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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) MAJOR AND CONTINUING CONNECTED TRANSACTIONS,
(2) PROPOSED PAYMENT OF CASH DIVIDENDS,
(3) PROPOSED ELECTION OF NEW DIRECTOR,
(4) GENERAL MANDATE TO ISSUE H SHARES, AND
(5) NOTICE OF ANNUAL GENERAL MEETING**

**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**



**昱豐融資有限公司
CERES CAPITAL LIMITED**

A letter from the Board is set out on pages 5 to 17 of this circular.

A letter from the Independent Board Committee to the Independent Shareholders in relation to the terms of the deposit services under the New Financial Services Agreement is set out on page 18 of this circular.

A letter from 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 is set out on pages 19 to 33 of this circular.

A notice convening the AGM to be held at Section A, 197, Fu Shou East Street, High Technology Industrial Development Zone, Weifeng, Shandong Province, the PRC on 24 June 2013 at 2:30 p.m. is set out on pages 45 to 50 of this circular. Whether or not you intend to be present at the said meeting(s), you are requested to complete the accompanying forms of proxy in accordance with the instructions printed thereon and return the same to the branch 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 Securities Department, 197, Section A, Fu Shou East Street, High Technology Industrial Development Zone, Weifang, Shandong Province, the PRC (postal code: 261061) (with respect to the holders of A Shares), no later than 24 hours before the time fixed for holding the relevant meeting or any adjournment thereof. Completion and delivery of the form of proxy will not prevent you from attending, and voting at, the relevant meeting or any adjournment thereof if you so wish.

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DEFINITION

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

“5% Threshold”	the thresholds referred to in Rule 14A.34 of the Hong Kong Listing Rules
“AGM”	the annual general meeting of the Company to be held on Monday, 24 June 2013, the notice for 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”	has the meaning ascribed thereto under the Hong Kong Listing Rules
“Audit Committee”	the audit committee of the Board
“Board”	the board of Directors
“Cash Dividends”	has the meaning ascribed thereto under the section headed “Proposed Payment of Cash Dividends” in this circular
“CBRC”	China Banking Regulatory Commission
“China” or “PRC”	the People’s Republic of China which, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Company”	濰柴動力股份有限公司 (Weichai Power Co., Ltd.), a company established in the PRC with limited liability
“Company Law”	the Company Law (公司法) of the PRC adopted at the Fifth Session of the Standing Committee of the Eighth National People’s Congress on 29 December 1993 and effective from 1 July 1994, as amended, supplemented or otherwise modified from time to time
“connected person(s)”	has the meaning ascribed thereto under the Hong Kong Listing Rules

DEFINITION

“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 30 June 2012
“General Mandate”	the general mandate to issue H Share(s) to be granted to the Board at the AGM
“Group”	the Company and its subsidiaries (as defined in the Hong Kong Listing Rules)
“H Share(s)”	the H Share(s), being the overseas listed foreign share(s) issued in the capital of the Company with a RMB denominated par value of RMB1.00 each and are listed on the main board of the Hong Kong Stock Exchange
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Independent Board Committee”	a committee of the Board comprising Mr. Liu Zheng, Mr. Li Shihao, Mr. Loh Yih, Mr. Chu, Howard Ho Hwa, Mr. Zhang Zhenhua and Mr. Li Luwen, being the independent non-executive Directors
“Independent Financial Adviser”	Ceres Capital Limited, the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the provision of the deposit services by Shandong Finance to the Group under the New Financial Services Agreement and the proposed New Caps for the relevant periods
“Independent Shareholders”	Shareholders who are not required to abstain from voting at the AGM in respect of the provision of the deposit services by Shandong Finance to the Group under the New Financial Services Agreement

DEFINITION

“Jingu Trust”	中國金谷國際信託有限責任公司 (China Jingu International Trust Co., Ltd*), a non-banking financial institution, and to the best of the Directors’ knowledge, information and belief having made all reasonably enquiry, Jingu Trust and its ultimate beneficial owner are third parties independent of the Company and its connected persons
“Latest Practicable Date”	3 May 2013, being the latest practicable date for the purpose of ascertaining certain information contained in this circular before its despatch
“New Cap(s)”	has the meaning as ascribed to it under the section headed “2. Major and continuing connected transactions – (iv) Proposed annual caps and reasons” of this circular
“New Financial Services Agreement”	the financial services agreement entered into between the Company and Shandong Finance on 21 March 2013
“PRC”	the People’s Republic of China
“Record Date”	means the record date to the 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
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Shandong Finance”	山東重工集團財務有限公司 (Shangdong Heavy Industry Group Finance Co., Ltd.*), a company established in the PRC with limited liability which is owned as to 35%, 20%, 20%, 20% and 5% by Shandong Heavy Industry, the Company, Weichai Heavy-duty Machinery, Shantui Construction and Jingu Trust, 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, the entire capital of which is held by the State-owned Assets Supervision and Administration Commission of Shandong Province

DEFINITION

“Shantui Construction”	山推工程機械股份有限公司 (Shantui Construction Machinery Co., Ltd.*), an enterprise established in the PRC and is held as to approximately 21.10% by Shandong Heavy Industry
“Share(s)”	share(s) of RMB1.00 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Weichai Heavy-duty Machinery”	濰柴重機股份有限公司 (Weichai Heavy-duty Machinery Co., Ltd.*), a company established in the PRC and is held as to approximately 30.59% by Weichai Holdings
“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 and a substantial shareholder of the Company
“%”	per cent

* For identification purposes only



WEICHAI

潍柴動力股份有限公司

WEICHAI POWER CO., LTD.

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

(Stock Code: 2338)

Executive Directors:

Tan Xuguang (*Chairman*)

Xu Xinyu

Li Dakai

Fang Hongwei

Sun Shaojun

Zhang Quan

Non-executive Directors:

Chen Xuejian

Yeung Sai Hong

Julius G. Kiss

Han Xiaoqun

Jiang Kui

Independent Non-executive Directors:

Liu Zheng

Li Shihao

Loh Yih

Chu, Howard Ho Hwa

Zhang Zhenhua

Li Luwen

Supervisors:

Sun Chengping

Jiang Jianfang

Lu Wenwu

Registered office:

197, Section A

Fu Shou East Street

High Technology Industrial

Development Zone

Weifang City

Shandong Province

The People's Republic of China

Principal place of

business in Hong Kong:

Room 3407-3408

34/F, Gloucester Tower

Landmark

15 Queen's Road Central

Hong Kong

8 May 2013

To: Holders of H Shares

Holders of A Shares

Dear Sir or Madam,

- (1) MAJOR AND CONTINUING CONNECTED TRANSACTIONS,
(2) PROPOSED PAYMENT OF CASH DIVIDENDS,
(3) PROPOSED ELECTION OF NEW DIRECTOR,
(4) GENERAL MANDATE TO ISSUE H SHARES, AND
(5) NOTICE OF ANNUAL GENERAL MEETING**

LETTER FROM THE BOARD

1. INTRODUCTION

Reference is made to (i) the announcement of the Company dated 21 March 2013 in relation to the New Financial Services Agreement; (ii) the announcement of the Company dated 21 March 2013 in relation to the annual results for the year ended 31 December 2012 and the proposed payment of Cash Dividends; and (iii) the announcement of the Company dated 21 March 2013 in relation to, amongst others, the proposed election of a new Director subject to the approval of the Shareholders by way of ordinary resolution at the AGM.

The purpose of this circular is to provide you with, among other things, (i) further details of the deposit services under the New Financial Services Agreement; (ii) further details of the proposed payment of Cash Dividends; (iii) details of the election of the new Director; and (iv) information in relation to the General Mandate to issue H Shares. This circular also contains the notice convening the AGM.

2. MAJOR AND CONTINUING CONNECTED TRANSACTIONS

(i) The background

Reference is made to the announcement of the Company dated 21 March 2013. As announced by the Board on 21 March 2013, the Group entered into the New Financial Services Agreement on 21 March 2013, 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 CBRC, which is merely one of a number of financial institutions providing financial services to the Group.

(ii) New Financial Services Agreement

Date: 21 March 2013

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.

LETTER FROM THE BOARD

Effective date and term

The New Financial Services Agreement shall become effective on the date of its execution and has a term of three years ending 29 June 2016, subject to the approval at a Shareholders' meeting of the transactions contemplated under the New Financial Services Agreement and the 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; 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 2016:

	From 30 June 2013 to 29 June 2014 (RMB billion)	From 30 June 2014 to 29 June 2015 (RMB billion)	From 30 June 2015 to 29 June 2016 (RMB billion)
New Caps	9	10.8	13

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 services to be provided by Shandong Finance to the Company under the New Financial Services Agreement are exempt from all reporting, announcement and independent shareholders' approval requirements under Rule 14A.65(4) of the Hong Kong Listing Rules.

LETTER FROM THE BOARD

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 CBRC;
- (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 financial institutions in the PRC to the Group for the same period;
- (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 RMB10 billion to the Group and the interest that shall accrue thereunder shall not exceed RMB0.6 billion.

(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 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 Hong Kong Listing Rules according to Rule 14A.33.

For completeness, the major terms of the provision of such financial services by Shandong Finance to the Group are set out below for 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 financial institutions 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.

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(iii) Existing annual cap and historical amount of deposit

Pursuant to the terms of the Existing Financial Services Agreement, the existing annual cap, i.e. the maximum daily balance (including interests) of the Company's deposit with Shandong Finance shall be RMB1,140 million.

The maximum daily balance (including interests) of the Company's deposit with Shandong Finance during the eight months ended 28 February 2013 was approximately RMB1,139.97 million. During the eight months ended 28 February 2013, the relevant interest rates offered by Shandong Finance to the Company represented an extra 10% of the benchmark interest rates as announced by the People's Bank of China from time to time, and the aggregate amount of interest received by the Company and interest payable by Shandong Finance (based on the information provided by Shandong Finance) was approximately RMB13.15 million in respect of the said deposit. For the eight months ended 28 February 2013, the deposit interest rates offered by Shandong Finance to the Company ranged from 0.88% per annum (for 1-day call deposit) to 3.3% per annum (for 1-year term deposit).

(iv) Proposed annual caps and reasons

Deposit services

The Board, having considered (i) the historical cash position of the Group, in particular, that as at 31 December 2012, the Group had cash and cash equivalents of approximately RMB16,727 million, of which bank deposits amounted to approximately RMB14,100 million; (ii) the expected growth of the business operations of the Group benefitting from China's sustained economic growth and increase in infrastructural development in the next few years; and (iii) the expected amount of interest income from Shandong Finance, 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 Agreement shall not exceed the following caps for each of the three years ending 29 June 2016 (the "**New Cap(s)**"), with an increase of approximately 20% for such annual caps for each of the respective years taking into account all the aforesaid factors:

	From 30 June 2013 to 29 June 2014 (RMB billion)	From 30 June 2014 to 29 June 2015 (RMB billion)	From 30 June 2015 to 29 June 2016 (RMB billion)
New Caps	9	10.8	13

The amount of deposit currently maintained by the Group with Shandong Finance is restricted by the existing annual cap of RMB1,140 million under the Existing Financial Services Agreement, and as such, when compared to the proposed New Caps, there appears to be a significant increase in the annual cap. The New Caps have been proposed at an optimal level to provide the Group with

LETTER FROM THE BOARD

flexibility in the management of its funds. Depending on its actual cash position, funding requirements, and the money market conditions, the Group may or may not maintain deposits with Shandong Finance at levels up to the proposed New Caps. The Directors (including the independent non-executive Directors, having considered 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 is exempt from the reporting, announcement and independent shareholders' requirements under Rule 14A.65(4) and Rule 14A.33 of the Hong Kong Listing Rules, respectively. As such, no annual cap is required to be set in such regard.

(v) 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. 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; and
4. the Company shall be notified immediately on 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.

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.

LETTER FROM THE BOARD

(vi) 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 the 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 CBRC and Shandong Finance provides services within its approved scope in accordance with its operational requirement; and
3. the Company directly holds 20% equity interest of Shandong Finance, which allows it to benefit from the profits of Shandong Finance.

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 in respect of the provision of the deposit services under the New Financial Services Agreement, having considered 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 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 21 March 2013. At the aforesaid Board meeting, Mr. Tan Xuguang, Mr. Jiang Kui and Mr. Liu Huisheng have abstained from voting in respect of the resolutions approving such transactions in view of their respective interest and/or position (as the case may be) 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.

(vii) Hong Kong Listing Rules implications

Shandong Heavy Industry is a substantial shareholder of the Company holding approximately 16.83% of the issued share capital of the Company. As Shandong Heavy Industry holds 35% equity interest in Shandong Finance, Shandong Finance is an associate of Shandong Heavy Industry and therefore a connected person of the Company under the Hong Kong 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 Hong Kong Listing Rules.

As one of the applicable percentage ratios calculated in accordance with the Hong Kong Listing Rules for the deposit services under the New Financial Services Agreement exceeds 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 under Rule 14.04(1)(e) of the Hong Kong Listing Rules and is subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Hong Kong Listing Rules.

Further, as all of the applicable percentage ratios calculated in accordance with the Hong Kong Listing Rules for the deposit services under the New Financial Services Agreement for the three years ending 29 June 2016 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 requirements set out in Rules 14A.45 and 14A.46, the annual review requirements of Rules 14A.37 and 14A.38 of the Hong Kong Listing Rules, and the Independent Shareholders' approval requirements of Chapter 14A of the Hong Kong Listing Rules.

The Company will seek the Independent Shareholders' approval 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 for the relevant periods at the AGM. Other than Weichai Holdings and its associates, no Shareholder is required to abstain from voting in respect of such resolution in the AGM.

(viii) 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;

LETTER FROM THE BOARD

(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; and (10) provision of interbank loans.

Pursuant to the “Measures for the Administration of Finance Companies of Group Enterprises” (企業集團財務公司管理辦法) promulgated by the CBRC, the registered capital fund for setting up a finance company shall be not less than RMB100 million and such capital shall be paid up in Renminbi or equivalent in a freely convertible currency; whereas the registered capital fund of a finance company that engages in foreign exchange business shall include no less than US\$5 million or equivalent in a freely convertible currency. CBRC may adjust the minimum requirement of registered capital fund of finance companies in accordance with the requirements of company development and prudent regulation.

Shandong Finance is a non-banking financial institution established with the approval of the CBRC and has a registered and paid-up capital of RMB1 billion (inclusive of US\$10 million). Since Shandong Finance has obtained the Financial Operation License (金融許可證) issued by the CBRC and the relevant approval of the People’s Bank of China, it is entitled to carry out the financial services businesses within the business scope as disclosed above.

Shandong Finance is owned as to 35%, 20%, 20%, 20% and 5% by Shandong Heavy Industry, the Company, Weichai Heavy-duty Machinery, Shantui Construction and Jingu Trust, respectively. Shandong Heavy Industry is principally engaged in the investment and corporate management, planning and organising the operations of enterprises in its group, and the research and development, production and sale of diesel engines and related products, construction machinery and other equipment and components; Weichai Heavy-duty Machinery is principally engaged in the manufacture and sale of medium-speed diesel engines and diesel engine parts and components, power generators and related products, and construction machinery and the provision of repair processing services for machinery parts; Shantui Construction is principally engaged in the research and development, production, sale, leasing and repair of and provision of consultation service in regard to construction machinery, hoisting and conveying machinery, mining machinery, farmland construction machinery and harvesting machinery and the components; whereas Jingu Trust is principally engaged in the provision of trust and financial services.

(ix) 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.

LETTER FROM THE BOARD

3. PROPOSED PAYMENT OF CASH DIVIDENDS

On 21 March 2013, the Board proposed that the cash dividends (the “**Cash Dividends**”) of RMB2.30 (tax inclusive) per every ten Shares held by such Shareholders on the Record Date will be paid by way of cash in the amount of RMB4,598,412,169.70 of the Company’s retained earnings as at 31 December 2012. 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 approvals by the Shareholders, the holders of A Shares and the holders of H Shares, respectively, of the payment of Cash Dividends.

4. PROPOSED ELECTION OF NEW DIRECTOR

As disclosed in the announcement of the Company dated 21 March 2013 in relation to, amongst others, the proposed election of a new Director, the Board has nominated Mr. Gordon Riske as a candidate for election as an executive Director of the Board, with effect from the date of approval by the shareholders of the Company at the AGM and until 28 June 2015, the expiration of the term of the current session of the Board. Mr. Riske will not enter into any service contract with the Company. His basic salaries will be determined in accordance with relevant emolument policy of the Company on the basis of, inter alia, his merit, qualifications and competence after taking into consideration the remuneration of the current directors of the Company, subject to the approval of the shareholders of the Company.

The biographical details of the nominated executive Director, Mr. Gordon Riske, are set out below:

Mr. Gordon Riske, aged 55, graduated from the Lawrence Institute of Technology in Southfield, Michigan, U.S., where he studied Electrical Engineering. Mr. Riske also holds a Bachelor of Business Administration from the Oekreal School of Business, Zurich, Switzerland and attended a Master of Business program at the Graduate Business School in Zurich, Switzerland (now the Lorange Institute of Business). Mr. Riske joined the KION Group as a member of the executive board in 2007, as chief operating officer, as well as chief executive officer of Linde Material Handling GmbH. He has been the chief executive officer of KION Holding 1 GmbH and KION GROUP GmbH since 2008. Prior to joining the KION Group, Mr. Riske was the chairman of the executive board of Deutz AG in Cologne, Germany and held various senior positions at the KUKA Group, including chief executive officer of KUKA Roboter GmbH. He has extensive experience in the engineering industry and in corporate management.

As at the Latest Practicable Date, Mr. Riske has not held any directorship in any listed public companies in the last three years, has no relationships with any directors, senior management or substantial or controlling shareholders of the Company, has not taken any other major positions in the Company or its subsidiaries, and does not have any other interests in the shares of the Company which are required to be disclosed pursuant to Part XV of the SFO.

LETTER FROM THE BOARD

Save as disclosed herein, there is no other matter relating to the election of the executive Director that will need to be brought to the attention of the Shareholders and there is no other information which is required to be disclosed pursuant to Rule 13.51(2)(h) to 13.51(2)(v) of the Hong Kong Listing Rules.

5. GENERAL MANDATE TO ISSUE H SHARES

To ensure flexibility and discretion to the Board to issue new Shares when it becomes desirable, the Company proposes to grant the General Mandate to the Board to allot, issue and otherwise deal with additional H Shares of the Company up to the limit of 20% of the aggregate nominal values of the H Shares of the Company in issue on the date of passing such resolution.

As at the date of this circular, the issued share capital of the Company comprised of 1,513,549,639 A Shares and 485,760,000 H Shares. Subject to the approval of the grant of the General Mandate and on the basis that no further Shares are issued before the AGM, the Board will have the power to issue up to 97,152,000 H Shares.

The General Mandate shall be effective until the earliest of: (i) the conclusion of the next annual general meeting of the Company; (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association or other applicable laws and regulations to be held; or (iii) the revocation or variation of the authority given under this resolution by passing of a special resolution of the Company in a general meeting.

Any exercise of the power by the Board under the General Mandate shall comply with the relevant requirements of the Hong Kong Listing Rules, the Articles of Association and the applicable laws and regulations of the PRC. The Board has no plan to issue new Shares pursuant to the General Mandate at present.

6. AGM

The AGM will be held at Section A, 197, Fu Shou East Street, High Technology Industrial Development Zone, Weifang, Shandong Province, the PRC on Monday, 24 June 2013 to consider and, if thought fit, approve, inter alia, the matters as set out in the notice convening the AGM set out in pages 45 to 50 of this circular.

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 meetings, you are requested to complete the forms of proxy in accordance with the instructions printed thereon and return the same to Computershare Hong Kong Investor Services Limited at 17M floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong (with respect to the holders of H Shares) or the Company's registered office at Securities Department, 197, Section A, Fu Shou East Street, High Technology Industrial Development Zone, Weifang, Shandong Province, the PRC (postal code: 261061) (with respect to the holders of A Shares), no later than 24 hours before the time fixed for holding the relevant meeting or any adjournment thereof.

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

LETTER FROM THE BOARD

7. CLOSURE OF REGISTER OF HOLDERS OF H SHARES

The register of holders of H Shares of the Company will be closed from 25 May 2013 to 24 June 2013, 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 1712–16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on 24 May 2013.

Please refer to further announcement to be issued by the Company no later than two months from the date of obtaining the approvals by the Shareholders, the holders of A Shares and the holders of H Shares, respectively, 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.

8. RECOMMENDATION

Having considered the reasons set out in the section headed "2. Major and continuing connected transactions", the Directors, including the independent non-executive Directors (having considered the advice of the Independent Financial Adviser), are of the opinion that the relevant New Caps and the terms of the deposit services under the New Financial Services Agreement are fair and reasonable and in the interests of the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the resolution regarding the same.

The Independent Board Committee comprising the independent non-executive Directors (namely, Mr. Liu Zheng, Mr. Li Shihao, Mr. Loh Yih, Mr. Chu, Howard Ho Hwa, Mr. Zhang Zhenhua and Mr. Li Luwen) has been appointed to consider the terms of the deposit services under the New Financial Services Agreement and the 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 terms of the deposit services under the New Financial Services Agreement and the New Caps. Your attention is drawn to (i) the letter setting out the advice from the Independent Board Committee to the Independent Shareholders, and (ii) the letter of advice from the Independent Financial Adviser setting out its advice to the Independent Board Committee and the Independent Shareholders in relation to 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 payment of Cash Dividends, (ii) the election of a new Director, and (iii) the grant of the General Mandate to issue H Shares, 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.

LETTER FROM THE BOARD

9. FURTHER INFORMATION

Your attention is 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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



WEICHAI

潍柴動力股份有限公司

WEICHAI POWER CO., LTD.

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

(Stock Code: 2338)

8 May 2013

*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 Shangdong 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 8 May 2013) (the “Circular”), details of which are set out in the section headed “2. 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” 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 deposit services provided by Shangdong Finance to the Group under the New Financial Services Agreement and the relevant proposed New Caps are fair and reasonable and are 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 Shangdong Finance to the Group under the New Financial Services Agreement and the relevant New Caps.

Yours faithfully,
The Independent Board Committee

Liu Zheng
*Independent
non-executive Director*

Li Shihao
*Independent
non-executive Director*

Loh Yih
*Independent
non-executive Director*

Chu, Howard Ho Hwa
*Independent
non-executive Director*

Zhang Zhenhua
*Independent
non-executive Director*

Li Luwen
*Independent
non-executive Director*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter dated 8 May 2013 from Ceres Capital 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 respective New Caps, prepared for the purpose of incorporation in this circular.



昱豐融資有限公司
CERES CAPITAL LIMITED

CERES

Suite 901, Level 9
The Hong Kong Club Building
3A Chater Road, Central
Hong Kong

8 May 2013

*To the independent board committee and
the independent shareholders of Weichai Power Co., Ltd.*

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS AND NEW CAPS

INTRODUCTION

We refer to our appointment as the independent financial adviser to the independent board committee (the “Independent Board Committee”) and the independent shareholders (the “Independent Shareholders”) of Weichai Power Co., Ltd. (the “Company”) in respect of the provision of deposit services by Shandong Finance to the Group (the “Deposit Services”) under the New Financial Services Agreement and the relevant New Caps, details of which are set out in the circular to the Shareholders dated 8 May 2013 (the “Circular”), of which this letter forms part. This letter contains our advice 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 relevant New Caps. Unless otherwise stated, terms defined in the Circular have the same meanings in this letter.

On 21 March 2013, the Board announced, among other things, that the Group entered into the New Financial Services Agreement to govern the provision of Deposit Services for a term of three years from 30 June 2013 to 29 June 2016. Shandong Finance is held as to 35% by Shandong Heavy Industry, which is a substantial shareholder of the Company, and is therefore an associate of Shandong Heavy Industry and a connected person of the Company under the Hong Kong Listing Rules. As one of the applicable percentage ratios calculated in accordance with the Hong Kong Listing Rules for the Deposit Services exceeds 25% but is less than 100%, the provision of Deposit Services constitutes a major transaction of the Company under Chapter 14 of the Hong Kong Listing Rules. Further, as all of the applicable percentage ratios calculated in accordance with the Hong Kong Listing Rules for the provision of Deposit Services for the three years ending 29 June 2016 exceed the 5% Threshold, the provision of Deposit Services constitutes

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

non-exempt continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules. Accordingly, the provision of Deposit Services and the New Caps for the three years ending 29 June 2016 are required to be subject to, among other things, the approval of the independent shareholders at a general meeting of the Company pursuant to Chapter 14A of the Hong Kong Listing Rules. The Independent Board Committee, comprising six independent non-executive Directors, has been formed to advise the Independent Shareholders in this regard.

As the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders as to (i) whether the provision of Deposit Services by Shandong Finance to the Group is in the interests of the Company and the Shareholders as a whole and the transactions contemplated thereunder are in the ordinary and usual course of business of the Group; (ii) whether the terms of the Deposit Services are normal commercial terms and are fair and reasonable; (iii) whether the New Caps for the Deposit Services for the three years ending 29 June 2016 are fair and reasonable; and (iv) whether the Independent Shareholders should vote in favour of the ordinary resolution to approve the provision of Deposit Services and the New Caps for the three years ending 29 June 2016 at the AGM.

In formulating our opinion, we have relied on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Company and the Directors. We have assumed that all information, opinions and representations contained or referred to in the Circular, which have been provided by the Company and the Directors and for which they are solely and wholly responsible, were true and accurate at the time they were made and continue to be so as at the date hereof. 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. The Directors have confirmed, having made all reasonable enquiries, that to the best of their knowledge and belief, the information contained in the 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 in the Circular, including this letter, misleading. We consider that we have reviewed sufficient information which enables us to form a reasonable basis for our opinion. We have not, however, conducted any independent verification of the information provided, nor have we carried out any in-depth investigation into the business, financial results and positions and affairs of the Group or any parties involved in the transactions contemplated under the New Financial Services Agreement, or the prospects of the markets in which they respectively operate.

Our opinion is necessarily based upon economic, market and other conditions and circumstances existing on, and the facts, information and representations made available to us up to and including, the Latest Practicable Date. Although subsequent developments may affect our opinion, we do not have any obligation to update, revise or reaffirm our opinion contained herein.

Apart from the normal advisory fee payable to us in connection with our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders, no arrangement exists whereby we shall receive any other fees or benefits from the Company. We are independent of the Company for the purposes of Rule 13.84 of the Hong Kong Listing Rules.

PRINCIPAL FACTORS CONSIDERED

In formulating our opinion regarding the provision of Deposit Services and the New Caps for the three years ending 29 June 2016, we have taken into consideration the following principal factors:

1. Background information

(a) Overview of the business operation and performance of the Company

As stated in the Company's annual report for 2012, the Company is one of the largest manufacturers of high-power and high-speed diesel engines in the PRC and a leading company in the power train market. It is equipped with a comprehensive supply chain of engines, gear boxes and axles.

The Group is the largest supplier of diesel engines for heavy-duty trucks of 15 tonnes (and above) and for construction machinery (mainly wheel loaders) with a load capacity of 5 tonnes (and above) in the PRC. In 2012, the Group sold about 207,500 units of diesel truck engines, representing a market share of about 32.6% based on the total domestic sales of about 636,000 units of heavy-duty trucks with a gross weight of above 14 tonnes in the PRC for the same period. The Group also sold about 62,600 units of construction machinery engines in 2012 for wheel loaders with a load capacity of 5 tonnes (and above), maintaining a leading position in the industry with a market share over 60%.

During 2012, the Group also sold over 80,500 units of heavy-duty trucks, and about 452,000 units of heavy-duty gear boxes. Based on such sales volume and the total domestic sales of about 636,000 units of heavy-duty trucks in the PRC in 2012, the Group had also maintained a dominant position in the heavy-duty vehicles industry.

Apart from the production and sale of diesel engines for trucks and construction machinery, heavy-duty trucks and heavy-duty gear boxes, the Group is also engaged in the production and sale of parts and components for engines and trucks, such as spark plugs, axles, chassis, air-conditioner compressors, etc. In 2012, the Group's sales of such parts and components amounted to approximately RMB2,129 million, representing about 4.4% of its total turnover.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is a summary of the audited financial results of the Group for each of the four years ended 31 December 2009, 2010, 2011 and 2012, which are extracted from the Company's annual reports for 2010, 2011 and 2012.

	Year ended 31 December			
	2009	2010	2011	2012
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(audited)	(audited)	(audited)	(audited)
Turnover	35,260,899	63,279,564	60,019,265	48,165,395
Profit attributable to the Shareholders	3,406,935	6,782,145	5,596,927	2,990,997

Following the business expansion from the research, production and sale of engines and related products, to include heavy-duty vehicles, gear boxes and other parts and components of vehicles by way of a merger which was completed in 2007, the Group had recorded substantial growth in both its turnover and net profit. For the year ended 31 December 2010, the Group's audited turnover reached approximately RMB63,280 million, representing a year-on-year increase of approximately 79.5%. As noted in the Company's 2010 annual report, the increase was mainly due to the significant growth of the automobile industry and the construction machinery industry, both benefitting from the Chinese government's RMB4 trillion stimulus package. With the expansion of the scale of operations, the Group posted a record high profit attributable to the Shareholders of approximately RMB6,782 million for 2010, almost two times as much as that of the preceding year.

In 2011, as the Chinese government continued to implement its proactive fiscal and monetary policies, macroeconomic measures were intensified to cool down the overheated economy, in particular to curb inflation and real estate prices. In line with the overall downturn of the market, the Group reported a slight decrease of approximately 5.2% in its turnover to approximately RMB60,019 million for 2011. Due primarily to the change in product structure, the Group also recorded a decrease in its profit margin for 2011 to approximately 9.3%, compared to approximately 10.7% for 2010. As a result, the Group's profit attributable to the Shareholders for 2011 fell to approximately RMB5,597 million, representing a 17.5% drop from that of 2010. As indicated in the Company's 2011 annual report, the automobiles and major automobile components business of the Group which accounted for an increasing portion of approximately 56.5% of its total turnover for 2011, had a segment profit margin of approximately 4.98%. The diesel engines business accounted for approximately 40.6% of the Group's total turnover for 2011, and commanded a segment profit margin of approximately 23.0%.

In 2012, amidst the complexity and recessionary pressure of the world economy, China's economic growth and fixed asset investment growth continued to slow due to the cumulative effect of the government's tightening macroeconomic policy. For the year ended 31 December 2012, the Group recorded a turnover of approximately RMB48,165 million, representing a drop of approximately 19.8% compared with that for 2011. Profit attributable to the Shareholders for the same

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

period also declined by approximately 46.6% to approximately RMB2,991 million due primarily to the drop in revenue as well as the decrease in profit margin as a result of the adjustment to product structure.

(b) Relationship between the Company and Shandong Finance, and reasons for the Deposit Services

Subject to the terms and conditions of the New Financial Services Agreement, Shandong Finance has agreed to provide, among other things, the deposit services to the Group. Shandong Finance is held as to 35% by Shandong Heavy Industry which is a substantial shareholder of the Company. Accordingly, Shandong Finance is a connected person of the Company pursuant to the Hong Kong Listing Rules.

As stated in the letter from the Board contained in the Circular (“Letter from the Board”), the reasons for the Company to enter into the New Financial Services Agreement with Shandong Finance are:

- 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;
- the activities of Shandong Finance are regulated by the CBRC and Shandong Finance provides services within its approved scope in accordance with its operational requirements; and
- the Company directly holds 20% equity interest of Shandong Finance, which allows it to benefit from the profits of Shandong Finance.

The Board also considers that the transactions under the New Financial Services Agreement shall facilitate the Group’s increased 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 independence of the Company. 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 established with the approval of the CBRC and is merely one of a number of financial institutions providing financial services to the Group.

We have discussed with the Group and understand that according to the laws of the PRC, no unit or enterprise may engage in financial business in the PRC, such as deposit or loan business, unless with the approval of the relevant regulatory authorities. Shandong Finance was established with the approval of CBRC as a non-banking financial institution and has the objective to strengthen the central management of group funds and increase the efficiency of fund utilization.

Shandong Finance is therefore regarded as carrying out a centralized treasury management function by way of cash pooling among its member companies. The centralized cash management exercise aims to enable cash surpluses of some member companies to cover the funding requirements of others, which can reduce or remove the need for external financing. Pursuant to the New Financial Services Agreement, Shandong Finance has agreed to provide the Deposit Services as well as loan services and miscellaneous financial services (collectively, the “Loan and Other Services”) to the Group. The provision of the Deposit Services and the Loan and Other Services is an integral part of the New Financial Services Agreement and can be understood as an exercise in group treasury management, which aims to optimize the efficient use of cash resources among the member companies of Shandong Finance. The Group has the right to engage the Deposit Services for management of its surplus funds in the ordinary and usual course of its business. As the interest rates offered for the Deposit Services and the interest rates and fees charged for the Loan and Other Services by Shandong Finance shall be equal to or more favorable to the Group 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 Group, the Group will benefit from potential extra interest income, or savings in finance charges, or both. In addition, the Loan and Other Services will enable the Group to access the pool of deposits/funds from other member companies of Shandong Finance in case of need.

On the basis of the reasons and benefits discussed above, we concur with the Directors that it is in the interests of the Company and the Shareholders as a whole to engage the deposit services of Shandong Finance under the New Financial Services Agreement so long as the terms of the Deposit Services are normal commercial terms and are fair and reasonable.

2. The principal terms of the Deposit Services

(a) Major terms of the New Financial Services Agreement

On 21 March 2013, the Company entered into the New Financial Services Agreement with Shandong Finance pursuant to which Shandong Finance has agreed to provide, among other things, the Deposit Services to the Group. The New Financial Services Agreement shall become effective on the date of its execution and has a term of three years ending 29 June 2016, subject to the approval at a Shareholders’ meeting of the transactions contemplated under the New Financial Services Agreement and the New Caps.

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 appropriate financial institution at its discretion, with reference to its own business needs.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We consider the non-exclusive arrangement under the New Financial Services Agreement to be reasonable and in the interests of the Company as it gives the Group the right and flexibility, but not the obligation, to use the services to be provided by Shandong Finance under the New Financial Services Agreement.

(b) Interest rates for the Deposit Services

Pursuant to the New Financial Services Agreement, the interest rates for the deposit of the Group's funds with Shandong Finance shall, subject to the compliance with the relevant requirements of the People's Bank of China (the "PBOC"), be no less than the highest interest rate for the same type of deposit offered by major commercial banks in the PRC for the same period.

On 7 June 2012, the PBOC announced, among other things, that effective from 8 June 2012, the upper floating-range limit for deposit interest rates would be adjusted to 1.1 times the benchmark interest rates. This allows financial institutions in the PRC to attract deposits by setting their deposit rates at an extra premium of 10% of the benchmark deposit rate as announced by the PBOC from time to time. For the eight months ended 28 February 2013, the deposit interest rates offered by Shandong Finance to the Company ranged from 0.88% per annum (for 1-day call deposit) to 3.3% per annum (for 1-year term deposit). As advised by the Company, in order to ensure that the interest rates offered by Shandong Finance to the Group will 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, Shandong Finance offers the Group an extra 10% of the benchmark interest rates for time deposits, i.e. the maximum premium currently allowed by the PBOC. We consider that such interest rates offered by Shandong Finance for the Group's funds is fair and reasonable as the Group may or may not be able to obtain from other financial institutions a deposit interest rate higher than the benchmark interest rate depending on the prevailing money market conditions.

Given the fact that (i) the Group has the right to decide whether it requires and accepts the financial services to be provided by Shandong Finance under the New Financial Services Agreement; and (ii) the deposit interest rates to be offered to the Group by Shandong Finance will 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, we consider that the terms of the Deposit Services are normal commercial terms and are fair and reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

3. Proposed annual caps for the Deposit Services

Pursuant to the New Financial Services Agreement, 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 2016:

	New Caps (RMB'million)	Increase as compared to the preceding year (%)
From 30 June 2013 to 29 June 2014	9,000	N/A
From 30 June 2014 to 29 June 2015	10,800	20
From 30 June 2015 to 29 June 2016	13,000	20

The New Caps have been proposed by the Board after considering (i) the historical cash position of the Group, in particular that as at 31 December 2012, the Group had cash and cash equivalents of approximately RMB16,727 million, of which bank deposits amounted to approximately RMB14,100 million; (ii) the expected growth of the business operations of the Group benefitting from China's sustained economic growth and increase in infrastructural development in the next few years; and (iii) the expected amount of interest income from Shandong Finance. Taking into account all the aforesaid factors, the New Caps represent an increase of about 20% per annum for each of the three years ending 29 June 2016.

As stated in the Letter from the Board, the maximum daily balance (including interests) of the Company's deposit with Shandong Finance during the eight months ended 28 February 2013 was approximately RMB1,139.97 million. During the eight months ended 28 February 2013, the relevant interest rates offered by Shandong Finance to the Company represented an extra 10% of the benchmark interest rates as announced by the PBOC from time to time, and the aggregate amount of interest received by the Company and payable by Shandong Finance (based on the information provided by Shandong Finance) was approximately RMB13.15 million in respect of the said deposit. The amount of deposit currently maintained by the Group with Shandong Finance is restricted by the existing annual cap of RMB1,140 million under the Existing Financial Services Agreement, and therefore it appears relatively low compared to the proposed New Caps for the three years ending 29 June 2016.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have reviewed and discussed with the Group the bases and assumptions adopted by it in determining the proposed New Caps for the Deposit Services. We have also reviewed the financial position of the Group over the past few years, in particular its cash position and business growth. We have noted the following in particular:

- According to the annual reports of the Group for the past six years, the Group's total turnover had increased from approximately RMB28,786 million in 2007 to approximately RMB48,165 million in 2012, representing a compound annual growth rate of approximately 11% despite the drop of approximately 19.8% in 2012 from 2011.

For the same six-year period, the Group's cash position, as represented by its total cash and bank balances, had increased at a compound annual growth rate of approximately 44% from approximately RMB2,676 million as at 31 December 2007. Despite the drop in turnover of approximately 19.8% in 2012, the Group's cash and bank balances further increased by approximately RMB114 million to approximately RMB16,727 million as at 31 December 2012. This demonstrates a very strong cash position of the Group.

- The Group had cash and bank balances of approximately RMB16,727 million as at 31 December 2012. The New Cap of RMB9,000 million for the period from 30 June 2013 to 29 June 2014 represents approximately 54% of the Group's total cash position at the year-end of 2012.

As advised by the Group, it was reported in a meeting convened in February 2013 by the Shandong Office of China Banking Regulatory Commission (山東省銀行業監督管理委員會) that according to statistics from the China National Association of Finance Companies (中國財務公司協會), the cash pooling ratio of finance companies of enterprise groups in China was about 58% for 2012. Such ratio represents the percentage of cash maintained by member companies with their respective group finance companies. Compared with such industry average, it is reasonable for the Company to propose the New Cap at a level equivalent to approximately 54% of the Group's cash position.

- Although the cash and bank balances of the Group as at 31 December 2012 represented only a marginal increase of approximately 0.7% from that as at the preceding year-end, it is expected that the Group's cash position will further improve along with the growth of the business operations of the Group benefitting from China's sustained economic growth and increase in infrastructural development in the next few years.

According to the National Bureau of Statistics, China's gross domestic product growth for the first quarter of 2013 was 7.7%, above the full-year target of 7.5% for 2013. Leveraging on its advanced technology, fully-integrated production and the capability of mass production of high-quality products, the Group is in an advantageous position to capture the development opportunities presented in the National 12th Five-Year Plan, including, among others, the launch of large-scale low-income housing

construction, the strengthening of agricultural and rural infrastructure, the continuous development of urban infrastructure as part of the urbanization process, and the development of modern logistics industry. The Group's business operations are therefore expected to grow further along with the increasing demand of heavy-duty vehicles and high-power construction machinery in the next few years.

Based on the growth rate of the Group's cash position in the past six years, and the expected growth of the Group's business operations benefitting from China's sustained economic development and the increase in infrastructural development driven by the National 12th Five-Year Plan, we consider it reasonable for the Company to propose an increase of about 20% per annum in the New Caps for each of the three years ending 29 June 2016.

- As advised by the Group, the New Caps have been proposed at an optimal level to provide the Group with flexibility in the management of its funds. Depending on its actual cash position, funding requirements, and the money market conditions, the Group may or may not maintain deposits with Shandong Finance at levels up to the proposed New Caps. In this regard, it should be emphasized that the transactions under the New Financial Services Agreement are non-exclusive in nature and the Group has the right to decide whether it requires and accepts the financial services to be provided by Shandong Finance. In other words, the Group will have the right, but not the obligation, to maintain any deposits with Shandong Finance up to the levels as represented by the New Caps.

Based on our analysis above, we are of the view that the bases and assumptions adopted by the Company in determining the New Caps as discussed above are reasonable. We also consider that the proposed New Caps for the Deposit Services for the three years ending 29 June 2016 of RMB9,000 million, RMB10,800 million and RMB13,000 million, respectively, are fair and reasonable.

4. Risk associated with engaging the Deposit Services of Shandong Finance

In considering whether it is in the interests of the Group to engage the Deposit Services of Shandong Finance, it is essential to assess the background and financial strength of Shandong Finance.

(a) Information on Shandong Finance

As stated in the Letter from the Board, Shandong Finance is a non-banking financial institution established with the approval of CBRC. Pursuant to the "Measures for the Administration of Finance Companies of Group Enterprises" (企業集團財務公司管理辦法, the "Administration Measures") promulgated by the CBRC, the registered capital fund for setting up a finance company shall be not less than RMB100 million and such capital shall be paid up in Renminbi or equivalent in a freely convertible currency; whereas the registered capital fund of a finance

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

company that engages in foreign exchange business shall include no less than US\$5 million or equivalent in a freely convertible currency. CBRC may adjust the minimum requirement of registered capital fund of finance companies in accordance with the requirements of company development and prudent regulation.

Shandong Finance has a registered and paid-up capital of RMB1,000 million (inclusive of US\$10 million) which is currently held as to:

- 35% by Shandong Heavy Industry, a substantial shareholder of the Company indirectly holding approximately 16.83% of the issued share capital of the Company;
- 20% by the Company;
- 20% by Weichai Heavy-duty Machinery, an enterprise listed on the Shenzhen Stock Exchange and held as to approximately 30.59% by Weichai Holdings;
- 20% by Shantui Construction, an enterprise listed on the Shenzhen Stock Exchange and held as to approximately 21.10% by Shandong Heavy Industry; and
- 5% by Jingu Trust which, according to their websites, is an entity held as to approximately 92.29% by China Cinda Asset Management Co., Ltd. (中國信達資產管理股份有限公司) which in turn is an entity established with the approval of the State Council and led by the Ministry of Finance.

As stated in the Letter from the Board, Shandong Heavy Industry is principally engaged in the investment and corporate management, planning and organising the operations of enterprises in its group, and the research and development, production and sale of diesel engines and related products, construction machinery and other equipment and components. Weichai Heavy-duty Machinery is principally engaged in the manufacture and sale of medium-speed diesel engines and diesel engine parts and components, power generators and related products, and construction machinery and the provision of repair processing services for machinery parts. Shantui Construction is principally engaged in the research and development, production, sale, leasing and repair and provision of consultation service in regard to construction machinery, hoisting and conveying machinery, mining machinery, farmland construction machinery and harvesting machinery and the components. Jingu Trust is principally engaged in the provision of trust and financial services.

The business scope of Shandong Finance includes the following businesses in domestic and foreign currencies:

- 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;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- provision of assistance to its member companies in payment and receipt of transaction proceeds;
- provision of approved insurance agency services;
- provision of guarantees to its member companies;
- dealing with entrusted loans among its member companies;
- provision of bill acceptance and discounting services to its member companies;
- provision of intra-group transfer and settlement services to its member companies and planning of clearing and settlement scheme;
- provision of its deposit services to its member companies;
- provision of loans and finance leasing services to member companies; and
- provision of interbank loans.

As indicated in its financial statements, Shandong Finance reported total revenue of approximately RMB39 million, being primarily interest income, for the year ended 31 December 2012. For the same period, Shandong Finance reported a net profit of approximately RMB12.1 million. For the two months ended 28 February 2013, Shandong Finance reported total revenue of approximately RMB10.7 million with net profit of approximately RMB1.6 million. As at 28 February 2013, Shandong Finance had total assets of approximately RMB3,836 million which were funded primarily by its paid-up capital of RMB1,000 million and deposits held and interest payable amounting to approximately RMB2,800 million.

As indicated above, four out of the five member companies of Shandong Finance, including the Company, are associate companies of Shandong Heavy Industry and they collectively hold 95% equity interest in Shandong Finance. The principal business objective of Shandong Finance is to provide a centralized treasury management function by way of cash pooling among its member companies. The centralized cash management exercise aims to enable cash surpluses of some member companies to cover the funding requirements of others, which can reduce or remove the need for external financing. We have discussed with the Group and have been advised that the deposit-taking and lending business of Shandong Finance is currently limited to member companies of Shandong Finance and their associates, and Shandong Finance maintains its surplus cash with major commercial banks in the PRC.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As indicated in the articles of association of Shandong Finance, the board of directors of Shandong Finance comprises seven members, three of which are appointed by Shandong Heavy Industry, and the other four are appointed by the other four member companies respectively. In other words, Shandong Heavy Industry together with the Company alone have control over the board and hence the management and operational matters of Shandong Finance. Given such control, the interests of the Group with regard to its deposit to be placed with Shandong Finance is expected to be adequately safe-guarded.

(b) Undertakings by Shandong Finance

Pursuant to the New Financial Services Agreement, Shandong Finance has given certain undertakings in favor of the Company which include:

1. to ensure that Shandong Finance is in strict compliance with the requirements of the relevant PRC financial laws and regulations;
2. to provide the Company with the monthly report or financial statements of Shandong Finance within a predetermined time for each month; and
3. the Company shall be notified immediately on 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.

As stated in the Letter from the Board, 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. As Shandong Finance is a non-banking financial institution established with the approval of CRBC pursuant to the Administration Measures, it is required to observe and comply with stringent regulatory requirements at all times which include, without limitation, the satisfaction of certain financial indicators, such as capital adequacy ratio and asset-liability ratio, the adoption of supervision, administration and risk control procedures, etc. Pursuant to the Administration Measures, Shandong Heavy Industry has also given its commitment as the parent company of Shandong Finance, that in case of an urgent situation of payment difficulties, it will increase the capital of Shandong Finance accordingly pursuant to the actual needs in resolving the payment difficulties.

In view of the above contractual and regulatory requirements applicable to Shandong Finance and coupled with the shareholding and board structure of Shandong Finance as discussed above, we consider that the interests of the Group with regard to its deposit to be placed with Shandong Finance is well-managed and monitored.

5. Annual review of the Non-exempt Continuing Connected Transactions

Pursuant to the Hong Kong Listing Rules, the Company must comply with certain review, reporting and disclosure requirements in respect of the Deposit Services which include, in particular, the following:

- (a) each year the auditors of the Company must provide a letter to the Board (with a copy of it provided to the Stock Exchange at least 10 business days prior to the bulk printing of the Company's annual report), confirming that the transactions with regard to the Deposit Services:
 - (i) have received the approval of the Board;
 - (ii) have been conducted in accordance with the pricing policies of the Group;
 - (iii) have been entered into in accordance with the relevant agreements governing the Deposit Services; and
 - (iv) have not exceeded the New Caps as disclosed;
- (b) the Board must state in the annual report of the Company whether its auditors have confirmed the matters as referred to in paragraph (a) above; and
- (c) upon any variation or renewal of the agreements governing the Deposit Services, the Company will comply in full with all applicable reporting, annual review, disclosure and independent shareholders' approval requirements of Chapter 14A of the Hong Kong Listing Rules in respect of all continuing connected transactions effected after such variation or renewal.

Given the above review and reporting requirements, we are of the view that there are appropriate measures in place to govern the Group's transactions with regard to the Deposit Services and safeguard the interests of the Independent Shareholders.

RECOMMENDATION

In formulating our recommendation to the Independent Board Committee and the Independent Shareholders in respect of the Deposit Services and the relevant New Caps, we have considered the above principal factors and reasons, in particular, the following:

- The principal business objective of Shandong Finance is to provide a centralized treasury management function by way of cash pooling among its member companies, including the Group. The centralized cash management exercise aims to enable cash surpluses of some member companies to cover the funding requirements of others, which can reduce or remove the need for external financing.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- Pursuant to the New Financial Services Agreement, the Group has the right, but not the obligation, to engage the Deposit Services under which its excess liquidity can be better managed and utilized to generate potential extra interest income.
- The Group will engage the Deposit Services for management of its surplus funds in the ordinary and usual course of its business. The terms of the Deposit Services, including the deposit interest rates which will 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, are normal commercial terms and are fair and reasonable.
- The bases for determining the relevant New Caps are reasonable, details of which are set out in the sub-section headed "Proposed annual caps for the Deposit Services".
- The activities of Shandong Finance are regulated by CBRC and Shandong Finance operates within its approved scope of business. Shandong Heavy Industry together with the Company alone have control over the board and hence the management and operational matters of Shandong Finance.
- There are adequate measures under the New Financial Services Agreement and regulatory requirements applicable to Shandong Finance under which the interests of the Group with regard to its deposit to be maintained with Shandong Finance can be well-monitored and safeguarded.

Based on the above consideration, we are of the opinion that the Deposit Services are engaged by the Group in its ordinary and usual course of business, the availability of the Deposit Services to the Group is in the interests of the Company and the Shareholders as a whole, and the terms of the Deposit Services are normal commercial terms and are fair and reasonable, and the New Caps for the three years ending 29 June 2016 are fair and reasonable. Accordingly, we would advise the Independent Board Committee and the Independent Shareholders that the Independent Shareholders should vote in favour of the ordinary resolution to approve the Deposit Services and the New Caps at the AGM.

Yours faithfully,
For and on behalf of
Ceres Capital Limited

Frank Moy
Managing Director

Jinny Mok
Executive Director

1. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for each of the three years ended 31 December 2010, 2011 and 2012 are disclosed in the following documents which have been published on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company (www.weichai.com):

- the Company's annual report for the year ended 31 December 2010 published on 15 April 2011 (pages 80 to 216);
- the Company's annual report for the year ended 31 December 2011 published on 18 April 2012 (pages 81 to 316); and
- the Company's annual report for the year ended 31 December 2012 published on 29 April 2013 (pages 87 to 344).

2. INDEBTEDNESS

Borrowings

As at the close of business on 31 March 2013, 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 RMB8,929 million as follows:

	As at 31 March 2013 <i>RMB'million</i>
Current bank borrowings	2,446
Non-current bank borrowings due within one year	6,182
Non-current bank borrowings	300
	<hr/>
	8,929
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Details of such bank borrowings and other borrowings which are secured, guaranteed or unsecured are set out below:

	As at 31 March 2013 <i>RMB'million</i>
secured	173
guaranteed	6,961
unsecured	1,795
	<hr/>
	8,929
	<hr/> <hr/>

As at 31 March 2013, the Group had total available bank credit facilities of approximately RMB51,550 million of which approximately RMB34,233 million had not been utilised.

Collateral

As at 31 March 2013, certain bank loans of the Group were secured by the pledge of the following:

	As at 31 March 2013 <i>RMB'million</i>
Property, plant and equipment	10
Land use right	41
Construction in process	73
Bank's Acceptance Bill	60
	<hr/>
	184
	<hr/> <hr/>

Liabilities under acceptance

As at 31 March 2013, the Group had liabilities under acceptance of approximately RMB5,657 million.

Company bonds issued

As at 31 March 2013, the Group issued company bonds of approximately RMB3,092 million.

Contingent liabilities*1. Exposure to confirmation risks*

Shaanxi Heavy-duty Motor Company Limited, a subsidiary of the Group, 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. Shaanxi Heavy-duty Motor Company Limited assumes security obligation in favour of the distributors for the difference between amount of notes and guarantee money. As at 31 March 2013, the open position of outstanding acceptance bill was RMB1,074 million.

2. Finance lease business

Shaanxi Heavy-duty Motor Company Limited, a subsidiary of the Group, entered into a cooperation agreement with each of Shanzhong Finance Leasing Co., Ltd. and CBD Leasing Co., Ltd. ("finance lease companies"). It is agreed by and between the two parties that the finance lease companies shall provide finance lease service to Shaanxi Heavy-duty Motor Company Limited or its distributors. Shaanxi Heavy-duty Motor Company Limited shall provide joint liability guarantee in respect of the lessee's failure to pay the instalment payments and interests under the finance lease. As at 31 March 2013, the risk exposure of possible joint liabilities was RMB661 million.

Save for the aforesaid or otherwise disclosed herein and apart from intra-group liabilities, the Group did not have, at the close of business on 31 March 2013, any term loans or other borrowings or indebtedness in the nature of borrowing such as bank overdrafts and liabilities under acceptances (other than normal trade bills), acceptance credits, hire purchase commitments, mortgages, charges, guarantees, or other material contingent liabilities.

The Directors confirm that there are no material changes in the indebtedness or contingent liabilities of the Group since 31 March 2013.

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 have 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

The Company is cautiously optimistic about the development trend of its related industries in 2013 and expects to step up efforts in developing its technological reserves in areas including new energy sources, hybrid systems and automobile electronics, and proactively upgrade industrial-related technologies. The Company will further seek support from relevant State policies to push forward the implementation of development plans in relation to hydraulic components for construction machinery. In addition, the Company will, on a coordinated basis, further consider expanding the domestic and international markets and internationalising its business, and accelerate the coordinated development of its commercial vehicle segment, power chain segment and automobile component segment, in order to fully utilise the synergetic advantage of the brands, technology and resources of the domestic and overseas companies of the Group.

5. MATERIAL ADVERSE CHANGE

The Directors confirmed 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 2012, being the date to which the latest published audited consolidated financial statements of the Company were made up.

1. RESPONSIBILITY STATEMENT

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

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 Hong Kong 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 Hong Kong 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:

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	16,512,000 (Note 1)	–	0.83%
Xu Xinyu	Beneficial owner	3,840,000 (Note 1)	–	0.19%
Sun Shaojun	Beneficial owner	3,840,000 (Note 1)	–	0.19%
Zhang Quan	Beneficial owner	3,840,000 (Note 1)	–	0.19%
Yeung Sai Hong (Note 3)	Held by controlled corporation	63,168,000 (Note 2)	–	3.16%
Julius G. Kiss (Note 4)	Held by controlled corporation	41,280,000 (Note 2)	–	2.06%
Zhang Zhenhua (Note 5)	Interest held by spouse	25,300	–	0.001%

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. These were previously foreign shares of the Company. The foreign 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 a currency other than Renminbi. These shares became A Shares of the Company upon the A Share listing of the Company on the Shenzhen Stock Exchange.
3. Yeung Sai Hong, a non-executive Director, was directly and indirectly interested in the issued share capital of Peterson Holdings Company Limited (“**Peterson**”), which in turn held 63,168,000 A Shares in the Company.
4. Julius G. Kiss, a non-executive Director, was indirectly interested in the entire issued share capital of IVM Technical Consultants Wien Gesellschaft m.b.H. (“**IVM**”), which in turn held 41,280,000 A Shares in the Company.
5. Zhang Zhenhua, an independent non-executive Director, was deemed to be interested in 25,300 A Shares in the Company which were beneficially held by his wife, Ms. Wu Miaodi.
6. All the shareholding interests listed in the above table are “long” position.

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 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 of Hong Kong Limited) 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	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
Weichai Group Holdings Limited	Beneficial owner	Long	336,476,400	22.23%	–	–	16.83%
Shandong Heavy Industry Group Co., Ltd. (Note 1)	Held by controlled corporation	Long	336,476,400	22.23%	–	–	16.83%
State-owned Assets Supervision and Administration Commission of Shandong Province (“Shandong SASAC”) (Note 1)	Held by controlled corporation	Long	336,476,400	22.23%	–	–	16.83%
Brandes Investment Partners, LP	Investment manager	Long	–	–	78,578,612	18.99%	3.93%
Lazard Asset Management LLC	Investment manager	Long	–	–	63,435,076	13.06%	3.17%
Schroders Plc	Investment manager	Long	–	–	43,439,797	8.94%	2.17%
JPMorgan Chase & Co.	Beneficial owner	Long	–	–	4,476,204	0.92%	0.22%
	Custodian – Corporation/ approved lending agent	Long	–	–	37,664,238	7.75%	1.89%
	Investment manager	Long	–	–	428,000	0.09%	0.02%
					<u>42,568,442</u>	<u>8.76%</u>	<u>2.13%</u>
	Beneficial owner	Short	–	–	1,936,000	0.40%	0.10%
Schroder Investment Management Limited	Investment manager	Long	–	–	38,851,199	7.99%	1.94%
The Capital Group Companies, Inc. (Note 2)	Interest of corporation controlled by the substantial shareholders	Long	–	–	27,669,400	6.84%	1.66%
Deutsche Bank Aktiengesellschaft	Beneficial owner	Long	–	–	19,793,964	4.08%	0.99%
	Person having a security interest in shares	Long	–	–	4,019,412	0.83%	0.20%
	Interest of corporation controlled by the substantial shareholders	Long	–	–	4,804,600	0.99%	0.24%
	Custodian – Corporation/ approved lending agent	Long	–	–	1,766,680	0.36%	0.09%
					<u>30,384,656</u>	<u>6.26%</u>	<u>1.52%</u>

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
	Beneficial owner	Short	–	–	17,811,000	3.67%	0.89%
	Person having a security interest in shares	Short	–	–	3,522,439	0.72%	0.18%
					<u>21,333,439</u>	<u>4.39%</u>	<u>1.07%</u>
Lazard Emerging Markets Equity Portfolio (Note 2)	Investment manager	Long	–	–	23,707,500	5.86%	1.42%
Barclays PLC	Person having a security interest in shares	Long	–	–	525,552	0.11%	0.03%
	Interest of corporation controlled by the substantial shareholder	Long	–	–	25,453,050	5.24%	1.27%
					<u>25,978,602</u>	<u>5.35%</u>	<u>1.30%</u>
	Interest of corporation controlled by the substantial shareholder	Short	–	–	24,102,475	4.96%	1.21%
BlackRock, Inc.	Interest of corporation controlled by the substantial shareholders	Long	–	–	24,556,371	5.05%	1.23%
	Interest of corporation controlled by the substantial shareholders	Short	–	–	8,723,600	1.79%	0.44%

Notes:

1. State-owned Assets Supervision and Administration Commission of Shandong Province (“Shandong SASAC”) held the entire share capital of Shandong Heavy Industry Group Co., Ltd., which in turn held the entire share capital of Weichai Group Holding Limited (formerly known as Weifang Diesel Engine Works).
2. The number of H shares reported above by the relevant substantial shareholder does not take into consideration the Company’s bonus share issuance on 17 August 2012 as there is no disclosure of interest obligation under the SFO where there is no change in percentage of shareholdings for a substantial shareholder.

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:

Name of Director	Positions held in Weichai Holdings	Positions held in Shandong Heavy Industry
Tan Xuguang	Chairman	Chairman
Jiang Kui	Vice president	Director, general manager
Xu Xinyu	Director	–
Sun Shaojun	Director	–
Zhang Quan	Director	–

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 had since 31 December 2012, being 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) 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 since 31 December 2012, being the date to which the latest published audited consolidated financial statements of the Group were made up, 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. Tan Xuguang in 北汽福田汽車股份有限公司 (Beiqi Foton Motor Co., Ltd.) (“**Beiqi Foton**”), none of the Directors or their respective associates had any interest in a business which competed or might compete with the business of the Company. The Company has an approximately 1.42% 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. QUALIFICATION AND CONSENT OF THE EXPERT

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

Name	Qualification
Ceres Capital Limited	A licensed corporation under the SFO to carry on type 6 (advising on corporate finance) regulated activity

- (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 letter and references to its name in the forms and contexts in which they appear. The letter of the Independent Financial Adviser contained herein was issued on 8 May 2013 and was made by the Independent Financial Adviser for incorporation in this circular.

6. MATERIAL CONTRACTS

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

- (a) the framework agreement dated 31 August 2012 entered into among the Company, KION Holding 1 GmbH, KION Group GmbH, Linde Material Handling GmbH, Superlift Holding, S.à r.l. and Kion Management Beteiligungs GmbH & Co. KG (as supplemented by the amendment agreement entered into among the Company, Weichai Lux, KION, KION Group GmbH, Linde Material Handling GmbH, Superlift Holding, S.à r.l. and Kion Management Beteiligungs GmbH & Co. KG on 20 December 2012 (Beijing time));
- (b) the equity transfer agreement dated 25 December 2012 entered into between the Company and 濰柴控股集團有限公司 (Weichai Group Holdings Limited) in respect of the disposal of the 40% of equity interest in 濰柴動力西港新能源發動機有限公司 (Weichai Westport Inc.); and
- (c) the capital subscription agreement dated 16 January 2012 entered into between the Company, Shandong Heavy Industry, Weichai Heavy-duty Machinery, Shantui Construction and Jingu Trust in relation to the contribution to and subscription for the registered capital in Shandong Finance.

7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at the Company's principal place of business in Hong Kong at Room 3407–3408, 34/F, Gloucester Tower, Landmark, 15 Queen's Road Central, Hong Kong, from the date of this circular to 22 May (both days inclusive):

- (a) the Articles of Association;
- (b) the annual reports of the Company for the three years ended 31 December 2010, 2011 and 2012;
- (c) the material contracts as referred to in the paragraph headed "6. Material contracts" in this appendix;
- (d) the Existing Financial Services Agreement;
- (e) the New Financial Services Agreement;
- (f) the letter from the Independent Financial Adviser as set out in this circular;
- (g) the written consent of the Independent Financial Adviser as referred to in the paragraph headed "5. Qualification and consent of the expert" in this appendix;
- (h) the letter from the Independent Board Committee as set out in this circular;
- (i) this circular;
- (j) the circular of the Company dated 16 January 2013; and
- (k) the circular of the Company dated 27 March 2013.

8. MISCELLANEOUS

- (a) The company secretary of the Company is Mr. Kwong Kwan Tong, who is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants and the Chartered Institute of Management Accountants.
- (b) The Hong Kong branch share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited at Shops 1712–16, 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.



WEICHAI

濰柴動力股份有限公司

WEICHAI POWER CO., LTD.

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

(Stock Code: 2338)

NOTICE OF 2012 ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the annual general meeting (the “**2012 Annual General Meeting**”) of Weichai Power Co., Ltd. (the “**Company**”) for the year ended 31 December 2012 will be held at the Company’s conference room at Section A, 197, Fu Shou East Street, High Technology Industrial Development Zone, Weifang, Shandong Province, the People’s Republic of China (the “**PRC**”) on 24 June 2013 at 2:30 p.m. for the purposes of considering, approving (or receiving) and authorising the following matters. Unless the context otherwise requires, terms defined in the circular to the shareholders of the Company dated 8 May 2013, 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 2012.
2. To consider and approve the Report of the Board of Directors of the Company for the year ended 31 December 2012.
3. To consider and approve the Report of the Supervisory Committee of the Company for the year ended 31 December 2012.
4. To consider and receive the audited financial statements of the Company and the Auditors’ Report for the year ended 31 December 2012.
5. To consider and approve the 財務決算報告 (final financial report) of the Company for the year ended 31 December 2012.
6. To consider and approve the 財務預算報告 (financial budget report) of the Company for the year ending 31 December 2013.
7. To consider and approve the distribution of profit to the shareholders of the Company for the year ended 31 December 2012.
8. To consider and approve the re-appointment of Ernst & Young Hua Ming Certified Public Accountants (安永華明會計師事務所) as the auditors of the Company and to authorise the Directors to determine their remuneration.

NOTICE OF AGM

9. To consider and approve the appointment of 山東正源和信有限責任會計師事務所 (Shandong Zheng Yuan Hexin Accountants Limited) as the internal control auditors of the Company.
10. 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 2013.
11. To consider and approve the election of Mr. Gordon Riske as an executive Director of the Company for a term from the date of the 2012 Annual General Meeting to 28 June 2015 (both days inclusive);
12. To consider and, if thought fit, approve the following resolution as an ordinary resolution:

“**THAT** the New Financial Services Agreement dated 21 March 2013 referred to in the section headed “2. Major and continuing connected transactions” in the “Letter from the Board” contained in the circular (the “**Circular**”) of the Company of which this notice forms part and the relevant New Caps (as defined in the Circular) be and are hereby approved.” (Note J)

AS SPECIAL RESOLUTION:

13. To consider and, if thought fit, pass the following resolution, as a special resolution, for the grant of a general mandate to the Board of Directors to issue, amongst other things, new shares:

“**THAT:**

- (1) the Board of the Directors be and is hereby authorised and granted an unconditional general mandate (“**General Mandate**”) to allot, issue and deal with additional H Shares and to make or grant offers, agreements and/or options in respect thereof, subject to the following conditions:
 - (a) the General Mandate shall not extend beyond the Relevant Period save that the Board of Directors may during the Relevant Period make or grant offers, agreements and/or options which may require the exercise of such power after the end of the Relevant Period;
 - (b) the aggregate nominal amount of the H Shares allotted and issued or agreed conditionally or unconditionally to be allotted and issued (whether pursuant to an option or otherwise) by the Board of Directors (otherwise than pursuant to any scrip dividend scheme (or similar arrangement providing for the allotment and issue of shares in lieu of the whole or part of a dividend), any share option scheme, a Rights Issue or any separate approval of the shareholders of the Company)

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shall not exceed 20 per cent of the aggregate nominal amount of the H Shares in issue as at the date of passing of this special resolution; and

- (c) the Board of Directors will only exercise its power under the General Mandate in accordance with the Company Law of the People's Republic of China and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as may be amended from time to time) and, if required, the approvals from the China Securities Regulatory Commission and/or other relevant government authorities and/or regulatory bodies of the People's Republic of China (the "PRC", which for the purposes of this resolution excludes Hong Kong, Macau and Taiwan) are obtained;

and, for the purpose of this special resolution:

"H Share(s)" mean overseas listed ordinary share(s) of the Company with a par value of RMB1.00 each, which are subscribed and/or paid for in Hong Kong dollars and traded and listed on The Stock Exchange of Hong Kong Limited;

"Relevant Period" means the period from the date of passing this special resolution until the earlier of:

- (i) the conclusion of the next annual general meeting of the Company following the passing of this special resolution, unless, by a special resolution passed at that meeting, the General Mandate is renewed, either unconditionally or subject to conditions; or
- (ii) the expiry of the period within which the next annual general meeting is required by the articles of association of the Company or any applicable law to be held; or
- (iii) the passing of a special resolution of the Company in a general meeting revoking or varying the authority set out in this resolution;

"Rights Issue" means the allotment or issue of shares in the Company pursuant to an offer made to all the shareholders of the Company (excluding, as the Board of Directors may decide, for such purpose any shareholder who is resident in a place where such offer is not permitted under the law or regulation of that place or the exclusion of whom is considered by the Board to be necessary or expedient on account of either legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place) entitled to such offer, pro rata (apart from fractional entitlements) to their then existing holdings of shares;

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- (2) contingent on the Board of Directors resolving to exercise the General Mandate and/or issue shares pursuant to paragraph (1) of this resolution, the Board of Directors be and is hereby authorised:
- (a) to approve, execute and do, and/or procure to be executed and done, all such documents, deeds and matters which it may consider necessary in connection with the exercise of the General Mandate and/or the issue of shares, including but not limited to the time, price and quantity of and the place for such issue, to make all necessary applications to the relevant authorities, and to enter into underwriting agreement(s) or any other agreement(s);
 - (b) to determine the use of proceeds and to make all necessary filings and registration with the relevant authorities in the PRC, Hong Kong and/or any other places and jurisdictions (as appropriate); and
 - (c) to increase the capital of the Company and make all necessary amendments to the articles of association of the Company to reflect such increase and to register the increased capital with the relevant authorities in the PRC, Hong Kong and/or any other places and jurisdictions (as appropriate)."

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

Hong Kong, 8 May 2013

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 25 May 2013 to 24 June 2013 (both days inclusive). Holders of H Shares of the Company whose names appear on the register of H Shares of the Company kept at Computershare Hong Kong Investor Services Limited on 25 May 2013 are entitled to attend and vote at the 2012 Annual General Meeting following completion of the registration procedures. To qualify for attendance and voting at the 2012 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 and Transfer Office, not later than 4:30 p.m. on 24 May 2013. The address of the Company's H-Share Registrar and Transfer Office is as follows:

Computershare Hong Kong Investor Services Limited
Shops 1712-16, 17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

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- (B) Holders of H Shares intending to attend the 2012 Annual General Meeting should complete and return the reply slip for attending the 2012 Annual General Meeting personally, by facsimile or by post to the Secretary to the Board of the Company 20 days before the 2012 Annual General Meeting, (i.e. on or before 4 June 2013). The contact details of the Secretary to the Board of the Company are as follows:

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

- (C) Each holder of H Shares of the Company entitled to attend and vote at the 2012 Annual General Meeting may, by completing the form of proxy of the Company, appoint one or more proxies to attend and vote at the 2012 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.
- (D) 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 2012 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.
- (E) 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 (D) 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 2012 Annual General Meeting.
- (F) For holders 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"), please refer to the notice of the 2012 Annual General Meeting published on the website of The Shenzhen Stock Exchange in respect of the eligibility of attendance, registration procedure, proxy and other relevant matters.
- (G) A shareholder or his/her proxy should produce proof of identity when attending the 2012 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 2012 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.
- (H) Any proposal to appoint any person to the office of director of the Company at the 2012 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 2012 Annual General Meeting and end on (and exclude) the date that is ten (10) days before the date of the 2012 Annual General Meeting.

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- (I) The 2012 Annual General Meeting is expected to last for half a day. Shareholders who attend the 2012 Annual General Meeting shall bear their own travelling and accommodation expenses.
- (J) Weichai Holdings and its associates will abstain from voting at the AGM in respect of this resolution.

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