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WEICHAI

潍柴动力股份有限公司

WEICHAI POWER CO., LTD.

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

(Stock Code: 2338)

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Independent financial adviser to the independent board committee and the independent shareholders of Weichai Power Co., Ltd. on the Non-exempt Continuing Connected Transactions



上銀國際有限公司
BOSC International Company Limited

A letter from the Board is set out on pages 4 to 13 of this circular.

A letter from the independent financial adviser to the independent board committee and the independent shareholders of Weichai Power Co., Ltd. on the Non-exempt Continuing Connected Transactions (as defined in this circular) is set out on pages 16 to 27 of this circular.

A notice of the EGM (as defined in this circular) of Weichai Power Co., Ltd., at which the resolutions for approving the Supplemental Agreements (as defined in this circular) in respect of the Non-exempt Continuing Connected Transactions (as defined in this circular) and the relevant New Caps (as defined in this circular), is set out in this circular.

Please refer to the EGM Notice (as defined in this circular) for details in respect of the resolutions to be considered at the EGM, eligibility of attendance, registration procedure, proxy and other relevant matters.

30 September 2015

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DEFINITIONS

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 Listing Rules
“business day”	any day on which the Stock Exchange is open for business of dealing in securities
“Company”	濰柴動力股份有限公司 (Weichai Power Co., Ltd.), a company established in the PRC with limited liability
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held to consider and, if thought fit, approve the New Caps and the Supplemental Agreements in respect of the Non-exempt Continuing Connected Transactions
“Existing Cap(s)”	the existing cap(s) for the Non-exempt Continuing Connected Transactions set out in the section headed “II. Non-exempt Continuing Connected Transactions” in this Letter
“Fast Transmission”	陝西法士特汽車傳動集團有限責任公司 (Shaanxi Fast Gear Automotive Transmission Co. Ltd.), a company established in the PRC and a connected person of the Company
“Group”	the Company and its subsidiaries, and “Group Company” means any of the same
“Independent Board Committee”	a committee of the Board comprising Mr. Loh Yih, Mr. Zhang Zhenhua, Mr. Zhang Zhong, Mr. Wang Gongyong and Mr. Ning Xiangdong, being the independent non-executive Directors
“Independent Financial Adviser”	the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Non-Exempt Continuing Connected Transactions

DEFINITIONS

“Independent Shareholders”	Shareholders who are not required to abstain from voting at the EGM in respect of the Non-exempt Continuing Connected Transactions
“Letter”	the letter from the Board contained in this circular
“Latest Practicable Date”	23 September 2015
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Merger”	the Merger on 24 April 2007 (as announced in the announcement of the Company dated 25 April 2007), as a result of which the original subsidiaries of TAGC, together with other the assets and liabilities of TAGC, were absorbed by the Company
“New Cap(s)”	as defined in the section headed “II. Non-exempt Continuing Connected Transactions” in the Letter
“Non-exempt Continuing Connected Transaction(s)”	being the continuing connected transaction(s) the proposed New Caps for which exceed the 5% Threshold, and, accordingly, will be subject to the reporting, announcement and annual review requirements of Chapter 14A of the Listing Rules and approval by the Independent Shareholders at the EGM
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“SFGC”	陝西法士特齒輪有限責任公司 (Shaanxi Fast Gear Co. Ltd.), a company established in the PRC and a 51% subsidiary of the Company
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	holder(s) of the shares of the Company

DEFINITIONS

“Supplemental Agreements”	the supplemental agreements relating to the Non-exempt Continuing Connected Transactions entered into between the Group and the relevant connected persons as more particularly set out in the section headed “II. Non-exempt Continuing Connected Transactions” in the Letter and “Supplemental Agreement” means any of them
“TAGC”	湘火炬汽車集團股份有限公司 (Torch Automotive Group Co., Ltd.), a company established in the PRC and has ceased to exist
“TAGC Continuing Connected Transaction(s)”	the continuing connected transaction(s) set out in the section headed “II. Non-exempt Continuing Connected Transactions” in this Letter

In this circular, the English names of the PRC entities are translations of their Chinese names, and are included herein for identification purposes only. In the event of any inconsistency, the Chinese names shall prevail.

LETTER FROM THE BOARD



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 and Chief Executive Officer*)
Zhang Quan
Xu Xinyu
Li Dakai
Sun Shaojun

Non-executive Directors:

Wang Yuepu
Jiang Kui
Gordon Riske

Independent Non-executive Directors:

Loh Yih
Zhang Zhenhua
Zhang Zhong
Wang Gongyong
Ning Xiangdong

Supervisors:

Lu Wenwu
Jiang Jianfang
Ma Changhai

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:*

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

30 September 2015

To: *Holders of H Shares*
Holders of A Shares

Dear Sir or Madam,

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

I. INTRODUCTION

It was announced by the Board on 27 August 2015 that, on 27 August 2015, the Company entered into the Supplemental Agreements in respect of certain continuing connected transactions of the Company. This circular gives you further information in relation to the Non-exempt Continuing Connected Transactions and contains the advice of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Non-exempt Continuing Connected Transactions.

LETTER FROM THE BOARD

II. NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

The Non-exempt Continuing Connected Transactions include the following:

Name of connected person	Name of Group Company	Connected person's relationship with the Group	Nature of the connected transaction with the Group
Fast Transmission	SFGC (<i>note 1</i>)	Holder of 49% of the equity of SFGC	<p>(a) Sale of parts and components of transmissions (namely gearboxes) and related products by SFGC to Fast Transmission</p> <p>(b) Purchase of parts and components of transmissions (namely, power take off assemblies and castings) and related products by SFGC from Fast Transmission</p>

Note:

1. SFGC is a 51% subsidiary of the Company.

A summary of the proposed New Caps for each of the Non-exempt Continuing Connected Transactions is set out below:

Connected person and details of relevant Non-exempt Continuing Connected Transactions		New Caps		
		2016 RMB	2017 RMB	2018 RMB
Fast Transmission				
(a)	Sale of parts and components of transmissions and related products by SFGC to Fast Transmission	3,600,000,000 [#]	4,800,000,000 [#]	6,500,000,000 [#]
(b)	Purchase of parts and components of transmissions and related products by SFGC from Fast Transmission	4,500,000,000 [#]	6,000,000,000 [#]	7,800,000,000 [#]

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

LETTER FROM THE BOARD

DETAILS OF THE NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS AND THE RELEVANT SUPPLEMENTAL AGREEMENTS

Non-exempt Continuing Connected Transactions between SFGC and Fast Transmission

SFGC is a 51% subsidiary of the Company and is principally engaged in the manufacture, sale, design and development of transmissions and other motor vehicle parts and components such as gears.

Fast Transmission is principally engaged in the manufacture and sale of transmission products and parts and components of vehicles. Fast Transmission is a substantial shareholder of SFGC (which is a subsidiary of the Company) and is accordingly a connected person of the Company.

(a) *Sale of parts and components of transmissions and related products by SFGC to Fast Transmission*

Agreement: Supplemental Agreement to the parts and components sale agreement ("**Fast Transmission Sale Agreement**") dated 1 August 2007 (as supplemented by the supplemental agreements dated 27 November 2008, 9 November 2009, 23 August 2010 and 30 August 2012, respectively)

Date: 27 August 2015

Parties: 1. SFGC
2. Fast Transmission

Term: 1 January 2016 to 31 December 2018

Other terms and details:

Pursuant to the Fast Transmission Sale Agreement (as supplemented by the abovementioned supplemental agreements but prior to the entering into of this latest Supplemental Agreement), SFGC has sold to Fast Transmission certain parts and components of transmissions, namely, gearboxes, and related products at market prices and settled by the parties generally every two to three months, for a term ending 31 December 2015, upon the expiry of which the parties shall have an option to renew the agreement for a term of three years on a mutually agreed basis.

Pursuant to this Supplemental Agreement, SFGC has agreed to sell and Fast Transmission has agreed to purchase such parts and components and related products on the same terms for a term of three years ending 31 December 2018, upon the expiry of which the parties may renew the term for another three years on a mutually agreed basis. The price of the said products shall be determined according to the following mechanism: SFGC regularly conducts research and analysis

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regarding the relevant prices in the market. Since there are no comparable products to the parts and components of transmission and related products sold by SFGC to Fast Transmission in the market, SFGC would conduct price consultation and comparison of the raw materials for the production of such products and determine the relevant costs of raw materials. Upon discussions with the price management department of SFGC with reference to such costs and a mark-up of approximately 5% on a cost-plus basis (reflecting other production costs including storage and transportation costs), and on the basis of the thorough consideration of the interests of both parties, the final prices are determined at arm's length negotiation among the parties. The price management department of SFGC shall review the reasonableness of prices on a yearly basis and make adjustments when necessary. Save as set out herein in respect of the New Caps and the renewal of the term, all other terms of the Fast Transmission Sale Agreement remain unchanged. The Directors are of the view that the abovementioned methods and procedures under the pricing policies can ensure that this TAGC Continuing Connected Transaction is conducted on normal commercial terms and not prejudicial to the interests of the Company and its minority Shareholders.

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

	2013	2014	2015
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Existing Cap	3,000,000,000	4,100,000,000	4,800,000,000

The table below summarises the actual transaction amounts involved for the two years ended 31 December 2014 (audited) and the six months ended 30 June 2015 (unaudited) for the TAGC Continuing Connected Transaction set out in this sub-section (a):

	Year ended 31 December		Six months ended
	2013	2014	30 June
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	(audited)	(audited)	(unaudited)
Actual transaction amount	1,418,224,675	1,606,858,473	580,910,137

The Company estimates that the transaction amount for the TAGC Continuing Connected Transaction set out in this sub-section (a) for the three years ending 31 December 2018 will not exceed RMB3,600,000,000, RMB4,800,000,000 and RMB6,500,000,000, respectively and such amounts have accordingly been set as the proposed New Caps for this TAGC Continuing Connected Transaction.

LETTER FROM THE BOARD

The proposed New Caps have been prepared by the Company primarily based on (i) the historical transaction amounts; and (ii) the estimate of the volume and amount of the said parts and components of transmissions to be sold by SFGC to Fast Transmission. The parts and components sold by SFGC to Fast Transmission pursuant to this TAGC Continuing Connected Transaction are used by Fast Transmission in its manufacture of transmission products and parts and components of vehicles. During the first half of 2015, in line with the global economy and adjustments in the market, the demand for the said products from SFGC by Fast Transmission has decreased. With the expected improvement in the market under the national policies of the PRC, including the Silk Road Economic Belt and the 21st Century Maritime Silk Road (collectively the “One Belt, One Road” Initiative) and 《國家新型城鎮化規劃(2014-2020年)》 (the “National Plan on New-type Urbanization (2014–2020)”), which are expected to be beneficial to the development of the heavy-duty vehicle industry in the PRC, which is expected to in turn benefit the market for the transmissions of SFGC (being mainly used in heavy-duty vehicles), and with the increased effort in market development of SFGC for its gear boxes used in passenger vehicles and new products (such as automatic transmissions and automated mechanical transmissions), it is expected that the overall sales amount of SFGC will increase for the three years ending 31 December 2018, and the volume of the products to be sold by SFGC to Fast Transmission pursuant to this TAGC Continuing Connected Transaction will increase accordingly. Taking into account the abovementioned factors, it is assumed that the overall transaction amount of the sale of the said parts and components will increase by approximately 33% and 35% for each of the years ending 31 December 2017 and 31 December 2018, respectively.

The table below summarises the New Caps for the TAGC Continuing Connected Transaction set out in this sub-section (a) for the three years ending 31 December 2018:

	2016	2017	2018
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
New Cap	3,600,000,000	4,800,000,000	6,500,000,000

As certain of the New Caps for this TAGC Continuing Connected Transaction for the three years ending 31 December 2018 exceed the 5% Threshold, it constitutes a Non-exempt Continuing Connected Transaction of the Company under Chapter 14A of the Listing Rules and will be subject to the reporting, announcement and annual review requirements of Chapter 14A of the Listing Rules, and the approval of the Independent Shareholders. No Shareholder will be required to abstain from voting at the EGM in relation to the resolution to be proposed in respect of these New Caps and the said Supplemental Agreement.

Since this TAGC Continuing Connected Transaction for the three years ending 31 December 2018 is a Non-exempt Continuing Connected Transaction and the New Caps are subject to the approval of the Independent Shareholders, this Supplemental Agreement is conditional upon the said resolution being passed at the EGM.

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- (b) *Purchase of parts and components of transmissions and related products by SFGC from Fast Transmission*

Agreement: Supplemental Agreement to the parts and components sale agreement ("**Fast Transmission Purchase Agreement**") dated 1 August 2007 (as supplemented by the supplemental agreements dated 27 November 2008, 9 November 2009, 23 August 2010 and 30 August 2012, respectively)

Date: 27 August 2015

Parties:

1. SFGC
2. Fast Transmission

Term: 1 January 2016 to 31 December 2018

Other terms and details:

Pursuant to the Fast Transmission Purchase Agreement (as supplemented by the abovementioned supplemental agreements but prior to the entering into of this latest Supplemental Agreement), SFGC has purchased from Fast Transmission certain parts and components of transmissions and gears, namely, power take off assemblies and castings, and related products at market prices and settled by the parties generally every two to three months, for a term ending 31 December 2015, upon the expiry of which the parties shall have an option to renew the agreement for a term of three years on a mutually agreed basis.

Pursuant to this Supplemental Agreement, SFGC has agreed to purchase and Fast Transmission has agreed to sell such parts and components and related products on the same terms for a term of three years ending 31 December 2018, upon the expiry of which the parties may renew the term for another three years on a mutually agreed basis. The price of the said products shall be determined according to the following mechanism: through the analysis of the products in the market (considering the price quotation of one or two suppliers in respect of such products), taking into account other factors including the raw materials cost, remuneration cost, processing cost, SFGC shall conduct an analysis on the reasonableness of the relevant prices. A proposal on the price shall then be submitted to the price management department of SFGC for approval, after an analysis of the products and comparison of such costs through price consultation with suppliers in the market with the costs submitted by Fast Transmission. The final price shall be determined based on arm's length negotiations between the parties. The price management department shall review the reasonableness of the price on a yearly basis and make adjustments where necessary. Save as set out herein in respect of the New Caps and the renewal of the term, all other terms of the Fast Transmission Purchase Agreement remain unchanged. The Directors are of the view

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that the abovementioned methods and procedures under the pricing policies can ensure that this TAGC Continuing Connected Transaction is conducted on normal commercial terms and not prejudicial to the interests of the Company and its minority Shareholders.

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

	2013	2014	2015
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Existing Cap	3,200,000,000	4,300,000,000	5,000,000,000

The table below summarises the actual transaction amounts involved for the two years ended 31 December 2014 (audited) and the six months ended 30 June 2015 (unaudited) for the TAGC Continuing Connected Transaction set out in this sub-section (b):

	Year ended 31 December		Six months ended
	2013	2014	30 June
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	(audited)	(audited)	(unaudited)
Actual Transaction Amount	2,308,395,597	2,628,296,508	975,420,473

The Company estimates that the transaction amount for the TAGC Continuing Connected Transaction set out in this sub-section (b) for the three years ending 31 December 2018 will not exceed RMB4,500,000,000, RMB6,000,000,000 and RMB7,800,000,000 respectively and such amounts have accordingly been set as the proposed New Caps for this TAGC Continuing Connected Transaction.

The proposed New Caps have been prepared by the Company primarily based on (i) the historical transaction amounts; and (ii) the estimate of the volume and amount of the said parts and components of transmissions to be purchased by SFGC from Fast Transmission. The parts and components purchased by SFGC from Fast Transmission pursuant to this TAGC Continuing Connected Transaction (the majority of which are processed by Fast Transmission on the basis of the products sold by SFGC to Fast Transmission) are used in the production of transmissions by SFGC to be sold to third party customers. During the first half of 2015, in line with the global economy and adjustments in the market, the demand for the said products by SFGC from Fast Transmission has decreased. With the expected improvement in the market under the national policies of the PRC, including the Silk Road Economic Belt and the 21st Century Maritime Silk Road (collectively the “One Belt, One Road” Initiative) and 《國家新型城鎮化規劃(2014–2020年)》(the “National Plan on New-type Urbanization (2014-2020)”), which are expected to be

LETTER FROM THE BOARD

beneficial to the development of the heavy-duty vehicle industry in the PRC which is expected to in turn benefit the market for the transmissions of SFGC (being mainly used in heavy-duty vehicles), and with the increased effort in market development of SFGC for its gear boxes used in passenger vehicles and new products (such as automatic transmissions and automated mechanical transmissions), it is expected that the overall sales amount of SFGC will increase for the three years ending 31 December 2018, and the volume of the products to be purchased by SFGC from Fast Transmission pursuant to this TAGC Continuing Connected Transaction for its production will increase accordingly. Taking into account the abovementioned factors, it is assumed that the overall transaction amount of the purchase of the said parts and components by SFGC will increase by approximately 33% and 30% for each of the years ending 31 December 2018, respectively.

The table below summarises the New Caps for the TAGC Continuing Connected Transaction set out in this sub-section (b) for the three years ending 31 December 2018:

	2016	2017	2018
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
New Cap	4,500,000,000	6,000,000,000	7,800,000,000

As all the New Caps for this TAGC Continuing Connected Transaction for the three years ending 31 December 2018 exceed the 5% Threshold, it constitutes a Non-exempt Continuing Connected Transaction of the Company under Chapter 14A of the Listing Rules and will be subject to the reporting, announcement and annual review requirements of Chapter 14A of the Listing Rules, and the approval of the Independent Shareholders. No Shareholder will be required to abstain from voting at the EGM in relation to the resolution to be proposed in respect of these New Caps and the said Supplemental Agreement.

Since this TAGC Continuing Connected Transaction for the three years ending 31 December 2018 is a Non-exempt Continuing Connected Transaction and the New Caps are subject to the approval of the Independent Shareholders, this Supplemental Agreement is conditional upon the said resolution being passed at the EGM.

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

As prior to completion of the Merger, SFGC has conducted the TAGC Continuing Connected Transactions with Fast Transmission for many years and the Company has taken up such TAGC Continuing Connected Transactions after the completion of the Merger, the Directors (including the independent non-executive Directors), consider it to be beneficial to the Company to continue to conduct the TAGC Continuing Connected Transactions in order to ensure and maximise the operating efficiency and stability of the operations of the Group.

LETTER FROM THE BOARD

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

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

At the meeting of the Board on 27 August 2015 approving, *inter alia*, the Non-exempt Continuing Connected Transactions, Mr. Li Dakai has abstained from voting on the resolutions in respect of the Non-exempt Continuing Connected Transactions for the reason of his having been the chairman of Fast Transmission during the past 12 months. As at the Latest Practicable Date, Mr. Li Dakai had no equity interest in the Company.

Since the New Caps of the TAGC Continuing Connected Transactions referred to in the section headed "II. Non-exempt Continuing Connected Transactions" in this Letter exceed the 5% Threshold, such TAGC Continuing Connected Transactions constitute Non-exempt Continuing Connected Transactions of the Company under Chapter 14A of the Listing Rules and its New Caps will be subject to the reporting, announcement and annual review requirements of Chapter 14A of the Listing Rules and the approval by Independent Shareholders.

IV. EGM

It is proposed that the relevant New Caps and the Supplemental Agreements in respect of the Non-exempt Continuing Connected Transactions shall be considered and, if thought fit, approved at the EGM.

The EGM Notice setting out the resolutions in respect of the relevant New Caps and the Supplemental Agreements in respect of the Non-exempt Continuing Connected Transactions, is set out in this circular. To the best knowledge of the Board, Fast Transmission (and its associates) had no equity interest in the Company as at the Latest Practicable Date. No Shareholder is required to abstain from voting in respect of the resolutions concerning the Non-exempt Continuing Connected Transactions.

If you intend to attend the EGM, please complete and return the reply slip enclosed in this circular in accordance with the instructions printed thereon as soon as possible and in any event by no later than Thursday, 29 October 2015.

The proxy form for use at the EGM is enclosed with this circular. Holders of A Shares may use the forms of proxy published by the Company on the website of the Shenzhen Stock Exchange instead. Whether or not you intend to be present at such meetings, you are requested to complete the forms of proxy in accordance with the instructions printed thereon and return the same to Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong (with respect to the holders of H Shares) or the Company's registered office at Securities Department, 197, Section A, Fu Shou East Street,

LETTER FROM THE BOARD

High Technology Industrial Development Zone, Weifang, Shandong Province, the PRC (postal code: 261061) (with respect to the holders of A Shares), no later than 24 hours before the time fixed for holding the EGM or any adjournment thereof. 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.

V. RECOMMENDATIONS

Having considered the reasons set out herein, the Directors, including the independent non-executive Directors (having considered the advice of the Independent Financial Adviser), are of the opinion that the relevant New Caps and the terms of the Supplemental Agreements in respect of the Non-exempt Continuing Connected Transactions are fair and reasonable and in the interest of the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the resolutions regarding the same.

The Independent Board Committee comprising the independent non-executive Directors (namely, Mr. Loh Yih, Mr. Zhang Zhenhua, Mr. Zhang Zhong, Mr. Wang Gongyong and Mr. Ning Xiangdong) has been appointed to consider the Non-exempt Continuing Connected Transactions and the respective 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 the Supplemental Agreements in respect of the Non-exempt Continuing Connected Transactions and the respective 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 relevant New Caps and the Supplemental Agreements in respect of the Non-exempt Continuing Connected Transactions, which are set out in this circular.

VI. FURTHER INFORMATION

Your attention is also drawn to the additional information set out in the appendix 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
ON THE NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS



WEICHAI

潍柴动力股份有限公司
WEICHAI POWER CO., LTD.

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

(Stock Code: 2338)

30 September 2015

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

Dear Sir or Madam,

NON-EXEMPT 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 Supplemental Agreements and the relevant New Caps (as defined in the circular of the Company dated 30 September 2015) (the “**Circular**”) in relation to the Non-exempt Continuing Connected Transactions, details of which are set out in the section headed “II. Non-exempt 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 Non-exempt Continuing Connected Transactions as set out in the “Letter from the Independent Financial Adviser on the Non-exempt Continuing Connected Transactions” as well as other additional information set out in other parts of the Circular.

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

Having taken into account the advice of, and the principal factors and reasons considered by the Independent Financial Adviser in relation thereto as stated in its letter, we consider that the terms of the Non-exempt Continuing Connected Transactions and the relevant New Caps are fair and reasonable and the Non-exempt Continuing Connected Transactions are conducted in the ordinary and usual course of the Company's business and are on normal commercial terms, and in the interest of the Company and its shareholders as a whole. We therefore recommend that you vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Supplemental Agreements and the relevant New Caps for the Non-exempt Continuing Connected Transactions.

Yours faithfully,

The Independent Board Committee

Loh Yih

Independent

non-executive Director

Zhang Zhenhua

Independent

non-executive Director

Zhang Zhong

Independent

non-executive Director

Wang Gongyong

Independent

non-executive Director

Ning Xiangdong

Independent

non-executive Director

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

The following is the full text of the letter dated 30 September 2015 from BOSC International Company Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Non-exempt Continuing Connected Transactions and the respective New Caps, prepared for the purpose of incorporation in this circular.



Suite 2608-2611 Citibank Tower
Citibank Plaza
3 Garden Road
Hong Kong

30 September 2015

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

Dear Sirs,

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Supplemental Agreements governing the TAGC Continuing Connected Transactions and the New Caps for the TAGC Continuing Connected Transactions, details of which are set out in the letter from the Board (the “**Letter from the Board**”) as contained in the circular of the Company to the Shareholders dated 30 September 2015 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

On 27 August 2015, the Board announced that, among others, SFGC (being a 51% subsidiary of the Company) entered into the Supplemental Agreements with Fast Transmission (being a substantial shareholder of SFGC) in respect of, among others, the TAGC Continuing Connected Transactions. Since the New Caps for the TAGC Continuing Connected Transactions exceed the 5% Threshold, TAGC Continuing Connected Transactions constitute Non-exempt Continuing Connected Transactions of the Company under Chapter 14A of the Listing Rules and will be subject to the reporting, announcement and annual review requirements of Chapter 14A of the Listing Rules and the approval by the Independent Shareholders.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Loh Yih, Mr. Zhang Zhenhua, Mr. Zhang Zhong, Mr. Wang Gongyong and Mr. Ning Xiangdong, has been formed to advise the Independent Shareholders in relation to the Supplemental Agreements governing the TAGC Continuing Connected Transactions and the New Caps in relation thereto.

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BASIS OF OUR OPINION

In formulating our recommendation, we have relied on the information and facts contained or referred to in the Circular as well as the representations made or provided by the Directors and the senior management of the Company.

The Directors have declared in a responsibility statement set out in the Appendix to the Circular that they collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and that there are no other matters the omission of which would make any statement in the Circular misleading. We have also assumed that the information and the representations made by the Directors as contained or referred to in the Circular were true and accurate at the time they were made and continue to be so up to the date of the EGM. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the senior management of the Company. We have also been advised by the Directors and believe that no material facts have been omitted from the Circular.

We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation. We have not, however, conducted an independent verification of the information nor have we conducted any form of in-depth investigation into the businesses and affairs or the prospects of the Company, Fast Transmission, or any of their respective subsidiaries or associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in relation to the Supplemental Agreements governing the TAGC Continuing Connected Transactions and the New Caps in relation thereto, we have considered the following principal factors and reasons:

(I) Background, reasons for and benefits of the TAGC Continuing Connected Transactions between SFGC and Fast Transmission

The Group is principally engaged in the manufacture and sale of diesel engines and related parts, automobiles and other major automobile components, auxiliary automobile components, import and export services and forklift trucks and warehouses technology services. SFGC is a 51% subsidiary of the Company and is principally engaged in the manufacture, sale, design and development of transmissions and other motor vehicle parts and components such as gears. Fast Transmission is a substantial shareholder of SFGC and is principally engaged in the manufacture and sale of transmission products and parts and components of vehicles. As noted from the Letter from the Board, SFGC has conducted the TAGC Continuing Connected Transactions with Fast Transmission for many years and SFGC has sold to Fast Transmission certain parts and components of transmissions, namely gearboxes and related products (the “**SFGC Products**”) for a term

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ending 31 December 2015 pursuant to the Fast Transmission Sale Agreement dated 1 August 2007 (as supplemented on 27 November 2008, 9 November 2009, 23 August 2010 and 30 August 2012, respectively) and also purchased from Fast Transmission certain parts and components of transmissions and gears, namely power take off assemblies and castings and related products (the “**Fast Transmission Products**”) for a term ending 31 December 2015 pursuant to the Fast Transmission Purchase Agreement dated 1 August 2007 (as supplemented on 27 November 2008, 9 November 2009, 23 August 2010 and 30 August 2012, respectively). Upon the expiry of each of the Fast Transmission Sale Agreement and the Fast Transmission Purchase Agreement (as latest supplemented on 30 August 2012), the parties shall have an option to renew the relevant agreement for a term of three years on a mutually agreed basis.

In light of the long term cooperation with Fast Transmission, the executive Directors consider it to be beneficial to the Company to continue to conduct the TAGC Continuing Connected Transactions with Fast Transmission in order to ensure and maximize operating efficiency and stability of the operations of the Group. Therefore, SFGC and Fast Transmission conditionally agreed to renew the Fast Transmission Sale Agreement and the Fast Transmission Purchase Agreement (as supplemented from time to time) on the same terms except for renewal of the term from 1 January 2016 to 31 December 2018 (both dates inclusive) and setting-up of the proposed Sale Caps (as defined below) and the Purchase Caps (as defined below) in relation thereto for the renewed term.

In light of the principal business of the Group, we consider that the TAGC Continuing Connected Transactions as contemplated under the relevant Supplemental Agreements fall within the ordinary and usual course of business of the Group.

Given the above, together with our analysis of the major terms of the Supplemental Agreements governing the TAGC Continuing Connected Transactions and the proposed Sale Caps (as defined below) and the Purchase Caps (as defined below) as set out below, we are of the view that the entering into the Supplemental Agreements governing the TAGC Continuing Connected Transactions is in the interests of the Company and the Independent Shareholders as a whole.

(II) Major terms of the TAGC Continuing Connected Transactions

(a) Sale of the SFGC Products by SFGC to Fast Transmission

Pursuant to the Supplemental Agreement to the Fast Transmission Sale Agreement (as supplemented from time to time), SFGC has conditionally agreed to sell and Fast Transmission has conditionally agreed to purchase the SFGC Products on the same terms for a renewed term from 1 January 2016 to 31 December 2018 (both dates inclusive), upon the expiry of which the parties may renew the term for another three years on a mutually agreed basis.

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The prices of the SFGC Products shall be determined at the then prevailing market prices, and/or based on the principle of fairness and reasonableness, and as stated in the Letter from the Board, SFGC regularly conducts research and analysis regarding the relevant prices in the market. Since there are no comparable products to the parts and components of transmission and related products sold by SFGC to Fast Transmission in the market, SFGC would conduct price consultation and comparison of the raw materials for the production of such products and determine the relevant costs of raw materials. Upon discussions with the price management department of SFGC with reference to such costs and an approximately 5% mark-up on a cost-plus basis (reflecting other production costs including storage and transportation costs), and on the basis of the thorough consideration of the interests of both parties, the final prices are determined at arm's length negotiation among the parties. The price management department of SFGC shall review the reasonableness of prices on a yearly basis and make adjustments when necessary.

We have discussed with the Company in respect of the said pricing mechanism of these TAGC Continuing Connected Transactions and were advised that under these TAGC Continuing Connected Transactions, Fast Transmission provides processing service to SFGC by way of (a) SFGC selling to Fast Transmission the SFGC Products; and (b) SFGC purchasing from Fast Transmission the Fast Transmission Products (the majority of which are parts and components processed by Fast Transmission based on the aforementioned SFGC Products sold by SFGC to Fast Transmission). SFGC will then use such Fast Transmission Products for its production of vehicle transmissions. SFGC has not sold same or similar SFGC Products to independent third parties and thus there are no historical transactions with independent third parties for comparison purpose. We have reviewed transaction documents of one sample transaction entered into by SFGC with Fast Transmission relating to the sale of the SFGC Products on a random basis, including sales contract, invoice and the approval of the price management department of SFGC. Based on our review and discussion with the Company, we note that SFGC complied with the said internal pricing procedures.

(b) Purchase of the Fast Transmission Products by SFGC from Fast Transmission

Pursuant to the Supplemental Agreement to the Fast Transmission Purchase Agreement (as supplemented from time to time), SFGC has conditionally agreed to purchase and Fast Transmission has conditionally agreed to sell the Fast Transmission Products on the same terms for a renewed term from 1 January 2016 to 31 December 2018 (both dates inclusive), upon the expiry of which the parties may renew the term for another three years on a mutually agreed basis.

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The prices of the Fast Transmission Products shall be determined at the then prevailing market prices, and/or based on the principle of fairness and reasonableness, and as stated in the Letter from the Board, through the analysis of the products in the market (considering the price quotation of one or two suppliers in respect of such products), taking into account other factors including the raw materials cost, remuneration cost, processing cost, SFGC shall conduct an analysis on the reasonableness of the relevant prices, and a proposal on the price shall then be submitted to the price management department of SFGC for approval, after an analysis of the products and comparison of such costs (through price consultation with suppliers in the market) with the costs submitted by Fast Transmission. The final price shall be determined based on arm's length negotiations between the parties. The price management department of the SFGC shall review the reasonableness of the price on a yearly basis and make adjustments where necessary.

As mentioned above, SFGC purchases from Fast Transmission the Fast Transmission Products (the majority of which are parts and components processed by Fast Transmission based on the SFGC Products sold by SFGC to Fast Transmission) for its production of vehicle transmissions. SFGC has not purchased same or similar Fast Transmission Products from independent third parties and thus there are no historical transactions with independent third parties for comparison purpose. We have reviewed transaction documents of one sample transaction entered into by SFGC with Fast Transmission relating to the purchase of the Fast Transmission Products on a random basis, including purchase contract, invoice and the approval of the price management department of SFGC. Based on our review and discussion with the Company, we note that SFGC complied with the said internal pricing procedures.

Our view

Having considered the above, we are of the view that the pricing mechanisms governing the TAGC Continuing Connected Transactions are on normal commercial terms and fair and reasonable so far as the Company and the Shareholders are concerned and in the interests of the Group and the Shareholders as a whole.

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(III) New Caps of the TAGC Continuing Connected Transactions

Set out below are (i) the actual transaction amounts of the TAGC Continuing Connected Transactions for each of the two years ended 31 December 2013 and 2014 and the six months ended 30 June 2015; and (ii) the proposed New Caps in relation thereto for each of the three years ending 31 December 2018:

	Actual transaction amounts			New Caps		
	For the year ended		For the six months ended	For the year ending 31 December		
	31 December		30 June			
	2013	2014	2015	2016	2017	2018
	("FY2013")	("FY2014")	("1H2015")	("FY2016")	("FY2017")	("FY2018")
	RMB	RMB	RMB	RMB	RMB	RMB
	(audited)	(audited)	(unaudited)			
Sale of SFGC Products by SFGC to Fast Transmission	1,418,224,675	1,606,858,473	580,910,137	3,600,000,000	4,800,000,000	6,500,000,000
Purchase of Fast Transmission Products by SFGC from Fast Transmission	2,308,395,597	2,628,296,508	975,420,473	4,500,000,000	6,000,000,000	7,800,000,000

Our analysis on the proposed New Caps for the TAGC Continuing Connected Transactions is set out below.

(a) New Caps relating to the sale of the SFGC Products by SFGC to Fast Transmission (the "Sale Caps")

As stated in the Letter from the Board, the Sale Caps have been determined by the Company primarily based on (i) the historical transaction amounts; and (ii) the estimate of the volume and amount of the SFGC Products to be sold by SFGC to Fast Transmission.

We note that the proposed Sale Caps for each of FY2016, FY2017 and FY2018 represent a significant increase as compared to the actual transaction amounts for each of FY2013, FY2014 and 1H2015 on an annualised basis.

We have discussed with the management of the Company to understand the basis for determination of the proposed Sale Caps. Based on our discussion, we understand that the Company has not made reference to the actual sales amount for 1H2015 when determining the proposed cap for FY2016 because the sales amount of the SFGC Products by SFGC to Fast Transmission was considered to be affected by

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the gloomy heavy-duty truck market in the PRC under the influence of a multitude of factors including the slackened growth of the general economy, the drop in the pace of growth of fixed-asset investments, the doldrums of the development of the manufacturing industry and the advanced spending under the implementation of the China IV Emission Standards during 1H2015 as disclosed in the interim results announcement of the Company for 1H2015 dated 27 August 2015. Instead, the Company has made reference to the actual transaction amount for FY2014. It is noted that the proposed cap for FY2016 represents a compound annual grow rate (“CAGR”) of approximately 50% as compared to the actual sales amount of FY2014, which we understand from the Company was set after taking into account factors including (i) the historical fluctuation in the sales amount of the SFGC Products to Fast Transmission (particularly a year-on-year (“YoY”) growth rate of approximately 36% and 13% for FY2013 and FY2014 respectively and a 55% increase recorded for the first seven months of 2014 as compared to the same period of 2013); (ii) the expected increase in sales to Fast Transmission taking into account (a) the expected steady YoY increase of around 10% in sales of heavy-duty gear boxes by SFGC based on the sales plan for the coming three years provided by the Company; (b) the expected increase in production and sales of heavy-duty hydraulic automatic transmissions by SFGC; (c) the expected increase in sales of gear boxes to be used by large and medium-sized passenger vehicles through strengthening its marketing efforts as well as the expected increase in production and sales of new generation of gear box products such as automatic transmissions and automated mechanical transmissions; and (d) the possibility of a material growth in sales to be brought about by favorable national policies including the “One Belt, One Road” Initiative and the “National Plan on New-type Urbanization (2014–2020)” (with details set out below). As advised by the Company, approximately 63.6% of the sales of SFGC Products were made during the first seven months of 2014 which led to the 55% increase recorded for this period as compared to the same period of 2013 whilst the whole year of 2014 recorded a YoY growth of approximately 13%.

As mentioned above, the products transacted between SFGC and Fast Transmission are mainly used for manufacturing of heavy-duty vehicles (including heavy-duty trucks and construction machinery) and passenger vehicles in the PRC. As advised by the Company, such kind of transactions (including the sales of the SFGC Products by SFGC to Fast Transmission) are closely related to the development of the heavy-duty vehicle market and the construction machinery market which in turn is closely influenced by the macroeconomic conditions, including among others the economic growth and policies, the fixed assets investment growth and the construction and infrastructure activities.

In September and October 2013, President Xi Jinping first introduced the Silk Road Economic Belt and the 21st Century Maritime Silk Road (collectively the “One Belt, One Road” Initiative and referred to as the “**Initiative**” below), aiming to promote the economic and financial cooperation among countries along the proposed routes. In March 2015, the National Development and Reform Commission issued an action plan named《推動共建絲綢之路經濟帶和21世紀海上絲綢之路的願景與行動》(translated as “The Vision and Actions on Jointly Building the

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Silk Road Economic Belt and the 21st Century Maritime Silk Road, the “**Vision and Actions**”), which outlines the framework, key areas and mechanisms of co-operation under the Initiative. According to a research article (the “**Article**”) published by Hong Kong Trade Development Council in April 2015, infrastructure is taking precedence under the Initiative. As stated in the Article, the Asian Development Bank estimated that the Asian economies would need to invest US\$8 trillion in infrastructure to bring their facilities up to average world standards between 2010 and 2020, and according to reports, China is conducting feasibility studies on four outbound high-speed railways, among which, the domestic sections of the three projects are reportedly underway while negotiations are still being carried out on the remaining project and on the overseas sections of the said three projects. Apart from railway networks, other cross-border projects and the building of port facilities, airports, highways, and electricity and communications projects in the Belt and Road countries are also targets for China’s “going out” funds. Furthermore, there will be a considerable number of opportunities for the international contracting of construction and machinery exports. As noted from the Article, the Initiative has also driven the domestic investment of the country, and according to reports, as at 5 February 2015, more than two-thirds of the 28 provinces that had held their local people’s congresses and political consultative conferences have made their own plans for the Initiative. For instance, in infrastructure planning, Chongqing has issued its Opinions on Implementing the Belt and Road Strategy and Building the Yangtze Economic Belt and is expected to invest RMB1.2 trillion in infrastructure before 2020. The Initiative is expected to lead to a new investment boom in infrastructure construction and logistics business, which is expected to benefit the heavy-duty vehicle market of the PRC.

It is also noted that in March 2014, the Central Committee of the Communist Party of China and the State Council officially issued 《國家新型城鎮化規劃(2014-2020年)》(translated as “National Plan on New-type Urbanization (2014-2020)”) and referred to as the “**Urbanization Plan**” as below), China’s first plan on urbanization enacted by the central authorities, focusing on improving the quality of urbanization. The Urbanization Plan stipulates, among others, accelerating the development of small and medium-sized cities by enhancing infrastructure engineering works (covering among others construction of public water supply facilities, and road network connection) and strengthening the comprehensive transportation network support (covering construction of conventional railways, high-speed rails, national roads and expressways), which is also considered to be supportive to the heavy-duty vehicle market of the PRC.

Additionally, the People’s Bank of China announced on 25 August 2015 to cut the benchmark lending rate and interest rate (being the fifth reduction since November 2014) and lower the reserve requirement on certain banks with sizable lending to farmers and small businesses, effective from 26 August 2015, aiming at further lowering borrowing cost of corporates and also stabilizing the economy growth of the country.

Since such national policies would be beneficial to the development of the heavy-duty truck industry in the PRC, we concur with the view of the Company that

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it is reasonable for the Company to cater for the possible increase in the sales of the SFGC Products by SFGC to Fast Transmission when determining the proposed Sale Caps for the coming three years.

With respect to the determination of the proposed caps for FY2017 and FY2018, the Company has adopted a YoY growth rate of approximately 33% and 35% for FY2017 and FY2018, respectively, which we understand from the Company was determined after taking into account (i) the historical fluctuation in the sales amount of the SFGC Products to Fast Transmission (particularly a historical YoY growth rate of approximately 36% recorded for FY2013 and a 55% growth rate recorded for the first seven months of 2014 as compared to the same period of 2013); and (ii) the expected increase in the sales to Fast Transmission taking into account the factors as discussed above (particularly, the expected around 10% YoY increase in sales of heavy-duty gear boxes by SFGC based on the sales plan, the expected increase in sales of gear boxes for large and medium-sized passenger vehicles and the expected increase in production and sales of new generation of gear box products such as automatic transmissions and automated mechanical transmissions, and the expected positive impacts on sales to be brought about by favorable national policies such as the Initiative and the National Plan).

Given the above, we consider it is reasonable to assume a YoY growth rate of approximately 33% and 35% for FY2017 and FY2018 respectively for cap purpose.

Given the above, we are of the view that the basis for determination of the proposed Sale Caps is fair and reasonable.

(b) New caps relating to the purchase of the Fast Transmission Products by SFGC from Fast Transmission (the "Purchase Caps")

As stated in the Letter from the Board, the Purchase Caps have been determined by the Company primarily based on (i) the historical transaction amounts; and (ii) the estimate of the volume and amount of the Fast Transmission Products to be purchased by SFGC from Fast Transmission.

We note that the proposed Purchase Caps for each of FY2016, FY2017 and FY2018 represent a significant increase as compared to the actual transaction amounts for each of FY2013, FY2014 and 1H2015 on an annualised basis.

We have discussed with the Company to understand the basis for determination of the proposed Purchase Caps. For similar reasons as set out above (that is the actual purchase amount of the Fast Transmission Products purchased by SFGC from Fast Transmission for 1H2015 was considered to be affected by the then gloomy heavy-duty truck market), the Company has made reference to the actual transaction amount for FY2014 when determining the proposed cap for FY2016. It is noted that the proposed cap for FY2016 represents a CAGR of approximately 31% as compared to the actual purchase amount of FY2014, which we understand from the Company was determined after taking into account the historical fluctuation in the

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purchase amount of the Fast Transmission Products recorded by SFGC (particularly a historical YoY growth rate of approximately 47% recorded for FY2013 and 14% recorded for FY2014, and a 40% growth rate for the first seven months of 2014 as compared to the same period of 2013). As advised by the Company, approximately 64.5% of the purchase of Fast Transmission Products was made during the first seven months of 2014 which led to the 40% increase recorded for this period as compared to the same period of 2013 whilst the whole year of 2014 recorded a YoY growth of approximately 14%.

With respect to the determination of the proposed caps for FY2017 and FY2018, the Company has adopted a YoY growth rate of approximately 33% and 30% for FY2017 and FY2018, respectively, which we understand from the Company was determined after taking into account the factor that as the Fast Transmission Products to be purchased by SFGC from Fast Transmission under this category of continuing connected transaction are those parts and components processed by Fast Transmission based on the purchased SFGC Products by Fast Transmission as discussed above, the growth rate adopted for determining the proposed Purchase Caps is generally in line with that adopted for determining the proposed Sale Caps as discussed above.

Given the above, we are of the view that the basis for determination of the proposed Purchase Caps is fair and reasonable.

However, the Shareholders should note that the New Caps of the TAGC Continuing Connected Transactions relate to future events and do not represent a forecast of the transaction amounts payable or receivable by the Group as a result of the TAGC Continuing Connected Transactions. Consequently, we express no opinion as to how closely the actual transaction amounts of the TAGC Continuing Connected Transactions correspond with the New Caps in relation thereto as discussed above.

(IV) Requirements of the Listing Rules in relation to the TAGC Continuing Connected Transactions

Pursuant to Rules 14A.55 to 14A.59 of the Listing Rules, the transactions contemplated under the Supplemental Agreements (the renewal of which is subject to the Independent Shareholders' approval) are subject to the following annual review requirements:

- (a) each year the independent non-executive Directors must review the TAGC Continuing Connected Transactions and confirm in the annual report that the TAGC Continuing Connected Transactions have been entered into:
 - in the ordinary and usual course of business of the Group;
 - on normal commercial terms or better; and
 - according to the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

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- (b) each year the auditors of the Company must provide a letter to the Board (with a copy provided to the Stock Exchange at least 10 business days prior to the bulk printing of the Company's annual report) confirming whether anything has come to their attention that causes them to believe that the TAGC Continuing Connected Transactions:
- have not been approved by the Board;
 - were not, in all material respects, in accordance with the pricing policies of the Group if the TAGC Continuing Connected Transactions involve the provision of goods or services by the Group;
 - were not entered into, in all material respects, in accordance with the terms of the relevant agreement(s) governing the TAGC Continuing Connected Transactions; and
 - have exceeded the proposed Sale Caps and the proposed Purchase Caps.
- (c) the Company must allow, and ensure that the relevant counter parties to the TAGC Continuing Connected Transactions allow, the Company's auditors sufficient access to their records for the purpose of reporting on the TAGC Continuing Connected Transactions.
- (d) the Company must promptly notify the Stock Exchange and publish an announcement in accordance with the Listing Rules if the independent non-executive Directors and/or the auditors of the Company cannot confirm the matters set out in paragraphs (a) and/or (b) above, respectively. The Stock Exchange may require the Company to re-comply with the announcement and Independent Shareholders' approval requirements and may impose additional conditions.

In light of the reporting requirements relating to the TAGC Continuing Connected Transactions, in particular, (i) the restriction of transaction value by way of the proposed New Caps; and (ii) the ongoing review by the independent non-executive Directors and the auditors of the Company on the terms of the Supplemental Agreements governing the TAGC Continuing Connected Transactions and the proposed New Caps not being exceeded, we are of the view that appropriate measures will be in place to govern the conduct of the TAGC Continuing Connected Transactions and safeguard the interests of the Company and the Independent Shareholders as a whole.

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RECOMMENDATION

Having considered the principal factors above, we are of the opinion that (i) the entering into of the Supplemental Agreements for purpose to renew the Fast Transmission Sale Agreement and the Fast Transmission Purchase Agreement (as supplemented from time to time) is in the interests of the Group and the Shareholders as a whole and the TAGC Continuing Connected Transactions fall within the ordinary and usual course of business of the Group; (ii) the terms of the TAGC Continuing Connected Transactions are on normal commercial terms and fair and reasonable so far as the Company and the Shareholders are concerned; and (iii) the basis of the proposed Sale Caps and the proposed Purchase Caps are fair and reasonable so far as the Company and the Shareholders are concerned.

Therefore, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Non-exempt Continuing Connected Transactions and the proposed Sale Caps and the proposed Purchase Caps.

Yours faithfully,

For and on behalf of

BOSC International Company Limited

Alex Lau

Managing Director

Investment Banking

Lily Li

Associate Director

Investment Banking

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:

Interests in the shares of the Company

Name of Director	Capacity	Number of A Shares held	Number of H Shares held	Percentage of the issued share capital of the Company
Tan Xuguang	Beneficial owner	29,421,298 (Note 1)	–	0.74%
Zhang Quan	Beneficial owner	6,842,162 (Note 1)	–	0.17%
Xu Xinyu	Beneficial owner	6,842,162 (Note 1)	–	0.17%
Sun Shaojun	Beneficial owner	6,842,162 (Note 1)	–	0.17%

Name of Supervisor	Capacity	Number of A Shares held	Number of H Shares held	Percentage of the issued share capital of the Company
Lu Wenwu	Beneficial owner	300,000	–	0.008%

Notes:

- 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.
- All the shareholding interests listed in the above table are “long” position.

Interests in the shares of associated corporations of the Company

Name of Director	Name of associated corporation	Nature of interest	Class and number of securities interested or deemed to be interested	Approximate percentage interest in the entire issued share capital of associated corporations as at the Latest Practicable Date
Gordon Riske (Note)	KION Group AG ("KION")	Beneficial owner	227,350 ordinary shares	0.23%
		Interest held by spouse	3,000 ordinary shares	0.003%

Note: Gordon Riske, a non-executive Director, was the beneficial owner of 227,350 shares in KION and he was also deemed to be interested in 3,000 shares in KION which were beneficially held by his wife, Ms. Benita Riske.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, the chief executive nor the supervisors had an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was 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	672,952,800	22.23%	–	–	16.83%
Shandong Heavy Industry Group Co., Ltd. (Note 1)	Held by controlled corporation	Long	672,952,800	22.23%	–	–	16.83%
State-owned Assets Supervision and Administration Commission of Shandong Province (“Shandong SASAC”) (Note 1)	Held by controlled corporation	Long	672,952,800	22.23%	–	–	16.83%
Brandes Investment Partners, LP (Note 2)	Investment manager	Long	–	–	78,578,612	16.18%	3.93%
Lazard Asset Management LLC (Note 2)	Investment manager	Long	–	–	63,164,476	13.00%	3.16%
JPMorgan Chase & Co.	Beneficial owner	Long	–	–	8,113,395	0.84%	0.20%
	Custodian – Corporation/ approved lending agent	Long	–	–	103,087,308	10.61%	2.58%
	Investment manager	Long	–	–	5,973,472	0.61%	0.15%
					<u>117,174,175</u>	<u>12.06%</u>	<u>2.93%</u>
	Beneficial owner	Short	–	–	1,257,800	0.13%	0.03%
Templeton Investment Counsel, LLC	Investment manager	Long	–	–	78,553,220	8.09%	1.96%
Lazard Emerging Markets Equity Portfolio (Note 3)	Investment manager	Long	–	–	23,707,500	5.86%	1.42%
Barclays PLC (Note 2)	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 shareholder	Long	–	–	49,356,728	5.08%	1.23%
Platinum Investment Management Limited	Investment Manager	Long	–	–	9,477,232	0.98%	0.24%
	Trustee (other than a bare trustee)	Long	–	–	39,480,768	4.06%	0.99%
					<u>48,958,000</u>	<u>5.04%</u>	<u>1.23%</u>

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 20 August 2015 as there is no disclosure of interest obligation under the SFO where there is no change in percentage of shareholdings for a substantial shareholder.
3. The number of H shares reported above by the relevant substantial shareholder does not take into consideration the Company’s bonus share issuance on 17 August 2012 and 20 August 2015 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 Group
Tan Xuguang	Chairman	Chairman
Jiang Kui	–	Director, general manager
Zhang Quan	Director	–
Xu Xinyu	Director	–
Sun Shaojun	Director	–

Save as disclosed above, the Company had not been notified of any Director or proposed Director being a director or employee of a company which had an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance as at the Latest Practicable Date.

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, save for Mr. Gordon Riske’s interests in KION as disclosed in the section headed “2. Disclosure of interests – Interest in the shares of associated corporations of the Company” of this Appendix, none of the Directors was interested, directly or indirectly, in any assets which had since 31 December 2014, 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. As disclosed in the Company's announcement dated 27 March 2015, the Company (through its indirect wholly-owned subsidiary, Weichai Lux), acquired 4,900,000 shares in KION for a consideration of EUR186,935,000.

- (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 2014, 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.

4. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2014, the date to which the latest audited consolidated financial statements of the Group were made up.

5. EXPERT

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

Name	Qualification
BOSC International Company Limited	A corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO

- (b) As at the Latest Practicable Date, the Independent Financial Adviser did not have any shareholding in the Company or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor did it have any interest, direct or indirect, in any assets which had, since the date to which the latest published audited consolidated financial statements of the Group were made up, been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.
- (c) The Independent Financial Adviser has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its 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 30 September 2015 and was made by the Independent Financial Adviser for incorporation in this circular.

6. GENERAL

In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours on any weekday (except public holidays) at the principal place of business of the Company in Hong Kong at Rooms 3407–3408, 34th Floor, Gloucester Tower, Landmark, 15 Queen's Road Central, Hong Kong, from 30 September 2015 to 14 October 2015 (both days inclusive):

- (a) the letter from the Independent Financial Adviser as set out in this circular;
- (b) the written consent from the Independent Financial Adviser referred to in paragraph 5 of this appendix;
- (c) the letter from the Independent Board Committee as set out in this circular; and
- (d) the Supplemental Agreements, the Fast Transmission Sale Agreement and the relevant supplemental agreements, the Fast Transmission Purchaser Agreement and the relevant supplemental agreements.

NOTICE OF THE EGM



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)

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

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**EGM**”) of Weichai Power Co., Ltd. (the “**Company**”) will be held at the Company’s conference room at 197, Section A, Fu Shou East Street, High Technology Development Zone, Weifang, Shandong Province, the People’s Republic of China (the “**PRC**”) on Wednesday, 18 November 2015 at 2:30 p.m. for the purpose of considering and, if thought fit, approving the matters set out below. Unless the context requires otherwise, terms defined in the circular to the shareholders of the Company (the “**Shareholders**”) dated 30 September 2015, of which this notice forms part (the “**Circular**”) shall have the same meanings when used herein.

ORDINARY RESOLUTIONS

To consider and, if thought fit, approve the following resolutions as ordinary resolutions:

1. “**THAT** the supplemental agreement to the Fast Transmission Sale Agreement dated 27 August 2015 referred to in the section headed “II. Non-exempt Continuing Connected Transactions – (a) Sale of parts and components of transmissions and related products by SFGC to Fast Transmission” in the “Letter from the Board” contained in the Circular and the relevant New Caps (as defined in the Circular) be and are hereby approved”.
2. “**THAT** the supplemental agreement to the Fast Transmission Purchase Agreement dated 27 August 2015 referred to in the section headed “II. Non-exempt Continuing Connected Transactions – (b) Purchase of parts and components of transmissions and related products by SFGC from Fast Transmission” in the “Letter from the Board” contained in the Circular and the relevant New Caps (as defined in the Circular) be and are hereby approved”.

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

Hong Kong, 30 September 2015

NOTICE OF THE EGM

Notes:

- (A) The Company will not process registration of transfers of H shares (being overseas listed foreign shares and ordinary shares) in the share capital of the Company with a Renminbi denominated par value of RMB1.00 each, which are subscribed and/or paid for in Hong Kong dollars and listed on The Stock Exchange of Hong Kong Limited ("H Shares") from Monday, 19 October 2015 to Wednesday, 18 November 2015 (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 at the close of business on Friday, 16 October 2015 are entitled to attend and vote at the EGM following completion of the registration procedures. To qualify for attendance and voting at the EGM, documents on transfers of H Shares of the Company, accompanied by the relevant share certificates, must be lodged with the Company's H-Share Registrar and Transfer Office, not later than 4:30 p.m. on 16 October 2015. 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

- (B) Holders of H Shares intending to attend the EGM should complete and return the reply slip for attending the EGM personally, by facsimile or by post to the Secretary to the Board of the Company 20 days before the EGM (i.e. on or before Thursday, 29 October 2015). 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 EGM may, by completing the form of proxy of the Company, appoint one or more proxies to attend and vote at the EGM on his 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 forms of proxy is signed by the person authorised by the relevant shareholder as aforesaid, the relevant power of attorney and other relevant documents of authorisation (if any) must be notarised. If a corporate shareholder appoints a person other than its legal representative to attend the EGM on its behalf, the relevant form of proxy must be affixed with the company seal/chop of the corporate shareholder or duly signed by its director or any other person duly authorised by that corporate shareholder as required by the Articles of Association of the Company.
- (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 and Transfer Office, Computershare Hong Kong Investor Services Limited (address: 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong), not less than 24 hours before the time appointed for the EGM.
- (F) Each holder of A Shares of the Company who is entitled to attend and vote at the EGM may also, by completing the form of proxy of the Company, appoint one or more proxies to attend and vote at the EGM on his behalf. A proxy need not be a shareholder of the Company. Notes (C) and (D) above also apply to the holders of A Shares of the Company, except that, to be valid, the form of proxy and the relevant power of attorney (if any) and other relevant documents of authorisation (if any) must be delivered to the Secretary to the Board of the Company not less than 24 hours before the time appointed for the EGM. The address of the Secretary to the Board of the Company is stated in Note (B) above.

NOTICE OF THE EGM

- (G) A shareholder or his proxy should produce proof of identity when attending the EGM. If a corporate shareholder's legal representative or any other person authorised by the board of directors or other governing body of such corporate shareholder attends the EGM, such legal representative or other person shall produce his 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 EGM shall be given in writing and, notice in writing by that person of his consent to be elected as director shall be, lodged at the registered office of the Company at 197, Section A, Fu Shou East Street, High Technology Industrial Development Zone, Weifang, Shandong Province, the People's Republic of China. The period for lodgement of such notices shall commence on (and include) the day after the date of this notice of the EGM and end on (and exclude) the date that is seven (7) days before the date of the EGM.
- (I) The EGM is expected to last for not more than half a day. Shareholders who attend the EGM shall bear their own travelling and accommodation expenses.