragraph (3) above to ensure that the New Caps will not be exceeded;



## LETTER FROM THE BOARD

5. the Company shall regularly review and obtain the relevant documents such as account books, financial statements and audit reports of Shandong Finance in order to assess the business of Shandong Finance and its financial risk and position;
6. the Company shall be notified within two business days upon the occurrence of circumstances that may cause harm to the security of the Group's deposits or on the occurrence of any other circumstances that may jeopardise the security of the Group's deposits. In the event that the relevant risks cannot be eliminated, the Company shall take relevant actions to withdraw all deposits; and
7. The auditors of the Company will conduct annual review on the transactions contemplated under the New Financial Services Agreement and the New Caps in respect of the deposit services in accordance with the Listing Rules. The independent non-executive Directors will also provide annual confirmations in the annual reports of the Company in respect of the transactions contemplated under the New Financial Services Agreement to ensure that such transactions are entered into on normal commercial terms, fair and reasonable, and carried out pursuant to its contractual terms.

The Board considers that the above undertakings given by Shandong Finance and internal control procedures adopted by the Company in respect of the transactions under the New Financial Services Agreement are appropriate and that they will give sufficient assurance to the Shareholders that the transactions under the New Financial Services Agreement will be appropriately monitored by the Company.

### **6. Reasons for and benefits of the New Financial Services Agreement**

The reasons for the Company to enter into the New Financial Services Agreement with Shandong Finance are as follows:

1. the interest rates offered by Shandong Finance for the deposit services, and the rates and fees charged by Shandong Finance for the loan services and miscellaneous financial services to be provided to the Company shall be equal to or more favourable than those offered or charged by major commercial banks and other financial institutions in the PRC for the same type of financial services provided to the Company;
2. the activities of Shandong Finance are regulated by the CBIRC and Shandong Finance provides services within its approved scope in accordance with its operational requirement; and
3. the Company directly holds 31.25%, and, through its 51% subsidiary, 陝西法士特齒輪有限責任公司 (Shaanxi Fast Gear Co., Ltd.\*), is interested in 6.25% equity interest in Shandong Finance, which allows it to benefit from the profits of Shandong Finance.

## LETTER FROM THE BOARD

The transactions under the New Financial Services Agreement shall facilitate the Group to increase the efficiency of fund utilisation, and reduce the cost of financing. It will not be detrimental to the interests of the Company and will not affect the independency of the Company.

The Directors (including the independent non-executive Directors after considering the advice of the Independent Financial Adviser) consider that the New Financial Services Agreement has been negotiated on arm's length basis and is on normal commercial terms. The terms of the New Financial Services Agreement, the transactions contemplated thereunder, the proposed New Caps in respect of the deposit services and the estimated fees payable for the related financial services are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

The Company approved the New Financial Services Agreement and the transactions contemplated thereunder in the Board meeting held on 30 March 2022. At the aforesaid Board meeting, Mr. Tan Xuguang, Mr. Jiang Kui and Mr. Sun Shaojun have abstained from voting in respect of the resolution approving such transactions in view of their respective positions in Shandong Heavy Industry. Save as disclosed above, none of the Directors has a material interest in such transactions and is required to abstain from voting.

### **7. Listing Rules implications**

Shandong Heavy Industry is a substantial shareholder of the Company holding approximately 16.30% of the issued share capital of the Company. As Shandong Heavy Industry holds 37.5% equity interest in Shandong Finance, Shandong Finance is an associate of Shandong Heavy Industry and therefore a connected person of the Company under the Listing Rules. Accordingly, the New Financial Services Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As certain of the applicable percentage ratios calculated in accordance with the Listing Rules for the deposit services under the New Financial Services Agreement exceed 25% but all of which are less than 100%, the provision of the deposit services by Shandong Finance to the Group constitutes a major transaction of the Company and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Further, as all of the applicable percentage ratios calculated in accordance with the Listing Rules for the deposit services under the New Financial Services Agreement for the three years ending 29 June 2025 exceed the 5% Threshold, the provision of the deposit services by Shandong Finance to the Group and the proposed New Caps for the relevant periods will be subject to the reporting, annual review, and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

It was proposed that the New Financial Services Agreement and the relevant New Caps shall be considered and, if thought fit, approved at the AGM.

## LETTER FROM THE BOARD

Other than Weichai Holdings (which held 1,422,550,620 Shares representing approximately 16.30% of the issued Shares of the Company as at the Latest Practicable Date) and its associates, no Shareholder is required to abstain from voting in respect of such resolution in the AGM.

### 8. Information on the parties

#### *The Company*

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

#### *Shandong Finance*

The business scope of Shandong Finance includes the following businesses in domestic and foreign currencies: (1) provision of finance services and financing consultancy services to its member companies, provision of credit verification and related consultancy and agency services to its member companies; (2) provision of assistance to its member companies in payment and receipt of transaction proceeds; (3) provision of approved insurance agency services; (4) provision of guarantees to its member companies; (5) dealing with entrusted loans among its member companies; (6) provision of bill acceptance and discounting services to its member companies; (7) provision of intra-group transfer and settlement services to its member companies and planning of clearing and settlement scheme; (8) provision of its deposit services to its member companies; (9) provision of loans and finance leasing services to member companies; (10) provision of interbank loans; (11) underwriting the corporate bonds issued by its member companies; (12) making investments in negotiable securities (except stock trading in secondary market); and (13) provision of consumer credit, buyer credit, finance leasing and other services as permitted by the CBIRC for its member companies.

Shandong Finance is held as to 37.5%, 31.25%, 12.5%, 12.5% and 6.25% by Shandong Heavy Industry, the Company, 潍柴重機股份有限公司 (Weichai Heavy-duty Machinery Co., Ltd.\*), 山推工程機械股份有限公司 (Shantui Engineering Machinery Co., Ltd.\*) and 陝西法士特齒輪有限責任公司 (Shaanxi Fast Gear Co., Ltd.\*, a 51% subsidiary of the Company), respectively.

Weichai Heavy-duty Machinery Co., Ltd. is a company whose shares are listed on the Shenzhen Stock Exchange (stock code: 000880) and is held as to approximately 30.59% by its single largest shareholder, 潍柴控股集團有限公司 (Weichai Group Holdings Limited\*), which is in turn a wholly-owned subsidiary of Shandong Heavy Industry.

Shantui Engineering Machinery Co., Ltd. is a company whose shares are listed on the Shenzhen Stock Exchange (stock code: 000680) and is accounted for as a subsidiary of Shandong Heavy Industry.

## LETTER FROM THE BOARD

To the best knowledge, information and belief of the Directors and having made all reasonable enquiries, Shandong Heavy Industry, and hence Shandong Finance, are ultimately governed and controlled by the Shandong Provincial People's Government.

### 9. Financial effect of the deposit services under New Financial Services Agreement

The Directors are of the opinion that the provision of deposit services under the New Financial Services Agreement will not have material impact on the earnings, assets and liabilities of the Group.

## V. PROPOSED PAYMENT OF CASH DIVIDENDS

On 30 March 2022, the Board proposed that the cash dividends (the “**Cash Dividends**”) of RMB1.85 (tax inclusive) per every 10 Shares held by such Shareholders on the Record Date will be paid by way of cash in the amount of RMB1,614,413,011.88 of the Company's retained earnings as at 31 December 2021. The payment of the Cash Dividends is still subject to the approval by the Shareholders at the AGM and the expected payment date for the Cash Dividends will be announced no later than two months from the date of obtaining the approval by the Shareholders of the payment of Cash Dividends.

## VI. PROPOSED AMENDMENTS TO THE RULES OF PROCEDURE FOR BOARD MEETINGS

In line with the Company's strategic and sustainable development needs and to improve the Company's corporate governance structure the Company, in accordance with the Environmental, Social and Governance Reporting Guide and related regulations promulgated by the Stock Exchange, the Company intends to clarify the Board's duty in respect of environmental, social and governance matters and accordingly the Board proposes to make the following amendments to the Rules of Procedure for Board Meetings:

### Article 13 of the Rules of Procedure for Board Meetings

The following wording be inserted as sub-paragraph 6 to paragraph (12) of Article 13 “6. *to supervise the environmental, social and governance work of the Company, to review the relevant report*” and the original sub-paragraph 6 be renumbered as sub-paragraph 7.

Since the Company is a PRC incorporated company and the official Rules of Procedure for Board Meetings are in the Chinese language, the above proposed amendments are an unofficial English language translation (the “**English Translation**”) of the official proposed amendments in the Chinese language (the “**Official Amendments**”), which are set out in the Chinese language version of this circular. Accordingly, in the event of any inconsistency between the English Translation and the Official Amendments, the Official Amendments shall prevail.

The above proposed amendments to the Rules of Procedure for Board Meetings are subject to the approval of the Shareholders by way of ordinary resolution at the AGM.

## LETTER FROM THE BOARD

### VII. AGM

The AGM 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 PRC on 28 June 2022 to consider and, if thought fit, approve, inter alia, the matters as set out in the notice convening the AGM set out in pages 66 to 69 of this circular.

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

The form of proxy for use at the AGM 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 meeting, 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 197, Section A, Fu Shou East Street, High Technology Industrial Development Zone, Weifang, Shandong Province, the PRC (postal code: 261061) (attention: the office of the Board of Directors) (with respect to the holders of A Shares), no later than 24 hours before the time fixed for holding the AGM 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.

### VIII. CLOSURE OF REGISTER OF HOLDERS OF H SHARES

The register of holders of H Shares of the Company will be closed from 23 June 2022 to 28 June 2022, both days inclusive, during which period no transfer of H Shares will be effected. In order to qualify for attending the AGM, 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 22 June 2022.

Please refer to further announcement to be issued by the Company no later than two months from the date of obtaining the approval by the Shareholders of the payment of Cash Dividends for details of the Record Date and closure of register of members of the Company in determining the Shareholders' entitlement to the Cash Dividends.

## LETTER FROM THE BOARD

### IX. RECOMMENDATIONS

Having considered the reasons set out herein, the Directors, including the independent non-executive Directors (having considered the advice of the Independent Financial Adviser), are of the opinion that (i) the terms of the New CNHTC Supply Agreement and the relevant New Caps in respect of the Non-exempt Continuing Connected Transaction and, (ii) the terms of the deposit services under the New Financial Services Agreement and the relevant New Caps, are fair and reasonable, in the ordinary and usual course of business of the Group, on normal commercial terms (or better to the Group), and in the interests of the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the resolutions regarding the same.

The Independent Board Committee comprising the independent non-executive Directors (namely, Mr. Li Hongwu, Mr. Wen Daocai, Ms. Jiang Yan, Mr. Yu Zhuoping and Ms. Zhao Huifang) has been appointed to consider (i) the Non-exempt Continuing Connected Transaction and the respective New Caps and (ii) the terms of the deposit services under the New Financial Services Agreement and the relevant New Caps. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of (i) the New CNHTC Supply Agreement and the New Caps and (ii) the terms of the deposit services under the New Financial Services Agreement and the relevant New Caps. Your attention is drawn to (i) the letters setting out the advice from the Independent Board Committee to the Independent Shareholders, and (ii) the letters of advice from the Independent Financial Adviser setting out its advice to the Independent Board Committee and the Independent Shareholders in relation to the New CNHTC Supply Agreement and the relevant New Caps, and the terms of the deposit services under the New Financial Services Agreement and the relevant New Caps, which are set out in this circular.

Further, the Board considers that the proposed resolutions in respect of (i) the PRC Continuing Connected Transaction, (ii) the payment of Cash Dividends, and (iii) the amendments to the Rules of Procedures for Board Meetings, and the other resolutions to be proposed at the AGM are in the best interests of the Company and its Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors) recommend the Shareholders to vote in favour of the relevant resolutions which will be proposed at the AGM.

### X. FURTHER INFORMATION

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

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

\* For identification purposes only

LETTER FROM THE INDEPENDENT BOARD COMMITTEE  
ON THE NON-EXEMPT CONTINUING CONNECTED TRANSACTION



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)

26 May 2022

To the Independent Shareholders  
of Weichai Power Co., Ltd.

Dear Sir or Madam,

**NON-EXEMPT CONTINUING CONNECTED TRANSACTION**

We have been appointed as members of the Independent Board Committee to advise the Independent Shareholders of Weichai Power Co., Ltd. to consider the New CNHTC Supply Agreement and the relevant New Caps (as defined in the circular of the Company dated 26 May 2022) (the “Circular”) in relation to the Continuing Connected Transaction, details of which are set out in the section headed “II. The Non-exempt Continuing Connected Transaction” in the “Letter from the Board” contained in the Circular. Unless the context otherwise requires, terms defined in the Circular shall have the same meanings when used in this letter.

Your attention is drawn to the “Letter from the Board”, the advice of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Continuing Connected Transaction as set out in the “Letter from the Independent Financial Adviser on the Non-exempt Continuing Connected Transaction” as well as other additional information set out in other parts of the Circular.

Having taken into account the advice of, and the principal factors and reasons considered by the Independent Financial Adviser in relation thereto as stated in its letter, we consider that the terms of the Continuing Connected Transaction and the relevant New Caps are fair and reasonable and the Continuing Connected Transaction is conducted in the ordinary and usual course of the Company’s business and are on normal commercial terms or better, and in the interest of the Company and its shareholders as a whole. We therefore recommend that you vote in favour of the ordinary resolution to be proposed at the AGM to approve the New CNHTC Supply Agreement and the relevant New Caps for the Continuing Connected Transaction.

**Li Hongwu**  
Independent  
non-executive Director

Yours faithfully,  
The Independent Board Committee

**Wen Daocai**  
Independent  
non-executive Director

**Jiang Yan**  
Independent  
non-executive Director

**Yu Zhuoping**  
Independent  
non-executive Director

**Zhao Huifang**  
Independent  
non-executive Director



# LETTER FROM THE INDEPENDENT FINANCIAL ADVISER ON THE NON-EXEMPT CONTINUING CONNECTED TRANSACTION

*The following is the full text of the letter dated 26 May 2022 from Trinity Corporate Finance Limited, the Independent Financial Adviser, to the Independent Board Committee and the Independent Shareholders in respect of the Non-exempt Continuing Connected Transaction and the proposed New Caps, prepared for the purpose of incorporation in this circular.*

**TRINITY**

**Trinity Corporate Finance Limited**

Unit 05, 29/F,  
50 Wong Chuk Hang Road,  
Hong Kong.

26 May 2022

*To the Independent Board Committee and the Independent Shareholders of  
Weichai Power Co., Ltd.*

Dear Sirs,

## **NON-EXEMPT CONTINUING CONNECTED TRANSACTION**

### **INTRODUCTION**

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in respect of the New CNHTC Supply Agreement, being a Non-exempt Continuing Connected Transaction, and the proposed New Caps, details of which are set out in the letter from the Board (the “**Letter from the Board**”) in the Company’s circular dated 26 May 2022 (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

The Board announced that on 30 March 2022, the Company entered into, inter alia, the New CNHTC Supply Agreement in respect of the Continuing Connected Transaction as more particularly described in the Letter from the Board.

Reference is made to the announcement of the Company dated 25 February 2021 in respect of certain possible continuing connected transactions between the Group and the CNHTC Group. Reference is also made to the Sinotruk Announcement, pursuant to which Sinotruk (Hong Kong) Limited disclosed that it received a notice from CNHTC on 28 February 2022 which stated that the gratuitous transfers in respect of 65% of the equity interest in CNHTC to Shandong Heavy Industry had been registered with the relevant government authorities in the PRC and hence, the gratuitous transfers had been completed. Accordingly, Shandong Heavy Industry has become holder of 65% of the equity interest in CNHTC, and in turn, CNHTC and its associates have become connected persons of the Company.

As the Group has been conducting certain transactions with the CNHTC Group and intend to continue the same following the completion of gratuitous transfers as set out in the Sinotruk Announcement, the Group entered into, among other things, the CNHTC Supply Agreement with CNHTC on 30 March 2022 to govern the principal terms of such transactions for three years ending 31 December 2024.



**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER  
ON THE NON-EXEMPT CONTINUING CONNECTED TRANSACTION**

As all percentage ratios calculated in accordance with the Listing Rules for the Continuing Connected Transaction exceed the 5% Threshold, such Continuing Connected Transaction constitutes a Non-exempt Continuing Connected Transaction of the Company and the New CNHTC Supply Agreement and proposed New Caps will be subject to the reporting and announcement requirements, the annual review requirements, and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

It was proposed that the New CNHTC Supply Agreement and the relevant New Caps in respect of the Continuing Connected Transaction shall be considered and, if thought fit, approved at the AGM.

Other than Weichai Holdings (which held 1,422,550,620 Shares representing approximately 16.30% of the issued Shares of the Company as at the Latest Practicable Date) and its associates, no Shareholder is required to abstain from voting in respect of such resolution in the AGM.

At the meeting of the Board on 30 March 2022 approving, inter alia, the Continuing Connected Transaction, Mr. Tan Xuguang, Mr. Jiang Kui and Mr. Sun Shaojun have abstained from voting on the resolutions in respect of the Continuing Connected Transaction for the reasons of their respective interest and/or position (as the case may be) in the relevant connected person. Save as disclosed, no other Directors have any material interest in the Continuing Connected Transaction.

The Independent Board Committee, comprising all the independent non-executive Directors (namely, Mr. Li Hongwu, Mr. Wen Daocai, Ms. Jiang Yan, Mr. Yu Zhuoping and Ms. Zhao Huifang) has been appointed to consider the Non-exempt Continuing Connected Transaction and the proposed New Caps, and to advise the Independent Shareholders as to whether the terms of the New CNHTC Supply Agreement and the proposed New Caps are fair and reasonable and on how to vote on the relevant resolution(s) at the AGM, taking into account the recommendations of the Independent Financial Adviser. Trinity Corporate Finance Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

As at the Latest Practicable Date, Trinity Corporate Finance Limited did not have any relationships or interests with the Company or any other parties that could reasonably be regarded as relevant to the independence of Trinity Corporate Finance Limited. In the last two years, Trinity Corporate Finance Limited has acted as an independent financial adviser to the then independent board committee and independent shareholders of the Company in relation to the non-exempt continuing connected transactions announced on 27 August 2020 (details of which were set out in the circular of the Company dated 23 October 2020), the non-exempt continuing connected transaction announced on 25 February 2021 (details of which were set out in the circular of the Company dated 30 April 2021), the discloseable and connected transaction announced on 18 April 2022 (details of which were set out in the circular of the Company dated 16 May 2022) and the major and continuing connected transactions announced on 30 March 2022 (details of which were also set out in the Circular). Apart from normal professional fees paid or payable to us in connection with such appointments, no arrangements exist whereby we had received or will receive any fees or benefits from the Company or any other party to the transaction, therefore we consider such relationship would not affect our independence.

<p style="text-align: center;"><b>LETTER FROM THE INDEPENDENT FINANCIAL ADVISER ON THE NON-EXEMPT CONTINUING CONNECTED TRANSACTION</b></p>
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**BASIS OF OUR OPINION**

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the accuracy of the statements, information, opinions and representations contained or referred to in the Circular and the information and representations provided to us by the Company, the Directors and the management of the Company. We have no reason to believe that any information and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the information provided and the representations made to us untrue, inaccurate or misleading. We have assumed that all information, representations and opinions contained or referred to in the Circular, which have been provided by the Company, the Directors and the management of the Company and for which they are solely and wholly responsible, were true and accurate at the time when they were made and continue to be true as at the Latest Practicable Date and should there be any material changes to our opinion after the despatch of the Circular and up to the date of the AGM, Shareholders would be notified as soon as practicable.

All Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

We have not conducted any independent in-depth investigation into the business and affairs of the Group or any parties involved in the Non-exempt Continuing Connected Transaction.

This letter is issued to the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Non-exempt Continuing Connected Transaction and the proposed New Caps and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

**PRINCIPAL FACTORS AND REASONS CONSIDERED**

In formulating our opinion regarding the Non-exempt Continuing Connected Transaction and the proposed New Caps, we have taken into account the following principal factors and reasons:

**A. 1. Background and financial performance of the Company**

For the financial year ended 31 December 2021, the Company's revenue increased by approximately 3.2% as compared with that in the corresponding period of 2020 to approximately RMB203,548 million. Net profit attributable to shareholders of the Company was approximately RMB9,254 million, representing an increase of approximately 0.3% as compared with that in the corresponding period of 2020. Basic earnings per share was RMB1.1, representing a decrease of approximately 5.2% as compared with that in the corresponding period of 2020.

# LETTER FROM THE INDEPENDENT FINANCIAL ADVISER ON THE NON-EXEMPT CONTINUING CONNECTED TRANSACTION

## 2. Review of Operating Conditions

According to the Chairman's Statement set out in the Company's final results announcement for the year ended 31 December 2021, in 2021, the Chinese government pursued to construct a new development landscape and promoted high-quality development. With the nation's continuously rising strategic technological power and strengthened industrial chain resilience, China's key macroeconomic indicators maintained within a reasonable range and achieved a good start of the "14th Five-Year Plan". The annual gross domestic product reached RMB114 trillion, representing a year-on-year increase of 8.1%. The heavy-duty truck industry of China delivered sales volume of 1,395,000 units, representing a year-on-year decrease of 13.8%; the construction machinery industry of China delivered sales volume of 1,014,000 units (including 417,000 units of diesel forklift trucks), representing a year-on-year growth of 10.4%. During the reporting period, the Company remained focused on its principal businesses and proactively responded to external and internal environmental changes and critical market challenges, achieving high-quality development. Through expediting breakthroughs in key and core technologies, the Company strived to offer the most competitive products and services and solidified the Company's leading position in the market. Strong breakthroughs have been made in new business format, new energy and new technology; overseas business has grown substantially; and the advantages of diversified businesses and the effect of structural adjustment have been highlighted, further enhancing the Company's comprehensive competitiveness.

## B. Principal Terms of the Non-exempt Continuing Connected Transaction

The Non-exempt Continuing Connected Transaction is the following Continuing Connected Transaction:

Name of connected person	Name of Group Company	Connected person's relationship with the Group	Nature of the connected transaction with the Group
CNHTC (and its associates)	The Company (for itself and on behalf of its subsidiaries)	Shandong Heavy Industry is the holder of 65% of the equity interest of CNHTC	Sale of vehicles, vehicle parts and components and related products, engines, engine parts and components and related products, and relevant services by the Company (and its subsidiaries) to CNHTC (and its associates)

<p style="text-align: center;"><b>LETTER FROM THE INDEPENDENT FINANCIAL ADVISER ON THE NON-EXEMPT CONTINUING CONNECTED TRANSACTION</b></p>
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**C. Proposed New Caps**

The proposed New Caps for the Non-exempt Continuing Connected Transaction for the three years ending 31 December 2024 are set out below:

**Details of the relevant Continuing  
Connected Transaction**

	<b>Proposed New Caps</b>		
	<b>For the year</b>	<b>For the year</b>	<b>For the year</b>
	<b>ending</b>	<b>ending</b>	<b>ending</b>
	<b>31 December</b>	<b>31 December</b>	<b>31 December</b>
	<b>2022</b>	<b>2023</b>	<b>2024</b>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Sale of vehicles, vehicle parts and components and related products, engines, engine parts and components and related products, and relevant services by the Company (and its subsidiaries) to CNHTC (and its associates)	16,127,000,000	17,889,000,000	19,758,000,000

**D. Details of the Non-exempt Continuing Connected Transaction and the New CNHTC Supply Agreement**

*The Company*

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

*CNHTC*

CNHTC is a commercial vehicles manufacturer. It is a state-owned enterprise organized under the laws of the PRC with limited liability and is ultimately governed and controlled by Shandong Provincial People's Government (山東省人民政府).

Shandong Heavy Industry is a substantial shareholder of the Company indirectly holding approximately 16.30% of the issued share capital of the Company. As such, Shandong Heavy Industry is a substantial shareholder of the Company and, in turn, a connected person of the Company. As Shandong Heavy Industry is a holder of 65% of the equity interest in CNHTC following completion of the gratuitous transfers as disclosed in the Sinotruk Announcement, CNHTC is an associate of Shandong Heavy Industry and, accordingly, a connected person of the Company.

<p style="text-align: center;"><b>LETTER FROM THE INDEPENDENT FINANCIAL ADVISER ON THE NON-EXEMPT CONTINUING CONNECTED TRANSACTION</b></p>
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*Sale of vehicles, vehicle parts and components and related products, engines, engine parts and components and related products, and relevant services by the Company (and its subsidiaries) to CNHTC (and its associates)*

Agreement: New CNHTC Supply Agreement

Date: 30 March 2022

Parties: 1. The Company  
2. CNHTC

Term: 1 January 2022 to 31 December 2024

The terms of the New CNHTC Supply Agreement are substantially the same as those of the Previous CNHTC Supply Agreement.

***Price determination and internal control procedures***

Pursuant to the New CNHTC Supply Agreement, the Company and/or other Group Company (as the case may be) shall sell vehicles, vehicle parts and components and related products, engines, engine parts and components and related products and relevant services (as the case may be) to CNHTC and/or its associates (as the case may be) at market prices and settled on a monthly or quarterly basis (depending on the terms of the definitive agreements to be entered into by the parties), for a term of three years ending 31 December 2024, upon the expiry of which the parties shall have an option to renew the same for a period of three years on a mutually agreed basis.

According to the Letter from the Board, the price of the said products shall be determined according to the following mechanism: the marketing department of the Company regularly conducts market research and analysis regarding specific products, in which a number of factors, including the overall market prices, market shares, ordering situation and performance of major competitors of such products, are comprehensively considered. Taking into account the results of the aforementioned research and analysis and with reference to the relevant mark up to the production costs of the products of different specifications on a “cost-plus” basis with reference to the industrial gross profit margin, which generally ranges between 3% to 10% for light duty truck products, and 16% to 25% for heavy-duty truck products, the marketing department of the Group would submit a price suggestion after its analysis to the Company’s price management department and the final prices are determined at arm’s length negotiation among the parties. The price management department of the Company regularly reviews the reasonableness of prices and makes amendments when necessary. The Directors are of the view that the abovementioned methods and procedures under the pricing policies can ensure that this Continuing Connected Transaction is conducted on normal commercial terms, the terms of sale shall be no less favourable than the terms available to independent third parties and not prejudicial to the interests of the Company and its minority Shareholders. We have reviewed two market research as conducted by the Company’s

# LETTER FROM THE INDEPENDENT FINANCIAL ADVISER ON THE NON-EXEMPT CONTINUING CONNECTED TRANSACTION

marketing department, which included the analysis of the latest industry trends and comparison of turnover by product types (including trucks and engines), industry competitors and geographical regions in the PRC, as well as analysis on the latest PRC macroeconomic data, government policies and sector statistics that may be relevant to the Company's pricing policies. We agree that such regular up-to-date market analysis is important for the Company to consider when determining the pricing of its products.

We have also reviewed the Company's internal control procedures manual of the relevant pricing policies which is subject to the respective approval procedures by different departments of the Company mentioned above. Also, we have reviewed four samples of VAT sales invoices selected by the Company on a random basis to confirm that the transaction prices entered into between the Group and CNHTC Group are on normal commercial terms or on terms no less favourable to the Group than those available to independent third parties when compared to the pricing terms entered into between the Group and independent third parties regarding the same products offered by the Group. We also noted that such pricing contracts have been properly authorized by the respective departments of the Company. Accordingly, we consider that the above sample size is sufficient, fair and representative in concluding our view that the pricing policies were properly followed. We are also of the view that the above methods and procedures of price determination and internal control set by the Company, including and not limited to the collection of market information, conducting price consultations and inspection in the PRC market, negotiations taking into account of the market price and relevant product cost and regular review by the price management department or pricing committee, will enable the Company to ensure that the terms and conditions of the Non-exempt Continuing Connected Transaction are fair and reasonable so far as the Company and the Independent Shareholders are concerned, and are able to ensure that the Company will achieve such terms which are either (i) on normal commercial terms, or (ii) on terms no less favourable to the Group than those available to independent third parties, and the Non-exempt Continuing Connected Transaction has been subject to arm's length negotiation between the Company and CNHTC Group.

## *Historical transaction amounts*

The table below summarises the actual transaction amounts involved for the three years ended 31 December 2021 (unaudited) in respect of the Group's sale of relevant products and services to the CNHTC Group:

	For the year ended 31 December 2019 RMB (unaudited)	For the year ended 31 December 2020 RMB (unaudited)	For the year ended 31 December 2021 RMB (unaudited)
Actual transaction amount	210,480,749	5,758,015,100	9,377,634,275
Utilisation rate (%)			Approximately 56.5%



## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER ON THE NON-EXEMPT CONTINUING CONNECTED TRANSACTION

The Previous Cap for the year ended 31 December 2021 for the Continuing Connected Transaction is RMB16,600,000,000. For the Shareholder's information purposes, the actual transaction amounts in respect of the Group's sale of relevant products and services to the CNHTC Group for each of the three years ended 31 December 2021 (as detailed below) were less than RMB16,600,000,000.

According to the Letter from the Board, the unaudited actual transaction amounts for the three financial years ended 31 December 2021 were RMB210,480,749, RMB5,758,015,100 and RMB9,377,634,275 respectively. Based on the annual cap of RMB16,600,000,000 for the year ended 31 December 2021, the historical utilisation rate was approximately 56.5%.

Based on the consolidated management accounts of the Company, during the period since completion of the gratuitous transfers on 25 February 2022 to 31 March 2022, the Group's sale of relevant products and services to the CNHTC Group amounted to approximately RMB820,038,000.

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

As CNHTC has become an associate of Weichai Holdings following completion of the gratuitous transfers on 25 February 2022, the Group's sale of relevant products and services to the CNHTC Group for the period from 25 February 2022 onwards constitute part of the Weichai Holdings CCT. As at the Latest Practicable Date, the approved annual cap for the year ending 31 December 2022 under the Weichai Holdings CCT has not been exceeded. Before obtaining the Independent Shareholders' approval in respect of the proposed New Caps, the Company will ensure that the approved annual cap under the Weichai Holdings CCT is not exceeded having taken into account the sales of relevant products and services by the Group to the CNHTC Group from 25 February 2022 onwards.

The Company estimates that the transaction amount in respect of the Continuing Connected Transaction for the three years ending 31 December 2024 will not exceed RMB16,127 million, RMB17,889 million and RMB19,758 million, respectively, and such amounts have accordingly been set as the proposed New Caps for this Continuing Connected Transaction.

The above proposed New Caps have been estimated by the Company primarily based on:

- (i) the relevant historical transaction amounts;

**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER  
ON THE NON-EXEMPT CONTINUING CONNECTED TRANSACTION**

- (ii) the estimate increase in the number of products required by the CNHTC Group in view of the implementation of the Group's sales plan for the years 2022 to 2024, having taken into account the estimated market conditions and export performance, the average unit prices of the same, and the costs of the processing services to be provided. In 2021, with the pandemic under control, the Chinese economic growth was higher than the global average level due to strong export and domestic demand. It is expected that such a demand in export will continue in the coming years, which along with the imposition of restriction policies in respect of China IV and China V standard automobiles, will further increase demands for the Group's products. Based on the aforementioned, and on the basis on a general increasing trend of costs and accordingly unit prices of product, the Group has devised its sales plan, and pursuant to which, for the years 2022 to 2024, the Group intends to sell approximately 230,000 to 270,000 units of engines, engine parts and components and related products to the CNHTC Group at an average unit price of RMB60,000, further, the turnover for the sales of vehicles, vehicle parts and components and related products to the CNHTC Group for the years 2022 to 2024 is estimated to be approximately RMB2,000 million to RMB2,500 million;
- (iii) the fact that the Group has since 2019 established a business relationship with the CNHTC Group involving the sale of relevant products and services by the Group to the CNHTC Group for the manufacturing of vehicles by the CNHTC Group. Given the track record of the Group being able to constantly supply products and services of reliable quality to the CNHTC Group, a closer cooperation between the Group and the CNHTC Group has been developed since the beginning of year 2021, further boosting the CNHTC Group's demand for the Group's products and services;
- (iv) with the expected continual growth of the commercial vehicle market and an enhanced market recognition of the CNHTC Group's vehicles installed with the Group's engines, the CNHTC Group is expected to face a substantial increase in the need for the Group's engines, in order to meet with the increase in the CNHTC Group's sales of both its heavy-duty trucks and light duty trucks; and
- (v) a buffer of approximately 5% in preparation of possible market fluctuations.

We note that the actual transaction amount for the year ended 31 December 2020 of RMB5,758,015,100 represents a significant increase of approximately 26.4 times from the actual transaction amount of RMB210,480,749 for the year ended 31 December 2019, and the actual transaction amount for the year ended 31 December 2021 of RMB9,377,634,275 represents a further increase of approximately 62.9% over the previous financial year. Although the utilisation rate for the year ended 31 December 2021 was only approximately 56.5%, the proposed New Cap for the year ending 31 December 2022 is only adjusted marginally to RMB16,127,000,000. Given that the historical actual transaction amount has grown by approximately 62.9% for the year ended 31 December 2021, we consider that the proposed New Cap for the year ending 31 December 2022 is fair and reasonable.



## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER ON THE NON-EXEMPT CONTINUING CONNECTED TRANSACTION

According to the Letter from the Board, taking into account and on the basis of all the aforesaid factors, it is estimated that the overall transaction amount of the sale of products and services by the Group to the CNHTC Group will increase by approximately 0.7 times for the year ending 31 December 2022 as compared with the actual transaction amount in 2021, and further by approximately 10.9% and 10.4% for each of the years ending 31 December 2023 and 31 December 2024, respectively.

In order to ensure that the actual transaction amounts do not exceed the proposed New Caps, the Group has implemented certain internal control policies and procedures, pursuant to which, designated personnel of the Company's finance department has been assigned to monitor the actual transaction amounts of the transactions contemplated under the New CNHTC Supply Agreement on a monthly basis, and reports will also be made to the senior management periodically such that if the actual transaction amounts reaches over 80% of the proposed New Caps, appropriate measures will be taken to revise the New Caps or to adjust the conducting of the transaction in a timely manner.

We have discussed with the Company on the expected demand for the Group's products and services by the CNHTC Group which is mainly driven by the expected growth of the commercial vehicle market in the PRC, and we are given to understand that the Company has considered the above five factors when estimating the proposed New Caps which mainly include the overall market prices, market shares, ordering situation and performance of major competitors of products like heavy-duty trucks and light duty trucks.

To assess whether the Company's expectation on the continual growth of the commercial vehicle market leading to a substantial increase in the expected need for the Group's engines by the CNHTC Group is fair and reasonable, we have reviewed the printed publication titled "China Automobile Industry Newsletter of Production & Sales" (中國汽車工業產銷快訊) numbered 265 (the first issue for the year 2021) issued by China Association of Automobile Manufacturers (CAAM) (中國汽車工業協會). The publication indicated that, among others, the overall turnover for China's truck market in 2020, comprising of heavy-duty trucks and light duty trucks, had recorded a significant year-on-year growth rate of approximately 25% and such industry trends and market conditions are generally consistent with the Company's expectation on the continual increase in the demand of the truck market.

In addition to the above, we agree with the other factors considered by the Company which are also relevant in forming the basis of the proposed New Caps, including the relationship established between the Group and the CNHTC Group based on previous track record of the Group's increasing supply of products and services to the CNHTC Group since 2019 and resulting from the enhanced market recognition of the CNHTC Group's vehicles that were installed with the Group's engines, and we consider such various factors as well as the buffer set by the Company are fair and reasonable given the significant growth observed in the historical transaction amounts recorded for the three years ended 31 December 2021 in respect of the Group's sale of relevant products and services to the CNHTC Group.

**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER  
ON THE NON-EXEMPT CONTINUING CONNECTED TRANSACTION**

Accordingly, we are of the view that the Non-exempt Continuing Connected Transaction has been entered into by the Group in the ordinary and usual course of business, and the Non-exempt Continuing Connected Transaction and the proposed New Caps are fair and reasonable so far as the Independent Shareholders are concerned and hence, the said terms are in the interests of the Company and the Independent Shareholders as a whole.

**E. Reasons for the Non-exempt Continuing Connected Transaction**

The Company is principally engaged in the research and development, manufacture and sale of high-speed, heavy-duty diesel engines and CNHTC is a commercial vehicles manufacturer. Leveraging on the existing business relationship between the Group and the CNHTC Group, the Board considers that the Continuing Connected Transaction will allow the Group to maintain a strong strategic and business relationship with the CNHTC Group, thereby generating synergy potential and mutual economic benefits between the Group and the CNHTC Group.

We have discussed with the management of the Company and concur with the Board's view that, in respect of the Continuing Connected Transaction between the Group and the CNHTC Group, the sale of vehicles, vehicle parts and components and related products, engines, engine parts and components and related products and relevant services to the CNHTC Group will provide a secure source of revenue for the Group and contribute to the implementation of the Group's sales plan.

**RECOMMENDATION**

Having considered the principal factors and reasons referred to above, we are of the opinion that the terms of the New CNHTC Supply Agreement is either (i) on normal commercial terms, or (ii) on terms no less favourable to the Group than those available to independent third parties, and the Non-exempt Continuing Connected Transaction has been subject to arm's length negotiation between the Company and CNHTC Group, and has been entered into by the Group in the ordinary and usual course of business, and the Non-exempt Continuing Connected Transaction and the proposed New Caps are fair and reasonable so far as the Independent Shareholders are concerned and hence, the said terms are in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we would advise the Independent Shareholders and the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the resolution(s) to approve the terms of the Non-exempt Continuing Connected Transaction and the proposed New Caps at the AGM.

Yours faithfully,  
For and on behalf of  
**Trinity Corporate Finance Limited**  
**Joanne Pong**  
*Responsible Officer*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE ON THE  
MAJOR AND CONTINUING CONNECTED TRANSACTIONS



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)**

26 May 2022

*To the Independent Shareholders  
of Weichai Power Co., Ltd.*

Dear Sir or Madam,

**MAJOR AND CONTINUING CONNECTED TRANSACTIONS**

We have been appointed as members of the Independent Board Committee to advise the Independent Shareholders of Weichai Power Co., Ltd. to consider the provision of deposit services by Shandong Finance to the Group under the New Financial Services Agreement and the relevant proposed New Caps (as defined in the circular of the Company dated 26 May 2022) (the “**Circular**”), details of which are set out in the section headed “IV. Major and Continuing Connected Transactions” in the “Letter from the Board” contained in the Circular. Unless the context otherwise requires, terms defined in the Circular shall have the same meanings when used in this letter.

Your attention is drawn to the “Letter from the Board”, the advice of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the deposit services under the New Financial Services Agreement as set out in the “Letter from the Independent Financial Adviser on the Major and Continuing Connected Transactions” as well as other additional information set out in other parts of the Circular.

**LETTER FROM THE INDEPENDENT BOARD COMMITTEE ON THE  
MAJOR AND CONTINUING CONNECTED TRANSACTIONS**

Having taken into account the advice of, and the principal factors and reasons considered by the Independent Financial Adviser in relation thereto as stated in its letter, we consider that the terms of the deposit services provided by Shandong Finance to the Group under the New Financial Services Agreement and the relevant proposed New Caps are fair and reasonable, on normal commercial terms (or better to the Group) and in the ordinary and usual course of business of the Company, and in the interest of the Company and its shareholders as a whole. We therefore recommend that you vote in favour of the ordinary resolution to be proposed at the AGM to approve the provision of deposit services by Shandong Finance to the Group under the New Financial Services Agreement and the relevant New Caps.

Yours faithfully,  
The Independent Board Committee

**Li Hongwu**  
*Independent*  
*Non-executive Director*

**Wen Daocai**  
*Independent*  
*Non-executive Director*

**Jiang Yan**  
*Independent*  
*Non-executive Director*

**Yu Zhuoping**  
*Independent*  
*Non-executive Director*

**Zhao Huifang**  
*Independent*  
*Non-executive Director*

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER ON THE MAJOR AND CONTINUING CONNECTED TRANSACTIONS

*The following is the full text of the letter dated 26 May 2022 from Trinity Corporate Finance Limited, the Independent Financial Adviser, to the Independent Board Committee and the Independent Shareholders in respect of the provision of deposit services under the New Financial Services Agreement and the proposed New Caps, prepared for the purpose of incorporation in this circular.*

**TRINITY**

**Trinity Corporate Finance Limited**

Unit 05, 29/F,  
50 Wong Chuk Hang Road,  
Hong Kong.

26 May 2022

*To the Independent Board Committee and the Independent Shareholders of  
Weichai Power Co., Ltd.*

Dear Sirs,

### **MAJOR AND CONTINUING CONNECTED TRANSACTIONS IN RESPECT OF NEW FINANCIAL SERVICES AGREEMENT AND NEW CAPS**

#### **INTRODUCTION**

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in respect of the provision of deposit services by Shandong Finance to the Group under the New Financial Services Agreement and the proposed New Caps, details of which are set out in the letter from the Board (the “**Letter from the Board**”) in the Company’s circular dated 26 May 2022 (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

The Board announced on 30 March 2022 that, amongst other things, the Group entered into the New Financial Services Agreement, pursuant to which Shandong Finance has conditionally agreed to provide, inter alia, certain deposit services to the Company in accordance with the terms and conditions set out in the New Financial Services Agreement.

Shandong Heavy Industry is a substantial shareholder of the Company holding approximately 16.30% of the issued share capital of the Company. As Shandong Heavy Industry holds 37.5% equity interest in Shandong Finance, Shandong Finance is an associate of Shandong Heavy Industry and therefore a connected person of the Company under the Listing Rules. Accordingly, the New Financial Services Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As certain of the applicable percentage ratios calculated in accordance with the Listing Rules for the deposit services under the New Financial Services Agreement exceed 25% but all of

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER ON THE MAJOR AND CONTINUING CONNECTED TRANSACTIONS

which are less than 100%, the provision of the deposit services by Shandong Finance to the Group constitutes a major transaction of the Company and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules. Further, as all of the applicable percentage ratios calculated in accordance with the Listing Rules for the deposit services under the New Financial Services Agreement for the three years ending 29 June 2025 exceed the 5% Threshold, the provision of the deposit services by Shandong Finance to the Group and the proposed New Caps for the relevant periods will be subject to the reporting, annual review, and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

It was proposed that the New Financial Services Agreement and the relevant New Caps shall be considered and, if thought fit, approved at the AGM.

Other than Weichai Holdings (which held 1,422,550,620 Shares representing approximately 16.30% of the issued Shares of the Company as at the Latest Practicable Date) and its associates, no Shareholder is required to abstain from voting in respect of such resolution in the AGM.

The Company approved the New Financial Services Agreement and the transactions contemplated thereunder in the Board meeting held on 30 March 2022. At the aforesaid Board meeting, Mr. Tan Xuguang, Mr. Jiang Kui and Mr. Sun Shaojun have abstained from voting in respect of the resolution approving such transactions in view of their respective positions in Shandong Heavy Industry. Save as disclosed above, none of the Directors has a material interest in such transactions and is required to abstain from voting.

The Independent Board Committee, comprising all the independent non-executive Directors (namely, Mr. Li Hongwu, Mr. Wen Daocai, Ms. Jiang Yan, Mr. Yu Zhuoping and Ms. Zhao Huifang), has been appointed to consider the terms of the deposit services under the New Financial Services Agreement and the proposed New Caps, and to advise the Independent Shareholders as to whether the terms therein are fair and reasonable and on how to vote on the relevant resolution(s) at the AGM, taking into account the recommendations of the Independent Financial Adviser. Trinity Corporate Finance Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

As at the Latest Practicable Date, Trinity Corporate Finance Limited did not have any relationships or interests with the Company or any other parties that could reasonably be regarded as relevant to the independence of Trinity Corporate Finance Limited. In the last two years, Trinity Corporate Finance Limited has acted as an independent financial adviser to the then independent board committee and independent shareholders of the Company in relation to the non-exempt continuing connected transactions announced on 27 August 2020 (details of which were set out in the circular of the Company dated 23 October 2020), the non-exempt continuing connected transaction announced on 25 February 2021 (details of which were set out in the circular of the Company dated 30 April 2021), the discloseable and connected transaction announced on 18 April 2022 (details of which were set out in the circular of the Company dated 16 May 2022) and the non-exempt continuing connected transaction announced on 30 March 2022 (details of which were also set out in the Circular). Apart from normal professional fees

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER ON THE MAJOR AND CONTINUING CONNECTED TRANSACTIONS

paid or payable to us in connection with such appointments, no arrangements exist whereby we had received or will receive any fees or benefits from the Company or any other party to the transactions, therefore we consider such relationship would not affect our independence.

### **BASIS OF OUR OPINION**

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the accuracy of the statements, information, opinions and representations contained or referred to in the Circular and the information and representations provided to us by the Company, the Directors and the management of the Company. We have no reason to believe that any information and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the information provided and the representations made to us untrue, inaccurate or misleading. We have assumed that all information, representations and opinions contained or referred to in the Circular, which have been provided by the Company, the Directors and the management of the Company and for which they are solely and wholly responsible, were true and accurate at the time when they were made and continue to be true as at the Latest Practicable Date and should there be any material changes to our opinion after the despatch of the Circular and up to the date of the AGM, Shareholders would be notified as soon as practicable.

All Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

We have not conducted any independent in-depth investigation into the business and affairs of the Group or any parties involved in the New Financial Services Agreement.

This letter is issued to the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the New Financial Services Agreement and the relevant New Caps and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In formulating our opinion regarding the New Financial Services Agreement and the relevant New Caps, we have taken into account the following principal factors and reasons:

#### **A. The Background**

The Board announced on 30 March 2022 that, amongst other things, the Group entered into the New Financial Services Agreement, pursuant to which Shandong Finance has conditionally agreed to provide, inter alia, certain deposit services to the Company in accordance with the terms and conditions set out in the New Financial Services Agreement.



## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER ON THE MAJOR AND CONTINUING CONNECTED TRANSACTIONS

The Group shall utilise the services of Shandong Finance on a voluntary, non-exclusive basis and is not under any obligations to engage Shandong Finance for any particular service. Shandong Finance is a non-banking financial institution with the approval of the CBIRC, which is merely one of a number of financial institutions providing financial services to the Group.

### **B. Principal Terms of the New Financial Services Agreement**

Date: 30 March 2022

Parties: (1) the Company; and  
(2) Shandong Finance

The transactions under the New Financial Services Agreement are non-exclusive and the Group has the right to decide whether it requires and accepts the financial services to be provided by Shandong Finance, and to choose the financial institution at its discretion to engage the financial services, with reference to its own business needs.

#### *Effective date and term*

The New Financial Services Agreement shall become effective on the execution date of the New Financial Services Agreement and has a term of three years ending 29 June 2025, subject to the approval at the AGM of the transactions contemplated under the New Financial Services Agreement and the proposed New Caps. The term of the New Financial Services Agreement can be extended on a mutually agreed basis.

#### *Deposit services*

Shandong Finance shall provide certain deposit services to the Group, the principal terms of which are as follows:

- (a) the interest rate for the deposit of the Group's funds with Shandong Finance shall, subject to the compliance of the relevant requirements of the People's Bank of China, be no less than the highest interest rate for the same type of deposit offered by the major commercial banks in the PRC for the same period. It is estimated that the interest rate will range from the benchmark deposit rate announced by the People's Bank of China over the same period for the same level to 40% above such rate, which may be adjusted in accordance with changes in the currency policy of the People's Bank of China and interest rates in the market. We have discussed with the Company and confirmed that the said range of interest rate is only an estimate by the Group with reference to the deposits placed by the Group with PRC banks in the past and the maximum deposit rate offered by major PRC banks in the market, and the actual interest rate offered by Shandong Finance to the Group shall always be no less than the highest interest rate for the same type of deposit offered by the major commercial banks in the PRC for the same period.

# LETTER FROM THE INDEPENDENT FINANCIAL ADVISER ON THE MAJOR AND CONTINUING CONNECTED TRANSACTIONS

By adopting the pricing policy as stated above, the Company can ensure the actual interest rate offered by Shandong Finance to the Group will always be no less than the highest interest rate for the same type of deposit offered by the major commercial banks in the PRC for the same period, which is beneficial to the Company when it places deposits with Shandong Finance, and therefore we consider the interest rate for the deposit services is fair and reasonable, and can ensure the said terms for the deposit services are conducted on normal commercial terms or better, which is in the interests of the Company and the Independent Shareholders as a whole; and

- (b) the maximum daily balance (including interests) of the Group's deposit with Shandong Finance shall not exceed the following caps for each of the three years ending 29 June 2025:

	From 30 June 2022 to 29 June 2023 (RMB billion)	From 30 June 2023 to 29 June 2024 (RMB billion)	From 30 June 2024 to 29 June 2025 (RMB billion)
New Caps	34	37	40

## *Other terms of the New Financial Services Agreement*

In addition to the abovementioned deposit services, Shandong Finance has also agreed to provide the following financial services to the Group:

### *(1) Loan services*

Shandong Finance shall provide certain loan services to the Group under the New Financial Services Agreement. As the said loan services to be provided by Shandong Finance to the Group are on normal commercial terms similar to or more favourable than those offered by other financial institutions for the provision of comparable services in the PRC and are for the benefit of the Group, and no security over the assets of the Group is granted in respect of such loan services, the loan service to be provided by Shandong Finance to the Company under the New Financial Services Agreement are exempt from the reporting, announcement and independent shareholders' approval requirements under the Listing Rules according to Rule 14A.90 of the Listing Rules.

For completeness, the major terms of the said loan services to be provided by Shandong Finance to the Group have been set out in the Letter from the Board for the Shareholders' information.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER ON THE MAJOR AND CONTINUING CONNECTED TRANSACTIONS

### (2) *Miscellaneous financial services*

Shandong Finance shall also provide certain other miscellaneous financial services to the Group under the New Financial Services Agreement. In respect of the provision of such financial services by Shandong Finance to the Group, as they are conducted on normal commercial terms or better to the Group, and the Group expects that all the percentage ratios (if applicable) of the relevant annual fees payable by the Group to Shandong Finance in aggregate will be below 0.1%, the provision of such financial services by Shandong Finance to the Group will be exempt from the reporting, announcement and independent shareholders' approval requirements under the Listing Rules according to Rule 14A.76 of the Listing Rules.

For completeness, the major terms of the provision of such financial services to be provided by Shandong Finance to the Group have been set out in the Letter from the Board for the Shareholders' information.

### **C. Existing Annual Caps and Historical Amounts of Deposits**

Pursuant to the terms of the Existing Financial Services Agreement, the existing annual caps, i.e. the maximum daily balance (including interests) of the Company's deposit with Shandong Finance for each of the 12 months ended 29 June 2020 and 29 June 2021, and the 12 months ending 29 June 2022 were RMB24.5 billion, RMB28.0 billion and RMB33.0 billion, respectively.

The maximum daily balance (including interests) of the Company's deposit with Shandong Finance during each of the 12 months ended 29 June 2020 and 29 June 2021, and the eight months ended 28 February 2022 were approximately RMB24.4 billion, RMB28.0 billion and RMB33.0 billion, respectively.

Since 28 February 2022 and up to the Latest Practicable Date, the actual daily balance (including interests) of the Company's deposit with Shandong Finance had not exceeded the existing annual cap (i.e. maximum daily balance) of RMB33 billion for the 12 months ending 29 June 2022.

Based on the above, the historical utilisation rates of the existing annual caps for the 12 months ended 29 June 2020 and 29 June 2021, and the eight months ended 28 February 2022 were 99.6%, 100.0% and 100.0% respectively. We note that the historical amounts of the maximum daily balance of deposits were fully utilised up to the maximum amount of the existing annual caps for the 12 months ended 29 June 2021 and the eight months ended 28 February 2022 and was almost fully utilised for the 12 months ended 29 June 2020.

<p style="text-align: center;"><b>LETTER FROM THE INDEPENDENT FINANCIAL ADVISER ON THE MAJOR AND CONTINUING CONNECTED TRANSACTIONS</b></p>
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**D. Proposed Annual Caps and Reasons**

*Deposit services*

The Board, having considered,

- (i) the historical cash position of the Group, in particular, the actual aggregate cash and deposit balances of the Group as at 31 December 2021 amounted to approximately RMB75 billion, among which the bank balance maintained by the Group with commercial banks and financial institutions as at 31 December 2021 amounted to approximately RMB65 billion. With the current average concentration rate of deposits of the Group maintained with Shandong Finance being only approximately 60%, the Board considers that there exists a demand for an expansion of the deposit services with Shandong Finance;
- (ii) the utilisation of the existing annual caps (i.e. the maximum daily balances (including interests)) was approximately 99.6%, 100% and 100% for the each of the 12 months ended 29 June 2020 and 29 June 2021, and the eight months ended 28 February 2022, respectively, under the Existing Financial Services Agreement;
- (iii) the expected growth of the business operations of the Group which is expected to create an increase in the cash inflow to the Group during the term of the Financial Services Agreement, and, in turn, lead to an increase in demand for deposit services with Shandong Finance which offers favourable interest rates to the Group as detailed in the sub-section headed “B. Principal Terms of the New Financial Services Agreement – Deposit services” above; and
- (iv) the expected amount of interest income from Shandong Finance, took a conservative view that the actual daily balance (including interests) of the Company’s deposit with Shandong Finance for the 12 months ending 29 June 2023 shall increase by approximately 3% when compared with the existing annual cap of RMB33 billion for the 12 months ending 29 June 2022, and subsequently by approximately 8.8% and 8.1% for each of the 12 months ending 29 June 2024 and 29 June 2025, respectively. Hence, it was proposed that the maximum daily deposit balance (including interests) of the

# LETTER FROM THE INDEPENDENT FINANCIAL ADVISER ON THE MAJOR AND CONTINUING CONNECTED TRANSACTIONS

aggregated deposits placed by the Group with Shandong Finance pursuant to the New Financial Services Agreement shall not exceed the following caps for each of the three years ending 29 June 2025:

	From 30 June 2022 to 29 June 2023 (RMB billion)	From 30 June 2023 to 29 June 2024 (RMB billion)	From 30 June 2024 to 29 June 2025 (RMB billion)
New Caps	34.0	37.0	40.0
Increase from previous year	Approximately 3.0%	Approximately 8.8%	Approximately 8.1%

The proposed new annual cap of RMB34.0 billion for the year ending 29 June 2023 represents an increase of approximately 3.0% from the existing annual cap of RMB33 billion for the year ending 29 June 2022. Given that the maximum daily balance (including interests) of the Company's deposit with Shandong Finance for the eight months ended 28 February 2022 of RMB33.0 billion was already fully utilised up to the maximum limit (representing a historical utilisation rate of 100.0%), we consider such increase to be reasonable.

In addition, the new annual caps for the years ending 29 June 2024 and 29 June 2025 represent only an increase of approximately 8.8% and 8.1% from the preceding year respectively.

We have reviewed the annual results of the Company for the year ended 31 December 2021 and noted that the Company's revenue was approximately RMB203,548 million, representing an increase of approximately 3.2% compared with that in 2020. Also, cash and cash equivalents increased from approximately RMB62,429 million as at 31 December 2020 to RMB75,043 million as at 31 December 2021, representing an increase of approximately 20.2% and accounts receivable increased from approximately RMB15,285 million as at 31 December 2020 to approximately RMB18,191 million as at 31 December 2021, representing an increase of approximately 19.0%. Accordingly, the Company has substantial cash and cash equivalents for the purposes of bank deposits and also significant accounts receivable which will increase its cash position upon receipt. On the basis of the above factors, we consider that the proposed New Caps, and the proposed increase of approximately 8.8% and approximately 8.1% for the two years ending 29 June 2025, are fair and reasonable and in the interests of the Independent Shareholders as a whole.

## *Loan services and miscellaneous financial services*

As disclosed above, the provision of loan services and miscellaneous financial services by Shandong Finance to the Company pursuant to the New Financial Services Agreement are exempt from the reporting, announcement and independent shareholders' approval requirements under the Listing Rules according to Rule 14A.90 and Rule 14A.76 of the Listing Rules, respectively.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER ON THE MAJOR AND CONTINUING CONNECTED TRANSACTIONS

### E. Reasons for and Benefits of the New Financial Services Agreement

According to the Letter from the Board, the reasons for the Company to enter into the New Financial Services Agreement with Shandong Finance are as follows:

1. the interest rates offered by Shandong Finance for the deposit services, and the rates and fees charged by Shandong Finance for the loan services and miscellaneous financial services to be provided to the Company shall be equal to or more favourable than those offered or charged by major commercial banks and other financial institutions in the PRC for the same type of financial services provided to the Company;
2. the activities of Shandong Finance are regulated by the CBIRC and Shandong Finance provides services within its approved scope in accordance with its operational requirement; and
3. the Company directly holds 31.25%, and, through its 51% subsidiary 陝西法士特齒輪有限責任公司 (Shaanxi Fast Gear Co. Ltd.\*), is interested in 6.25% equity interest in Shandong Finance, which allows it to benefit from the profits of Shandong Finance.

The Directors consider that the transactions under the New Financial Services Agreement shall facilitate the Group to increase the efficiency of fund utilisation and reduce the cost of financing, while it will also not be detrimental to the interests of the Company and will not affect the independency of the Company.

As mentioned in the section headed “B. Principal Terms of the New Financial Services Agreement” above, the interest rate for the deposit of the Group’s funds with Shandong Finance shall, subject to the compliance of the relevant requirements of the People’s Bank of China, be no less than the highest interest rate for the same type of deposit offered by the major commercial banks in the PRC for the same period. The Company estimates that the interest rate will range from the benchmark deposit rate announced by the People’s Bank of China over the same period for the same level to 40% above such rate, which may be adjusted in accordance with changes in the currency policy of the People’s Bank of China and interest rates in the market. We have reviewed two samples of interest rates for deposit of the Group’s funds with Shandong Finance and confirm that the rates were no less than the prevailing highest interest rate for the same type of deposit offered by commercial banks in the PRC during that period.

Accordingly, we consider that the deposit services under the New Financial Services Agreement are on normal commercial terms or better and are fair and reasonable and are in the interests of the Company and the Independent Shareholders as a whole. We also consider the potential for the Company to obtain equivalent or more favourable terms to be beneficial to the Company and the Independent Shareholders as a whole.

<p style="text-align: center;"><b>LETTER FROM THE INDEPENDENT FINANCIAL ADVISER ON THE MAJOR AND CONTINUING CONNECTED TRANSACTIONS</b></p>
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**F. Internal Control Procedures**

To secure the Shareholders' interests, Shandong Finance has given certain undertakings under the New Financial Services Agreement and the Company has adopted certain internal control procedures, pursuant to which:

1. Shandong Finance shall ensure that it is in strict compliance with the requirements of the relevant PRC financial laws and regulations;
2. the monthly report or financial statements of Shandong Finance for each month will be provided to the Group;
3. a specific setting has been implemented within Shandong Finance's fund management system which monitors the balance of the Group's deposit with Shandong Finance on a daily basis, and pursuant to which a warning will be automatically generated and be notified to the Company should the aggregate amount of daily deposit maintained by the Group with Shandong Finance exceed a certain level;
4. specially designated personnel from the finance settlement department of the Company and the finance management department of the Company will be assigned to monitor the aggregate amount of daily balance maintained by the Group with Shandong Finance on a daily basis and to review the daily report issued by the fund management system of Shandong Finance as mentioned in paragraph (3) above to ensure that the New Caps will not be exceeded;
5. the Company shall regularly review and obtain the relevant documents such as account books, financial statements and audit reports of Shandong Finance in order to assess the business of Shandong Finance and its financial risk and position;
6. the Company shall be notified within two business days upon the occurrence of circumstances that may cause harm to the security of the Group's deposits or on the occurrence of any other circumstances that may jeopardise the security of the Group's deposits. In the event that the relevant risks cannot be eliminated, the Company shall take relevant actions to withdraw all deposits; and



## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER ON THE MAJOR AND CONTINUING CONNECTED TRANSACTIONS

7. the auditors of the Company will conduct annual review on the transactions contemplated under the New Financial Services Agreement and the New Caps in respect of the deposit services in accordance with the Listing Rules. The independent non-executive Directors will also provide annual confirmations in the annual reports of the Company in respect of the transactions contemplated under the New Financial Services Agreement to ensure that such transactions are entered into on normal commercial terms, fair and reasonable, and carried out pursuant to its contractual terms.

The Board considers that the above undertakings given by Shandong Finance and internal control procedures adopted by the Company in respect of the transactions under the New Financial Services Agreement are appropriate and that they will give sufficient assurance to the Shareholders that the transactions under the New Financial Services Agreement will be appropriately monitored by the Company.

We consider that such internal control procedures, including and not limited to the provision of accounting reports and regular review of financial statements of Shandong Finance, will enable the Company to monitor its deposits in a timely manner and accordingly are favourable to the Shareholders. We have also been provided with two samples of accounts and financial statements reviewed by the Company and confirm that the Company has abided by this internal control procedure.

### **G. Information of the Parties**

#### *The Company*

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

#### *Shandong Finance*

The business scope of Shandong Finance includes the following businesses in domestic and foreign currencies: (1) provision of finance services and financing consultancy services to its member companies, provision of credit verification and related consultancy and agency services to its member companies; (2) provision of assistance to its member companies in payment and receipt of transaction proceeds; (3) provision of approved insurance agency services; (4) provision of guarantees to its member companies; (5) dealing with entrusted loans among its member companies; (6) provision of bill acceptance and discounting services to its member companies; (7) provision of intra-group transfer and settlement services to its member companies and planning of clearing and settlement scheme; (8) provision of its deposit services to its member companies; (9) provision of loans and finance leasing services to member companies; (10) provision of interbank loans; (11) underwriting the corporate bonds issued by its member companies; (12) making investments in negotiable securities (except stock trading in secondary market); and (13) provision of consumer credit, buyer credit, finance leasing and other services as permitted by the CBIRC for its member companies.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER ON THE MAJOR AND CONTINUING CONNECTED TRANSACTIONS

Shandong Finance is held as to 37.5%, 31.25%, 12.5%, 12.5% and 6.25% by Shandong Heavy Industry, the Company, 濰柴重機股份有限公司 (Weichai Heavy-duty Machinery Co., Ltd.\*), 山推工程機械股份有限公司 (Shantui Engineering Machinery Co., Ltd.\*) and 陝西法士特齒輪有限責任公司 (Shaanxi Fast Gear Co., Ltd.\*), a 51% subsidiary of the Company), respectively.

Weichai Heavy-duty Machinery Co., Ltd. is a company whose shares are listed on the Shenzhen Stock Exchange (stock code: 000880) and is held as to approximately 30.59% by its single largest shareholder, 濰柴控股集團有限公司 (Weichai Group Holdings Limited\*), which is in turn a wholly-owned subsidiary of Shandong Heavy Industry.

Shantui Engineering Machinery Co., Ltd. is a company whose shares are listed on the Shenzhen Stock Exchange (stock code: 000680) and is accounted for as a subsidiary of Shandong Heavy Industry.

According to the Letter from the Board, to the best knowledge, information and belief of the Directors and having made all reasonable enquiries, Shandong Heavy Industry, and hence Shandong Finance, are ultimately governed and controlled by the Shandong Provincial People's Government.

### **H. Financial Effect of the Deposit Services under the New Financial Services Agreement**

The Directors are of the opinion that the provision of deposit services under the New Financial Services Agreement will not have material impact on the earnings, assets and liabilities of the Group.

### **RECOMMENDATION**

Having considered the principal factors and reasons referred to above, we are of the opinion that the terms of the deposit services under the New Financial Services Agreement and the relevant New Caps are on normal commercial terms or better and in the ordinary and usual course of business of the Company and are fair and reasonable so far as the Independent Shareholders are concerned and the said terms are in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we would advise the Independent Shareholders and the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the resolution(s) to approve the terms of the deposit services under the New Financial Services Agreement and the relevant New Caps at the AGM.

Yours faithfully,  
For and on behalf of  
**Trinity Corporate Finance Limited**  
**Joanne Pong**  
*Responsible Officer*

\* For identification purposes only

## 1. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for each of the three years ended 31 December 2019, 2020 and 2021 is disclosed in the following documents which have been published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.weichaipower.com](http://www.weichaipower.com)):

- the Company's annual report for the year ended 31 December 2019 published on 23 April 2020 (pages 92 to 404)  
(<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0423/2020042301886.pdf>)
- the Company's annual report for the year ended 31 December 2020 published on 29 April 2021 (pages 104 to 416)  
(<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0429/2021042902257.pdf>)
- the Company's annual report for the year ended 31 December 2021 published on 29 April 2022 (pages 122 to 448)  
(<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0429/2022042902036.pdf>)

## 2. INDEBTEDNESS

### Borrowings

As at the close of business on 31 March 2022, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had outstanding interest-bearing bank borrowings of approximately RMB16,697 million as follows:

	<b>As at</b>
	<b>31 March 2022</b>
	<i>RMB million</i>
Current bank borrowings	2,700
Non-current bank borrowings due within one year	491
Non-current bank borrowings	13,506

Details of such bank borrowings and other borrowings which are secured or unsecured are set out below:

	<b>As at 31 March 2022</b> <i>RMB million</i>
Secured:	38
Unsecured:	16,659

As at 31 March 2022, the Group had total available bank credit facilities of approximately RMB130,753 million of which approximately RMB114,056 million had not been utilised.

### **Collateral**

As at 31 March 2022, certain bank loans of the Group were secured by the pledge of the following:

	<b>As at 31 March 2022</b> <i>RMB million</i>
Property, plant and equipment	78

### **Liabilities under acceptance**

As at 31 March 2022, the Group had liabilities under acceptance of approximately RMB24,208 million.

### **Company bonds issued**

As at 31 March 2022, the Group issued company bonds of approximately RMB13,718 million.

### **Contingent liabilities**

#### **(1) Exposure to Confirmation Risks**

Shaanxi Heavy-duty Motor Co., Ltd., a subsidiary of the Company, entered into a tri-party cooperation agreement with distributors and endorsing bank. Distributors will deposit guarantee money of not lower than 30% to the bank and apply for establishment of bank acceptance bill according to the amount of credit facility provided by the bank to purchase products of Shaanxi Heavy-duty Motor Co., Ltd. Shaanxi Heavy-duty Motor Co., Ltd. assumes security obligation in favour of the distributors for the difference between amount of notes and guarantee money. As at 31 March 2022, amount of outstanding acceptance bill was RMB1,210 million.

(2) *Business Relating to Finance Lease Company*

Regarding the outright product sales to distributors in cash by Shaanxi Heavy-duty Motor Co., Ltd., a subsidiary of the Company, Shaanxi Heavy-duty Motor Co., Ltd. entered into a cooperation agreement with Shanzhong Finance Leasing Co., Ltd. It is agreed by and between the two parties that Shanzhong Finance Leasing Co., Ltd. shall provide finance lease service to distributors or ultimate customers of Shaanxi Heavy-duty Motor Co., Ltd. Shaanxi Heavy-duty Motor Co., Ltd. shall jointly guarantee repurchase of physical assets upon presentation in respect of the leasee's (ultimate customers') failure to pay the instalment payments and interests under the finance lease and the relevant distributor's failure to perform its repurchase obligation, on condition that product quality required by Shaanxi Heavy-duty Motor Co., Ltd. is satisfied. As at 31 March 2022, risk exposure in respect of possible guarantee for joint liabilities was RMB2,165 million.

The Directors confirm that there are no material changes in the indebtedness or contingent liabilities of the Group since 31 March 2022.

Save as disclosed herein, the Group did not have any material outstanding loan capital or debt securities or non-convertible notes issued or authorised or otherwise created but unissued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchases or finance lease commitments, guarantees or other material contingent liabilities.

**3. WORKING CAPITAL**

The Directors are of the opinion that, taking into account of the Group's available financial resources including internally generated cash flows, credit facilities and cash on hand, the Group has sufficient working capital for its present requirements, that is, for at least 12 months from the date of this circular.

**4. FINANCIAL AND TRADING PROSPECTS OF THE GROUP**

In 2022, affected by the volatile development of the pandemic and the complicated international political environment, the global economic recovery is facing multiple challenges, such as increasing debts and inflation, which will bring greater pressure and slow down the economic growth. Looking into 2022, the Company will accurately grasp the market situation, seize market opportunities, and step up its efforts in cost reduction and efficiency enhancement to achieve lean management. By accelerating the breakthrough of "bottleneck" technologies to consolidate its core competitiveness, the Company will continue to lead the industry to the high end.

## 5. MATERIAL ADVERSE CHANGE

The Directors confirm that, as at the Latest Practicable Date, they are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2021, being the date to which the latest published audited consolidated financial statements of the Company were made up.

## 6. ACQUISITION AFTER 31 DECEMBER 2021

Reference is made to the announcement of the Company dated 18 April 2022 in relation to the entering into of a share transfer agreement on the Company's acquisition (the "Acquisition") of approximately 22.69% of the shares in 潍柴雷沃重工股份有限公司 (Weichai Lovol Heavy Industry Co., Ltd\*) ("Weichia Lovol") from Weichai Holdings. The Acquisition is subject to the satisfaction of a number of conditions precedent, including but not limited to the obtaining of the relevant approval from the independent Shareholders at the general meeting of the Company.

Weichai Lovol is a joint stock limited company established in the PRC and is principally engaged in the design, development, manufacture and sale of agriculture machinery, construction machinery, vehicles, and vehicle parts and components. The purchase price of the Acquisition is RMB1,584,461,400 (equivalent to approximately HK\$1,944,840,309), which is subject to customary adjustments based on the profit/loss during the period from 31 December 2021 (being the relevant valuation reference date) to the completion date. The consideration shall be payable by the Company in cash in one lump sum within 30 working days after the share transfer agreement taking effect. Please refer to the announcement of the Company dated 18 April 2022 for further details of the financial information of Weichai Lovol and the Acquisition.

The aggregate of the remuneration payable to and benefits in kind receivable by the Directors will not be varied in consequence of the Acquisition.

Save as disclosed in this circular, after 31 December 2021, being the date to which the latest published audited consolidated financial statements of the Company were made up, the Group has not acquired or agreed to acquire or is proposing to acquire a business or an interest in the share capital of a company whose profits or assets make or will make a material contribution to the figures in the auditors' report or next published accounts of the Group.

\* For identification purposes only

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the 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.

## 2. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the interests and short positions of the Directors and Supervisors in the shares, underlying shares and debentures of the Company notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (as if it were applicable also to the Supervisors of the Company) were as follows:

### Interests in the Shares of the Company

Name of Director	Capacity	Number of A Shares held	Number of H Shares held	Percentage of the issued share capital of the Company
Tan Xuguang	Beneficial owner	58,842,596 ( <i>Note 1</i> )	–	0.67%
Zhang Quan	Beneficial owner	13,684,324 ( <i>Note 1</i> )	–	0.16%
Xu Xinyu	Beneficial owner	13,684,324 ( <i>Note 1</i> )	–	0.16%
Sun Shaojun	Beneficial owner	13,684,324 ( <i>Note 1</i> )	–	0.16%
Yuan Hongming	Beneficial owner	1,000,440	–	0.011%
	Interest held by spouse	<u>444</u>	–	<u>0.000005%</u>
		<u>1,000,884</u>	–	<u>0.011%</u>
Yan Jianbo	Beneficial owner	1,097,904	–	0.013%
Wen Daocai	Beneficial owner	21,940	–	0.0003%



Name of Supervisor	Capacity	Number of A Shares held	Number of H Shares held	Percentage of the issued share capital of the Company
Lu Wenwu	Beneficial owner	600,000	–	0.0069%
Wu Hongwei	Beneficial owner	4,789,516	–	0.05%

*Notes:*

1. These shares were derived from the previous domestic shares of the Company. The domestic shares were ordinary shares issued by the Company, with a Renminbi-denominated par value of RMB1.00 each, which were subscribed for and paid up in Renminbi or credited as fully paid up. These shares became “A” shares of the Company upon the “A” share listing of the Company on the Shenzhen Stock Exchange.
2. All the shareholding interests listed in the above table are “long” position.
3. The percentage shareholding is calculated on the basis of 8,726,556,821 issued shares of the Company as at the Latest Practicable Date (comprising 6,783,516,821 A Shares and 1,943,040,000 H Shares).

**Interests in the shares of associated corporations of the Company**

Name of Director	Name of associated corporation	Nature of interest	Class and number of securities interested or deemed to be interested	Approximate percentage interest in the entire issued share capital of associated corporation
Gordon Riske ( <i>Note</i> )	KION Group AG (“KION”)	Beneficial owner	146,460 ordinary shares	0.11%
		Interest held by spouse	93,940 ordinary shares	0.07%
			240,400 ordinary shares	0.18%
Jiang Kui	Shantui Engineering Machinery Co., Ltd.	Beneficial owner	42,697 ordinary shares	0.0028%

*Note:* Gordon Riske, a non-executive Director, was the beneficial owner of 146,460 ordinary shares in KION and he was also deemed to be interested in 93,940 shares in KION which were beneficially held by his wife, Ms. Benita Riske.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, the chief executive nor the supervisors had an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or was recorded in the register required to be kept pursuant to Section 352 of the SFO, or as otherwise notified to the Company pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers.

The register of substantial Shareholders maintained by the Company pursuant to Section 336 of the SFO (including interests filed with the Stock Exchange) shows that as at the Latest Practicable Date, the following persons (other than the Directors, the chief executive and the supervisors) had the following interests and short positions (if any) in the shares and underlying shares of the Company:

Name	Capacity	Long/Short position	Percentage of share capital		Percentage of share capital		Percentage of total issued share capital
			Number of A Shares	comprising only A Shares	Number of H Shares	comprising only H Shares	
Weichai Group Holdings Limited	Beneficial owner	Long	1,422,550,620	20.97%	–	–	16.30%
Shandong Heavy Industry Group Co., Ltd. (Note 1)	Interest of corporation controlled by you	Long	1,422,550,620	20.97%	–	–	16.30%
Brandes Investment Partners, LP (Note 3)	Investment manager	Long	–	–	78,578,612	16.18%	3.60%
Lazard Emerging Markets Equity Portfolio (Note 4)	Investment manager	Long	–	–	23,707,500	5.86%	1.30%
Barclays PLC (Note 3)	Person having a security interest in shares	Long	–	–	525,552	0.11%	0.02%
	Interest of corporation controlled by you	Long	–	–	25,453,050	5.24%	1.17%
					<u>25,978,602</u>	<u>5.35%</u>	<u>1.19%</u>
	Interest of corporation controlled by you	Short	–	–	24,102,475	4.96%	1.10%

Name	Capacity	Long/Short position	Number of A Shares	Percentage of share capital comprising only A Shares	Number of H Shares	Percentage of share capital comprising only H Shares	Percentage of total issued share capital
Morgan Stanley (Note 2)	Interest of corporation controlled by you	Long	–	–	49,335,508	5.08%	1.13%
	Interest of corporation controlled by you	Short	–	–	42,078,545	4.33%	0.96%
Lazard Asset Management LLC	Investment manager	Long	–	–	328,810,940	16.92%	3.77%
Schroders Plc	Investment manager	Long	–	–	224,347,854	11.55%	2.57%
Citigroup Inc.	Interest of corporation controlled by you	Long	–	–	2,810,416	0.14%	0.32%
	Approved lending agent	Long	–	–	135,491,501	6.97%	1.55%
					<u>138,301,917</u>	<u>7.11%</u>	<u>1.58%</u>
	Interest of corporation controlled by you	Short	–	–	1,902,788	0.09%	0.02%

## Notes:

1. Shandong Heavy Industry Group Co., Ltd., a subsidiary of State-owned Assets Supervision and Administration Commission of Shandong Province, held the entire share capital of Weichai Group Holdings Limited (formerly known as Weifang Diesel Engine Works).
2. The number of H shares reported above held by the relevant substantial shareholder does not take into consideration the Company's bonus share issuance on 21 July 2017 as there is no disclosure of interest obligation under the SFO where there is no change in percentage of shareholdings for a substantial shareholder.
3. The number of H shares reported above held by the relevant substantial shareholder does not take into consideration the Company's bonus share issuance on 20 August 2015 and 21 July 2017 as there is no disclosure of interest obligation under the SFO where there is no change in percentage of shareholdings for a substantial shareholder.
4. The number of H shares reported above held by the relevant substantial shareholder does not take into consideration the Company's bonus share issuance on 17 August 2012, 20 August 2015 and 21 July 2017 as there is no disclosure of interest obligation under the SFO where there is no change in percentage of shareholdings for a substantial shareholder.
5. The percentages disclosed in the above table were calculated based on the total number of issued shares of the Company as at the Latest Practicable Date.

Save as disclosed above, the Company had not been notified of any other relevant interests or short positions in the issued share capital of the Company as at the Latest Practicable Date.

As at the Latest Practicable Date, so far as is known to the Directors, the following Directors held offices in the substantial Shareholders set out above:

<b>Name of Director</b>	<b>Positions held in Weichai Holdings</b>	<b>Positions held in Shandong Heavy Industry</b>
Tan Xuguang	Chairman	Chairman
Jiang Kui	–	General manager
Zhang Quan	Director	–
Xu Xinyu	Deputy chairman	–
Sun Shaojun	Director	Deputy general manager

### 3. ARRANGEMENTS AND MATTERS CONCERNING DIRECTORS

- (a) None of the Directors has entered into any service contract with the Group, which is not expiring or determinable by the Group within one year without payment of compensation (other than the payment of statutory compensation).
- (b) As at the Latest Practicable Date, none of the Directors was interested, directly or indirectly, in any assets which, since 31 December 2021, being the date to which the latest published audited consolidated financial statements of the Group were made up, had been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.
- (c) As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date and entered into by the Group and which was significant in relation to the business of the Group.
- (d) As at the Latest Practicable Date, save for the directorship of Mr. Zhang Quan in Beiqi Foton, none of the Directors or their respective close associates had any interest in a business which competed or might compete with the business of the Company. The Company has an approximately 1.22% interest in the shares of Beiqi Foton. Beiqi Foton is also a customer of the Company's diesel engines. Beiqi Foton is engaged in the production of, inter alia, heavy-duty vehicles/trucks.

### 4. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or claims of material importance nor was any litigation or claims of material importance known to the Directors to be pending or threatened against any member of the Group.

## 5. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2021, the date to which the latest audited consolidated financial statements of the Group were made up.

## 6. EXPERT

- (a) The following is the qualification of the expert which has given opinion or advice which is contained in this circular:

Name	Qualification
Trinity Corporate Finance Limited	A corporation licensed to carry out regulated activity type 6 (advising on corporate finance) under the SFO

- (b) As at the Latest Practicable Date, the Independent Financial Adviser did not have any shareholding in the Company or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor did it have any interest, direct or indirect, in any assets which had, since the date to which the latest published audited consolidated financial statements of the Group were made up, been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.
- (c) The Independent Financial Adviser has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letters and references to its name in the forms and contexts in which they appear. The letters of the Independent Financial Adviser contained herein were issued on 26 May 2022 and were made by the Independent Financial Adviser for incorporation in this circular.

## 7. MATERIAL CONTRACTS

The following contracts (not being a contract entered into in the ordinary course of business) have been entered into by member(s) of the Group within the two years immediately preceding the date of this circular and are or may be material:

- (a) an equity transfer agreement entered into between the Company, 潍柴控股集团有限公司 (Weichai Group Holdings Limited\*) and 山東潍柴进出口有限公司 (Shandong Weichai Import and Export Co., Ltd.\*) ("**Weichai Import and Export**") on 29 October 2021 in respect of the acquisition by the Company of the entire equity interest in Weichai Import and Export at a consideration of approximately RMB313.75 million;
- (b) an equity transfer agreement entered into between the Company, 阿波斯科技集团股份有限公司 (Arbos Technology (Group) Co., Ltd.\*) and 潍柴雷沃重工股份有限公司 (Weichai Lovol Heavy Industry Co., Ltd.\*) ("**Weichai Lovol**") on 13 July 2021 in respect of the acquisition by the Company of approximately 38.62% of total issued shares of Weichai Lovol at a consideration of approximately RMB968.20 million;
- (c) an equity transfer agreement entered into between the Company, 青特集团有限公司 (Qingte Group Co., Ltd.) and Weichai Lovol on 13 July 2021 in respect of the acquisition by the Company of approximately 0.69% of total issued shares of Weichai Lovol at a consideration of approximately RMB17.30 million;

- (d) a subscription agreement entered into between the Company and Shantui Engineering on 26 November 2020 in respect of the Company's subscription for not more than 236,705,601 A shares of Shantui Engineering at a consideration of approximately RMB681.71 million; and
- (e) a share transfer agreement entered into between the Company and Weichai Holding on 18 April 2022 in respect of the Company's acquisition of approximately 22.69% of the shares in 潍柴雷沃重工股份有限公司 (Weichai Lovol Heavy Industry Co., Ltd\*) from Weichai Holdings. The purchase price of the acquisition is RMB1,584,461,400 (equivalent to approximately HK\$1,944,840,309), which is subject to customary adjustments based on the profit/loss during the period from 31 December 2021 (being the relevant valuation reference date) to the completion date.

## 8. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.weichaipower.com>) from the date of this circular up to and including the date of the AGM:

- (i) the New CNHTC Supply Agreement;
- (ii) the New Financial Services Agreement;
- (iii) the letters from the Independent Financial Adviser, the text of which is set out in this circular; and
- (iv) the letter of consent from the Independent Financial Adviser referred to in the section headed "6. Expert" in Appendix II to this circular.

## 9. MISCELLANEOUS

- (a) The company secretary of the Company is Ms. Hu Yunyun, who is an intermediate accountant (中級會計師) in the PRC and a member of the Association of Chartered Certified Accountants.
- (b) The H-share registrar of the Company is Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (c) In the event of any inconsistency, the English text of this circular shall prevail over the Chinese text.

\* For identification purposes only



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 2021 ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the annual general meeting (the “**2021 Annual General Meeting**”) of Weichai Power Co., Ltd. (the “**Company**”) for the year ended 31 December 2021 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 28 June 2022 at 2:30 p.m. for the purposes of considering and, if thought fit, approving (or receiving) and authorising the matters set out below. Unless the context otherwise requires, terms defined in the circular to the shareholders of the Company dated 26 May 2022, of which this notice forms part (the “**Circular**”) shall have the same meaning when used herein.

AS ORDINARY RESOLUTIONS:

1. To consider and approve the Annual Report of the Company for the year ended 31 December 2021.
2. To consider and approve the Report of the Board of Directors of the Company for the year ended 31 December 2021.
3. To consider and approve the Report of the Supervisory Committee of the Company for the year ended 31 December 2021.
4. To consider and receive the audited financial statements of the Company and the Auditors’ Report for the year ended 31 December 2021.
5. To consider and approve the 財務決算報告 (final financial report) of the Company for the year ended 31 December 2021.
6. To consider and approve the 財務預算報告 (financial budget report) of the Company for the year ending 31 December 2022.
7. To consider and approve the profit distribution plan of the Company for the year ended 31 December 2021.
8. To consider and approve the granting of a mandate to the Board of Directors for the payment of interim dividend (if any) to the shareholders of the Company for the year ending 31 December 2022.
9. To consider and approve the amendments to the Rules of Procedure for Board Meetings as set out in the section headed “VI. Proposed amendments to the Rules of Procedure for Board Meetings” in the letter from the Board contained in the Circular. (Note J)



## NOTICE OF AGM

10. To consider and approve the re-appointment of Deloitte Touche Tohmatsu Certified Public Accountants LLP (德勤華永會計師事務所(特殊普通合夥)) as the auditors of the Company for the year ending 31 December 2022 at a remuneration of approximately RMB8.8 million (inclusive of tax).
11. To consider and approve the re-appointment of 和信會計師事務所(特殊普通合夥) (Hexin Accountants LLP) as the internal control auditors of the Company for the year ending 31 December 2022 at a remuneration of approximately RMB1.2 million (inclusive of tax).
12. To consider and, if thought fit, approve the following resolution as an ordinary resolution:

**“THAT** the New CNHTC Purchase Agreement dated 30 March 2022 referred to in the section headed “III. PRC Continuing Connected Transaction – Purchase of vehicles, vehicle parts and components and related products, engines, engine parts and components and related products, and relevant services by the Company (and its subsidiaries) from CNHTC (and its associates)” in the “Letter from the Board” contained in the Circular and the relevant new caps be and are hereby approved.” *(Note I)*

13. To consider and, if thought fit, approve the following resolution as an ordinary resolution:

**“THAT** the New CNHTC Supply Agreement dated 30 March 2022 referred to in the section headed “II. The Non-exempt Continuing Connected Transaction – Sale of vehicles, vehicle parts and components and related products, engines, engine parts and components and related products, and relevant services by the Company (and its subsidiaries) to CNHTC (and its associates)” in the “Letter from the Board” contained in the Circular and the relevant New Caps (as defined in the Circular) be and are hereby approved.” *(Note I)*

14. To consider and, if thought fit, approve the following resolution as an ordinary resolution:

**“THAT** the New Financial Services Agreement dated 30 March 2022 referred to in the section headed “IV. Major and Continuing Connected Transactions” in the “Letter from the Board” contained in the Circular and the relevant New Caps (as defined in the Circular) be and are hereby approved.” *(Note I)*

By Order of the Board of Directors  
**Weichai Power Co., Ltd.**  
**Hu Yunyun**  
*Company Secretary*

Hong Kong, 26 May 2022

## NOTICE OF AGM

*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 23 June 2022 to 28 June 2022 (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 28 June 2022 are entitled to attend and vote at the 2021 Annual General Meeting following completion of the registration procedures. To qualify for attendance and voting at the 2021 Annual General Meeting, 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 22 June 2022. 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 2021 Annual General Meeting may, by completing the form of proxy of the Company, appoint one or more proxies to attend and vote at the 2021 Annual General Meeting 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 2021 Annual General Meeting 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 2021 Annual General Meeting.
- (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 2021 Annual General Meeting may also, by completing the form of proxy of the Company, appoint one or more proxies to attend and vote at the 2021 Annual General Meeting 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 2021 Annual General Meeting. The address of the Secretary to the board of Directors of the Company is as follow:

The office of the Board of Directors  
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 AGM

- (F) A shareholder or his/her proxy should produce proof of identity when attending the 2021 Annual General Meeting. 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 2021 Annual General Meeting, 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 2021 Annual General Meeting 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 2021 Annual General Meeting and end on (and exclude) the date that is seven (7) days before the date of the 2021 Annual General Meeting.
- (H) The 2021 Annual General Meeting is expected to last for not more than half a day. Shareholders who attend the 2021 Annual General Meeting shall bear their own travelling and accommodation expenses.
- (I) Weichai Holdings and its associates will abstain from voting at the 2021 Annual General Meeting in respect of this resolution.
- (J) Since the Company is a PRC incorporated company and the official Rules of Procedure for Board Meetings of the Company are in the Chinese language, the proposed amendments are an unofficial English language translation (the "**English Translation**") of the official proposed amendments in the Chinese language (the "**Official Amendments**"), which are set out in the Chinese language version of the Circular and this notice. Accordingly, in the event of any inconsistency between the English Translation and the Official Amendments, the Official Amendments shall prevail.

*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.*