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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

潍柴动力股份有限公司

WEICHAI POWER CO., LTD.

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

(Stock Code: 2338)

**(1) MAJOR AND CONTINUING CONNECTED TRANSACTIONS,
(2) PROPOSED PAYMENT OF CASH DIVIDENDS,
(3) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION,
AND
(4) 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**

TRINITY

TRINITY CORPORATE FINANCE LIMITED

A letter from the Board is set out on pages 6 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 pages 18 to 19 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 20 to 30 of this circular.

A notice convening the AGM to be held at Section A, 197, Fu Shou East Street, High Technology Industrial Development Zone, Weifang, Shandong Province, the PRC on 20 June 2019 at 2:30 p.m. is set out on pages 43 to 44 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 H-share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong (with respect to the holders of H Shares) or the registered office of the Company at Capital Operation 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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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.76(2) of the Listing Rules
“AGM”	the annual general meeting of the Company to be held on 20 June 2019, Thursday, 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 Listing Rules
“Audit Committee”	the audit committee of the Board
“Beiqi Foton”	北汽福田汽車股份有限公司 (Beiqi Foton Motor Co., Ltd.*), a company established in the PRC
“Board”	the board of Directors
“Cash Dividends”	has the meaning ascribed thereto under the section headed “3. Proposed Payment of Cash Dividends” in the letter from the Board contained in this circular
“CBIRC”	China Banking and Insurance 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

DEFINITIONS

“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“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 March 2016
“Group”	the Company and its subsidiaries (as defined in the 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 Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Independent Board Committee”	a committee of the Board comprising Mr. Zhang Zhong, Mr. Wang Gongyong, Mr. Ning Xiangdong, Mr. Li Hongwu and Mr. Wen Daocai, being the independent non-executive Directors
“Independent Financial Adviser”	Trinity Corporate Finance Limited, the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of 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
“Latest Practicable Date”	26 April 2019, being the latest practicable date for the purpose of ascertaining certain information contained in this circular before its despatch
“Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange

DEFINITIONS

“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” in the letter from the Board contained in this circular
“New Financial Services Agreement”	the financial services agreement entered into between the Company and Shandong Finance on 25 March 2019
“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
“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
“Shandong Finance”	山東重工集團財務有限公司 (Shandong Heavy Industry Group Finance Co., Ltd.*), a company established in the PRC with limited liability which is owned as to 37.5%, 31.25%, 12.5%, 12.5% and 6.25% by Shandong Heavy Industry, the Company, Weichai Heavy-duty Machinery, Shantui Construction and SFGC, 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, a subsidiary of the State-owned Assets Supervision and Administration Commission of Shandong Province
“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 29.37% 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

DEFINITIONS

“Shenzhen Listing Rules”	the Rules Governing the Listing of Shares on the Shenzhen Stock Exchange
“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)

Executive Directors:

Tan Xuguang (*Chairman and Chief Executive Officer*)

Zhang Quan (*Executive President*)

Xu Xinyu (*Executive President*)

Sun Shaojun (*Executive President*)

Yuan Hongming (*Executive President*)

Yan Jianbo (*Executive President*)

Registered office:

197, Section A

Fu Shou East Street

High Technology Industrial

Development Zone

Weifang City

Shandong Province

The People's Republic of China

Non-executive Directors:

Wang Yuepu

Jiang Kui

Gordon Riske

Michael Martin Macht

Principal place of

business in Hong Kong:

Room 3407-3408

34/F, Gloucester Tower

Landmark

15 Queen's Road Central

Hong Kong

Independent Non-executive Directors:

Zhang Zhong

Wang Gongyong

Ning Xiangdong

Li Hongwu

Wen Daocai

Supervisors:

Lu Wenwu

Ma Changhai

Wu Hongwei

3 May 2019

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 AMENDMENTS TO THE ARTICLES OF ASSOCIATION,
AND
(4) NOTICE OF ANNUAL GENERAL MEETING**

LETTER FROM THE BOARD

1. INTRODUCTION

Reference is made to (i) the announcement of the Company dated 25 March 2019 in relation to the New Financial Services Agreement; (ii) the announcement of the Company dated 25 March 2019 in relation to the annual results for the year ended 31 December 2018 and the proposed payment of Cash Dividends; and (iii) the announcement of the Company dated 25 March 2019 in relation to the proposed amendments to Articles of Association.

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; and (iii) details of the proposed amendments to the Articles of Association. 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 25 March 2019. As announced by the Board in such announcement, the Group entered into the New Financial Services Agreement on 25 March 2019, pursuant to which Shandong Finance has conditionally agreed to provide, inter alia, certain deposit services to the Company in accordance with the terms and conditions set out in the New Financial Services Agreement.

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

(ii) New Financial Services Agreement

Date: 25 March 2019

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

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

Effective date and term

The New Financial Services Agreement shall become effective on the execution date of the New Financial Services Agreement and has a term of three years ending 29 June 2022, subject to the approval at a Shareholders' meeting of the transactions contemplated under the New Financial Agreement and the New Caps. The term of the New Financial Services Agreement can be extended on a mutually agreed basis.

LETTER FROM THE BOARD

Deposit services

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

- (a) the interest rate for the deposit of the Group's funds with Shandong Finance shall, subject to the compliance of the relevant requirements of the People's Bank of China, be no less than the highest interest rate for the same type of deposit offered by the major commercial banks in the PRC for the same period. It is estimated that the interest rate will range from the benchmark deposit rate announced by the People's Bank of China over the same period for the same level to 40% above such rate, which may be adjusted in accordance with changes in the currency policy of the People's Bank of China and interest rates in the market (the said range of interest rate is only an estimate by the Group with reference to the deposits placed by the Group with PRC banks in the past and the maximum deposit rate offered by major PRC banks in the market, and the actual interest rate offered by Shandong Finance to the Group shall always be no less than the highest interest rate for the same type of deposit offered by the major commercial banks in the PRC for the same period); 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 2022:

	From 30 June 2019 to 29 June 2020 (RMB billion)	From 30 June 2020 to 29 June 2021 (RMB billion)	From 30 June 2021 to 29 June 2022 (RMB billion)
New Caps	24.5	28	33

The abovementioned interest rate is proposed by the capital administration department of Shandong Finance to the finance department of the Company for consideration and agreed by the parties after arms length's negotiation. The interest rate is determined on the basis of the benchmark interest rate announced by the People's Bank of China, taking into account the deposit interest rate of not less than five major commercial banks in the PRC. The interest rate is set on a yearly basis, subject to adjustment in line with the benchmark interest rate announced by the People's Bank of China from time to time.

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

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such loan services, the loan services to be provided by Shandong Finance to the Company under the New Financial Services Agreement are exempt from the reporting, announcement and independent shareholders' approval requirements under the Listing Rules according to Rule 14A.90 of the Listing Rules.

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

- (a) the loan services to be provided by Shandong Finance include the provision of loans, discounted notes and bill acceptance services and the grant of credit facilities within the scope allowed by the laws, regulations and policies of the PRC and in accordance with the requirements of the CBIRC;
- (b) the interest rate for the loan services to be provided by Shandong Finance to the Group shall, subject to the compliance of the relevant requirements of the People's Bank of China in relation to the interest of loans, not exceed the lowest interest rate for the same type and class of loan provided by other major commercial banks in the PRC to the Group for the same period. It is estimated that the interest rate will range from 10% below the benchmark lending rate announced by the People's Bank of China over the same period for the same level to 10% above such rate, which may be adjusted in accordance with changes in the currency policy of the People's Bank of China and interest rates in the market (the said range of interest rate is only an estimate by the Group with reference to the loans borrowed by the Group from PRC banks in the past and the actual interest rate offered by Shandong Finance to the Group shall not exceed the lowest interest rate for the same type and class of loan provided by other major commercial banks in the PRC to the Group for the same period);
- (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 RMB20 billion to the Group and the annual interest that shall accrue thereunder shall not exceed RMB870 million for each of the three years ending 29 June 2022.

(2) *Miscellaneous financial services*

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

LETTER FROM THE BOARD

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

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

(iii) Existing annual caps and historical amount of deposit

Pursuant to the terms of the Existing Financial Services Agreement, the existing annual caps, i.e. the maximum daily balance (including interests) of the Company's deposit with Shandong Finance for each of the 12 months ended 29 June 2017 and 29 June 2018, and the 12 months ending 29 June 2019 were RMB17 billion, RMB19 billion and RMB20 billion, respectively.

The maximum daily balance (including interests) of the Company's deposit with Shandong Finance during each of the 12 months ended 29 June 2017 and 29 June 2018, and the eight months ended 28 February 2019 were approximately RMB12.4 billion, RMB18.9 billion and RMB19.9 billion, respectively.

For the purpose of monitoring the amount of deposit, a certain limit is set by the capital administration department of Shandong Finance with respect to the deposit placed by the Group, taking into account both the principal and the interest accrued or to be accrued on such deposits, which is reviewed by the fund management system of Shandong Finance on a daily basis, so that the relevant amount of deposit may be withdrawn by the Group to ensure that the relevant annual cap will not be exceeded.

(iv) Proposed annual caps and reasons

Deposit services

The Board, having considered (i) the historical cash position of the Group; (ii) the expected growth of the business operations of the Group 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

LETTER FROM THE BOARD

Agreement shall not exceed the following caps for each of the three years ending 29 June 2022 (the “**New Cap(s)**”):

	From 30 June 2019 to 29 June 2020 (RMB billion)	From 30 June 2020 to 29 June 2021 (RMB billion)	From 30 June 2021 to 29 June 2022 (RMB billion)
New Caps	24.5	28	33

According to the 2019 annual budget of the Company and its strategic development plan, it is expected that the revenue of the Group will increase for the next three years considering the Group’s expected business growth and development resulting in an increased cash flow and the need for deposit services of Shandong Finance. Accordingly, both the principal of and interest to be accrued on the deposit to be placed with Shandong Finance are expected to increase in line with such trend. In order to manage the credit risk with regard to its deposits with Shandong Finance, the Company will strictly adhere to the internal control procedures with respect to its deposit with Shandong Finance (for details, please refer to the paragraph headed (v) Internal control procedures in this section below) and review the financial risk and position of Shandong Finance on a half-yearly basis.

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

Loan services and miscellaneous financial services

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

(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, on a monthly basis, financial statements and financial operation analysis, and, on a yearly basis, audit reports of Shandong Finance) in order to assess the business of Shandong Finance and its financial risk and position; and

LETTER FROM THE BOARD

4. the Company shall be notified within two business days upon the occurrence of circumstances that may cause harm to the security of the Group's deposits or on the occurrence of any other circumstances that may jeopardise the security of the Group's deposits, including a bank run on Shandong Finance, inability to repay its debts when due or serious failure of its computer system, etc. 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.

(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 Shandong Finance for the deposit services, and the rates and fees charged by Shandong Finance for the loan services and miscellaneous financial services to be provided to the Company shall be equal to or more favourable than those offered or charged by major commercial banks and other financial institutions in the PRC for the same type of financial services provided to the Company;
2. the activities of Shandong Finance are regulated by the CBIRC and Shandong Finance provides services within its approved scope in accordance with its operational requirement; and
3. the Company directly holds 31.25%, and, through its 51% subsidiary, SFGC, is interested in 6.25% equity interest in 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 after considering the advice of the Independent Financial Adviser) consider that the New Financial Services Agreement has been negotiated on arm's length basis and is on normal commercial terms. The terms of the New Financial Services Agreement, the transactions contemplated thereunder, the 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.

LETTER FROM THE BOARD

The Company approved the New Financial Services Agreement and the transactions contemplated thereunder in the Board meeting held on 25 March 2019. At the aforesaid Board meeting, Mr. Tan Xuguang and Mr. Jiang Kui have abstained from voting in respect of the resolution approving such transactions in view of their respective positions in Shandong Heavy Industry. Save as disclosed above, none of the Directors has a material interest in such transactions and is required to abstain from voting at the said Board meeting.

(vii) Listing Rules implications

Shandong Heavy Industry is a substantial shareholder of the Company holding approximately 17.72% of the issued share capital of the Company. As Shandong Heavy Industry holds 37.5% equity interest in Shandong Finance, Shandong Finance is an associate of Shandong Heavy Industry and therefore a connected person of the Company under the Listing Rules. Accordingly, the New Financial Services Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

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

Further, as all of the applicable percentage ratios calculated in accordance with the Listing Rules for the deposit services under the New Financial Services Agreement for the three years ending 29 June 2022 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, announcement, annual review, and independent shareholders' approval requirements under Chapter 14A of the 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 (which held 1,406,100,000 Shares representing approximately 17.72% of the issued Shares of the Company as at the Latest Practicable Date) and Mr. Tan Xuguang (Chairman and Chief Executive Officer of the Company) (who held 58,842,596 Shares representing approximately 0.74% of the issued Shares of the Company as at the Latest Practicable Date) and their respective close 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.

LETTER FROM THE BOARD

Shandong Finance

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

(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.

Reference is made to announcement of the Company dated 25 March 2019 on the Shenzhen Stock Exchange in respect of certain continuing connected transactions under the Shenzhen Listing Rules. As disclosed in such announcement, the Company entered into an agreement with Shantui Construction pursuant to which the Company shall sell certain diesel engines and related parts and components to Shantui Construction. It is expected that the annual transaction amount for such transaction shall not exceed RMB620,000,000 for the year ending 31 December 2019. Under the Shenzhen Listing Rules, the said transaction is subject to the approval by the Independent Shareholders. Accordingly, the Company will seek the Independent Shareholders' approval in respect of such transaction at the AGM. Other than Weichai Holdings (which held 1,406,100,000 Shares representing approximately 17.72% of the issued Shares of the Company as at the Latest Practicable Date) and Mr. Tan Xuguang (Chairman and Chief Executive Officer of the Company) (who held 58,842,596 Shares representing approximately 0.74% of the issued Shares of the Company as at the Latest Practicable Date) and their respective close associates, no Shareholder is required to abstain from voting in respect of such resolution in the AGM.

3. PROPOSED PAYMENT OF CASH DIVIDENDS

On 25 March 2019, the Board proposed that the cash dividends (the “Cash Dividends”) of RMB2.80 (tax inclusive) per every 10 Shares held by such Shareholders on the Record Date will be paid by way of cash in the amount of RMB2,221,484,690.60 of the Company's retained earnings as at 31 December 2018. 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.

LETTER FROM THE BOARD

4. PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

In accordance with the recent amendments to the PRC Company Law (《中華人民共和國公司法》) and the Guidelines for the Articles of Association of Listed Companies (2018 revision) (《上市公司章程指引(2018年修訂)》), and taking into consideration the actual circumstances and operation development needs of the Company, the Board proposes to make certain amendments to the Articles of Association.

The details of the proposed amendments to the Articles of Association are set out below:

(1) Article 7 of the Articles of Association:

The words “..., amended at the Company’s 2018 annual general meeting held on 20 June 2019, ...” be inserted after the words “... amended at the Company’s 2019 first extraordinary board meeting held on 10 January 2019 pursuant to the authority of the Company’s 2018 first extraordinary general meeting and 2018 first class meeting of holders of A shares held on 14 September 2018” in the first paragraph of the existing Article 7.

(2) Article 29 of the Articles of Association:

The clauses (1) to (4) under the first paragraph of the existing Article 29 be deleted in its entirety and be replaced by:

- “(1) reduction of the Company’s registered capital;*
- (2) merger with other companies that hold the Company’s shares;*
- (3) applying the shares for the purpose of employees’ stock ownership plans or share incentives;*
- (4) as a request for repurchase of shares by the shareholders who disagree with a resolution passed at a general meeting concerning the Company’s merger or demerger;*
- (5) for the conversion of bonds issued by the Company that are convertible into shares;*
- (6) such circumstances as shall be necessary to safeguard the value of the Company and shareholders’ interests.”*

(3) Article 32 of the Articles of Association:

The existing Article 32 be deleted in its entirety and be replaced by:

“In the event where the Company acquires its shares pursuant to Article 29(1) or 29(2), it shall be subject to a resolution passed at the general meeting. The Company’s acquisition of its shares pursuant to Article 29(3), 29(5) or 29(6) may, pursuant to the requirements in

LETTER FROM THE BOARD

these articles or the authorization granted by the shareholders of the Company be subject to the resolution passed at a meeting of the Board at which more than two thirds of the directors are present.

After the Company has acquired its shares pursuant to the first paragraph of Article 29, cancellation should be effected within 10 days from the date of acquisition in the case of clause (1); transfer or cancellation shall be effected within six months in the case of clause (2) and (4). In the case of clause (3), (5) and (6), shares of the Company held by the Company in aggregate shall not exceed 10% of the total issued capital of the Company, and transfer or cancellation shall be effected within three years.

If the Company acquires its shares, it shall comply with the requirements under the Securities Law to discharge its obligation of information disclosure. Where the Company acquires its shares pursuant to clause (3), (5) or (6) of the first paragraph of Article 29, it shall be conducted through public centralized trading."

(4) Article 50 of the Articles of Association:

In the second paragraph of the existing Article 50, the words "... Article 144 of the Company Law. " be deleted in its entirety and be replaced by the words "... Article 143 of the Company Law."

(5) Article 92 of the Articles of Association:

The words " and supervisors" be inserted after the words "Save with the provision of Article 122 concerning the adoption of a cumulative voting system for electing directors" in the first paragraph of the existing Article 92.

(6) Article 121 of the Articles of Association:

In the second paragraph of the existing Article 121, the words "... prior to the convening of the general meeting ..." be deleted in its entirety and be replaced by the words "... prior to the date of notice to convene the general meeting ...".

(7) Article 122 of the Articles of Association:

The words "... or supervisors ..." be inserted after the words "... directors ..." throughout the existing Article 122.

LETTER FROM THE BOARD

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

The above proposed amendments to the Articles of Association are subject to the approval of the Shareholders by way of special resolution at the AGM.

Upon the amended Articles of Association becoming effective, in the event that the Company intends to repurchase any A Shares and H Shares, the Company will comply with the relevant requirements and restrictions under the Listing Rules, including but not limited to the rules under Chapter 10 and Chapter 19A of the Listing Rules.

5. 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 20 June 2019, Thursday to consider and, if thought fit, approve, inter alia, the matters as set out in the notice convening the AGM set out in pages 43 to 44 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 Capital Operation 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.

6. CLOSURE OF REGISTER OF HOLDERS OF H SHARES

The register of holders of H Shares of the Company will be closed from 21 May 2019 to 20 June 2019, both days inclusive, during which period no transfer of H Shares will be effected. In order to qualify for attending the AGM, all transfer documents of H Shares accompanied by the relevant share certificates must be lodged with Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on 20 May 2019.

LETTER FROM THE BOARD

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.

7. 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, on normal commercial terms (or better to the Group) and in the ordinary and usual course of business of the Company, and in the interests of the Company and its 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. Zhang Zhong, Mr. Wang Gongyong, Mr. Ning Xiangdong, Mr. Li Hongwu and Mr. Wen Daocai) 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; and (ii) the proposed amendments to the Articles of Association as set out above, 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.

8. 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



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)

3 May 2019

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

Dear Sir or Madam,

MAJOR AND CONTINUING CONNECTED TRANSACTIONS

We have been appointed as members of the Independent Board Committee to advise the Independent Shareholders of Weichai Power Co., Ltd. to consider the provision of deposit services by Shandong Finance to the Group under the New Financial Services Agreement and the relevant proposed New Caps (as defined in the circular of the Company dated 3 May 2019) (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.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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

Yours faithfully,
The Independent Board Committee

Zhang Zhong
Independent
Non-executive Director

Wang Gongyong
Independent
Non-executive Director

Ning Xiangdong
Independent
Non-executive Director

Li Hongwu
Independent
Non-executive Director

Wen Daocai
Independent
Non-executive Director

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter dated 3 May 2019 from Trinity Corporate Finance Limited, the Independent Financial Adviser, to the Independent Board Committee and the Independent Shareholders in respect of the provision of the deposit services under the New Financial Services Agreement and the respective New Caps, prepared for the purpose of incorporation in this circular.

TRINITY

Trinity Corporate Finance Limited

Suite 7B, 7th Floor,
Two Chinachem Plaza,
68 Connaught Road Central,
Hong Kong.

3 May 2019

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

Dear Sirs,

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

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in respect of the provision of the deposit services by Shandong Finance to the Group under the New Financial Services Agreement and the relevant New Caps, details of which are set out in the letter from the Board (the “**Letter from the Board**”) in the Company’s circular dated 3 May 2019 (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

As the Existing Financial Services Agreement will expire on 29 June 2019 and the Company intends to continue carrying out the relevant transactions under the Existing Financial Services Agreement, the Board announced on 25 March 2019 that, amongst other things, the Company entered into the New Financial Services Agreement to govern the provision of certain deposit services for a term of three years commencing from 30 June 2019 and ending on 29 June 2022. Shandong Heavy Industry is a substantial shareholder of the Company holding approximately 17.72% of the issued share capital of the Company. As Shandong Heavy Industry holds 37.5% equity interest in Shandong Finance, Shandong Finance is an associate of Shandong Heavy Industry and therefore a connected person of the Company under the Listing Rules. Accordingly, the New Financial Services Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As certain of the applicable percentage ratios calculated in accordance with the Listing Rules for the deposit services under the New Financial Services Agreement exceed 25% but all of which are less than 100%, the provision of the deposit services by Shandong Finance to the Group constitutes a major transaction of the Company and is subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules. Further, as all of the applicable percentage ratios calculated in accordance with the Listing Rules for the deposit services under the New Financial Services Agreement for the three years ending 29 June 2022 exceed the 5% Threshold, the provision of the deposit services by Shandong Finance to the Group and the proposed New Caps for the relevant periods will be subject to the reporting, annual review, and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

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

As at the Latest Practicable Date, Trinity Corporate Finance Limited did not have any relationships or interests with the Company or any other parties that could reasonably be regarded as relevant to the independence of Trinity Corporate Finance Limited. In the last two years, Trinity Corporate Finance Limited has acted as an independent financial adviser to the then independent board committee and independent shareholders of the Company in relation to the continuing connected transactions of the Company announced on 14 July 2017 (details of which were set out in the circular of the Company dated 11 August 2017) and the continuing connected transactions of the Company announced on 13 July 2018 (details of which were set out in the circular of the Company dated 17 August 2018). Apart from normal professional fees paid to us in connection with such appointments, no arrangements exist whereby we had received or will receive any fees or benefits from the Company or any other party to the transactions, therefore we consider such relationship would not affect our independence.

BASIS OF OUR OPINION

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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

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

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

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

A. The Background

As mentioned above, as the Existing Financial Services Agreement will expire on 29 June 2019 and the Company intends to continue carrying out the relevant transactions under the Existing Financial Services Agreement, the Board announced on 25 March 2019 that, amongst other things, the Company entered into the New Financial Services Agreement to govern the provision of certain deposit services for a term of three years commencing from 30 June 2019 and ending on 29 June 2022. Pursuant to the New Financial Services Agreement, Shandong Finance has conditionally agreed to provide, inter alia, certain deposit services to the Company in accordance with the terms and conditions set out in the New Financial Services Agreement.

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

B. Principal Terms of the New Financial Services Agreement

Date: 25 March 2019

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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

Effective date and term

The New Financial Services Agreement shall become effective on the execution date of the New Financial Services Agreement and has a term of three years ending 29 June 2022, subject to the approval of the Independent Shareholders at the AGM. The term of the New Financial Services Agreement can be extended on a mutually agreed basis.

Deposit services

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

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

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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (b) the maximum daily balance (including interest) of the Group's deposit with Shandong Finance shall not exceed the following caps for each of the three years ending 29 June 2022:

	From 30 June 2019 to 29 June 2020 (RMB billion)	From 30 June 2020 to 29 June 2021 (RMB billion)	From 30 June 2021 to 29 June 2022 (RMB billion)
New Caps	24.5	28.0	33.0

The above-mentioned interest rate is proposed by the capital administration department of Shandong Finance to the finance department of the Company for consideration and agreed by the parties after arms length's negotiation. The interest rate is determined on the basis of the benchmark interest rate announced by the People's Bank of China, taking into account the deposit interest rate of not less than five major commercial banks in the PRC. The interest rate is set on a yearly basis, subject to adjustment in line with the benchmark interest rate announced by the People's Bank of China from time to time.

Other terms of the New Financial Services Agreement

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

(1) Loan services

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

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

(2) *Miscellaneous financial services*

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

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

C. Existing Annual Caps and Historical Amounts of Deposit

Pursuant to the terms of the Existing Financial Services Agreement, the existing annual caps, which represent the maximum daily balance (including interest) of the Company's deposit with Shandong Finance for each of the 12 months ended 29 June 2017 and 29 June 2018, and the 12 months ending 29 June 2019 were RMB17 billion, RMB19 billion and RMB20 billion, respectively.

The maximum daily balance (including interest) of the Company's deposit with Shandong Finance during each of the 12 months ended 29 June 2017 and 29 June 2018, and the eight months ended 28 February 2019 were approximately RMB12.4 billion, RMB18.9 billion and RMB19.9 billion, respectively.

The historical utilisation rate of the existing annual caps for the 12 months ended 29 June 2017 and 29 June 2018, and the eight months ended 28 February 2019 was 72.9%, 99.5% and 99.5% respectively. We note that the historical amounts of deposit were close to the maximum amount of the existing annual caps for the 12 months ended 29 June 2018 and the eight months ended 28 February 2019.

According to the Letter from the Board, for the purpose of monitoring the amount of deposits, a certain limit is set by the capital administration department of Shandong Finance with respect to the deposit placed by the Group, taking into account both the principal and the interest accrued or to be accrued on such deposits, which is reviewed by the fund management system of Shandong Finance on a daily basis, so that the relevant amount of deposit may be withdrawn by the Group to ensure that the relevant annual cap will not be exceeded.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

D. Proposed Annual Caps

Deposit services

The Board, having considered (i) the historical cash position of the Group; (ii) the expected growth of the business operations of the Group; and (iii) the expected amount of interest income from Shandong Finance, proposed that the maximum daily deposit balance (including interest) 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 2022:

	From 30 June 2019 to 29 June 2020 (RMB billion)	From 30 June 2020 to 29 June 2021 (RMB billion)	From 30 June 2021 to 29 June 2022 (RMB billion)
New Caps	24.5	28.0	33.0
Increase from previous year	22.5%	14.3%	17.9%

According to the 2019 annual budget of the Company and its strategic development plan, it is expected that the revenue of the Group will increase for the next three years, considering the Group's expected business growth and development resulting in an increased cash flow and the need for deposit services of Shandong Finance. Accordingly, both the principal of and interest to be accrued on the deposit to be placed with Shandong Finance are expected to increase in line with such trend. It is stated in the Letter from the Board that the Company will manage the credit risk with regard to its deposits with Shandong Finance by strictly adhering to the internal control procedures (for details, please refer to the section headed "F. Internal Control Procedures" below) and reviewing the financial risk and position of Shandong Finance on a half-yearly basis.

The proposed new annual cap of RMB24.5 billion for the year ending 29 June 2020 represents an increase of approximately 22.5% from the existing annual cap of RMB20 billion for the year ending 29 June 2019. Given that the maximum daily balance (including interest) of the Company's deposit with Shandong Finance for the eight months ended 29 February 2019 of RMB19.9 billion was already close to the maximum limit (representing a historical utilisation rate of 99.5%), we consider such increase to be reasonable. Also, we have reviewed the annual report of the Company for the year ended 31 December 2017 and noted that the Group had cash and cash equivalents of approximately RMB34,222 million as at 31 December 2017, as compared to approximately RMB27,123 million as at 31 December 2016, representing an increase of approximately 26.2%. Buoyed by factors such as investments in infrastructure and the demand for equipment upgrades and the rebound of overseas market demand, the construction machinery industry will recover continuously. It is expected that the cumulative annual sales will exceed 636,000 units, representing a year-on-year growth of more than 9%. In terms of international market conditions, the "One Belt and One Road" initiative drives interconnection among infrastructure and growth of infrastructure construction and China's foreign engineering

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

contracts will speed up with the substantial demand. With higher shortcomings in infrastructure and civil aspects in the PRC, the industry is in urgent need of reform and upgrade, which will drive sales growth in the industry. It has been seven to eight years since the last peak of the construction machinery industry and having entered into the cycle of upgrade and replacement, it is expected that there will be larger room to meet such upgrade demands in the next two to three years. In view of the expectation on the Group's continuous business growth and development in the coming years which will result in an increased cash flow and the need for deposit services as stated above, we consider the proposed new annual cap for the year ending 29 June 2020, which represents an increase of approximately 22.5% from the existing annual cap for the year ending 29 June 2019, to be fair and reasonable.

In addition, the new annual caps for the years ending 29 June 2021 and 29 June 2022 represent only an increase of approximately 14.3% and 17.9% from the preceding year respectively. We understand from the Company that the expected growth in revenue, the Company's cash position and bank deposits for the three years ending 31 December 2022 is more than 10% per annum. We have reviewed the annual report of the Company for the year ended 31 December 2017 and noted that the Company's revenue increased by 62.7% compared with that in 2016 to approximately RMB151,569 million. The net profit attributable to shareholders of the Company was approximately RMB6,808 million, representing a substantial increase of 178.9% compared with that in 2016. With substantial growth in sales volume, the heavy-duty truck market exhibited an obvious trend of recovery, delivering sales of 1,117,000 units in total, representing a year-on-year increase of 52.4%. Such increase was driven by a multitude of favourable factors including the implementation of the new anti-overloading policies, the fostering of PPP (Public Private Partnership) projects, and the acceleration of fixed asset investments. Under such influence, for the year ended 31 December 2017, the Company reported sales of 370,000 units of heavy-duty truck engines, representing a year-on-year increase of 86.9%, and a market share of 33.1%, representing an increase of 6.1 percentage points from the corresponding period of last year, maintaining its leading position in the industry. Furthermore, the Company issued its strategy for the period of 2020 to 2030, under which the traditional businesses of the Company will have to outperform the global top standards by 2020 and the new energy business of the Company will have to become a global industry leader by 2030.

Also, we have reviewed the industry report titled "China's Heavy-Duty Truck Market Shows No Signs Of Stopping" issued by Forbes on 9 October 2018, which stated that "after registering a stunning 52% increase in sales to an all-time high of 1.1 million units in 2017, sales of heavy-duty trucks increased another 15% in the first six months of 2018. While sales of heavy-duty trucks slowed in July and August, China's truck makers will once again produce and sell more than one million heavy-duty trucks this year, making China the largest truck market in the world by a wide margin". Consistent with the 2019 annual budget of the Company and its strategic development plan as well as the industry report which we have reviewed, we concur with the Company's view that the proposed new annual caps set on the basis of the expectation on future growth in the Company's revenue, cash and bank deposits for the three years ending 31 December 2022 of more than 10% per annum, is fair and reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Loan services and miscellaneous financial services

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

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

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

1. the interest rates offered by 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 CBIRC and Shandong Finance provides services within its approved scope in accordance with its operational requirement; and
3. the Company directly holds 31.25%, and, through its 51% subsidiary 陝西法士特齒輪有限公司 (Shaanxi Fast Gear Co. Ltd.*), is interested in 6.25% equity interest of Shandong Finance, which allows it to benefit from the profits of Shandong Finance.

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

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

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

* For identification purposes only

F. Internal Control Procedures

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

1. Shandong Finance shall ensure that it is in strict compliance with the requirements of the relevant PRC financial laws and regulations;
2. the monthly report or financial statements of Shandong Finance for each month will be provided to the Group;
3. the Company shall regularly review and obtain the relevant documents (such as, on a monthly basis, financial statements and financial operation analysis, and, on a yearly basis, 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 within two business days upon the occurrence of circumstances that may cause harm to the security of the Group's deposits or on the occurrence of any other circumstances that may jeopardise the security of the Group's deposits. In the event that the relevant risks cannot be eliminated, the Company shall take relevant actions to withdraw all deposits.

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

We consider that such internal control procedures, including and not limited to the provision of monthly reports and regular review of financial statements of Shandong Finance, will enable the Company to monitor its deposits in a timely manner and accordingly are favourable to the Shareholders. As stated above, the Company has also committed to strictly adhering to the internal control procedures in order to manage the credit risk of its deposits with Shandong Finance.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

G. Information of The Parties

The Company

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

Shandong Finance

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

RECOMMENDATION

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

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

1. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for each of the three years ended 31 December 2016, 2017 and 2018 is 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 2016 published on 25 April 2017 (pages 95 to 364);
- the Company's annual report for the year ended 31 December 2017 published on 27 April 2018 (pages 99 to 376); and
- the Company's annual report for the year ended 31 December 2018 published on 25 April 2019 (pages 108 to 428).

2. INDEBTEDNESS

Borrowings

As at the close of business on 31 March 2019, 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 RMB17,879 million as follows:

	As at 31 March 2019 <i>RMB million</i>
Current bank borrowings	6,001
Non-current bank borrowings due within one year	2,294
Non-current bank borrowings	9,584
	<hr/>
	17,879
	<hr/> <hr/>

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

	As at 31 March 2019 <i>RMB million</i>
secured	1,000
unsecured	16,879
	<hr/>
	17,879
	<hr/> <hr/>

As at 31 March 2019, the Group had total available bank credit facilities of approximately RMB74,248 million of which approximately RMB56,369 million had not been utilised.

Collateral

As at 31 March 2019, certain bank loans of the Group were secured by the pledge of the following:

	As at 31 March 2019 <i>RMB million</i>
Property, plant and equipment	640
	<hr/>
	640
	<hr/> <hr/>

Liabilities under acceptance

As at 31 March 2019, the Group had unguaranteed liabilities under acceptance of approximately RMB17,461 million (comprising secured liabilities under acceptance of approximately RMB13,364 million and unsecured liabilities under acceptance of approximately RMB4,097 million).

Company bonds issued

As at 31 March 2019, the Group issued unsecured company bonds of approximately RMB11,888 million (comprising guaranteed company bonds of approximately RMB2,693 million and unguaranteed company bonds of approximately RMB9,195 million).

Contingent liabilities*(1) Exposure to Confirmation Risks*

Shaanxi Heavy-duty Motor Co., Ltd., a subsidiary of the Company, entered into a tri-party cooperation agreement with distributors and endorsing bank. Distributors will deposit guarantee money of not lower than 30% to the bank and apply for establishment of bank acceptance bill according to the amount of credit facility provided by the bank. Shaanxi Heavy-duty Motor Co., Ltd. assumes security obligation in favour of the distributors for the difference between amount of notes and guarantee money. As at 31 March 2019, open position of outstanding acceptance bill was RMB2,723 million.

(2) Finance lease business

Shaanxi Heavy-duty Motor Co., Ltd., a subsidiary of the Company, entered into a cooperation agreement with Shanzhong Finance Leasing Co., Ltd.. It is agreed by and between the two parties that Shanzhong Finance Leasing Co., Ltd. shall provide finance lease service to Shaanxi Heavy-duty Motor Co., Ltd. or its distributors. Shaanxi Heavy-duty Motor Co., Ltd. shall guarantee repurchase of physical assets upon presentation in respect of the leasee's failure to pay the instalment payments and interests under the finance lease. As at 31 March 2019, the rental balance of repurchase of physical assets upon presentation was RMB2,674 million.

(3) Guarantee

As at 31 March 2019, an overseas subsidiary of the Company had guaranteed for borrowings or otherwise in the amount of approximately RMB677 million.

The Directors confirm that there are no material changes in the indebtedness or contingent liabilities of the Group since 31 March 2019.

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

3. WORKING CAPITAL

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

4. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

In 2019, with increasing uncertainties underlying the global economy and intensified protectionism, economic development will further slow down. It is expected that China's economy will see greater downside pressure. In 2019, the Company will take guidance from the "2020 to 2030 Strategy" to solidify its development strengths; leverage on the cooperation with world-renowned enterprises to foster the implementation of new-energy strategy; and continue to optimize its business structure, in pursuit of the goal of driving high-quality and steady growth of the Company.

5. MATERIAL ADVERSE CHANGE

The Directors confirm that, as at the Latest Practicable Date, they are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2018, 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 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	58,842,596 (Note 1)	–	0.74%
Zhang Quan	Beneficial owner	13,684,324 (Note 1)	–	0.17%
Xu Xinyu	Beneficial owner	13,684,324 (Note 1)	–	0.17%
Sun Shaojun	Beneficial owner	13,684,324 (Note 1)	–	0.17%
Yuan Hongming	Beneficial owner Interest held by spouse	1,000,440 444	– –	0.013% 0.000006%
Yan Jianbo	Beneficial owner	1,052,404	–	0.013%
Wen Daocai	Beneficial owner	21,940	–	0.0003%

Name of supervisor	Capacity	Number of "A" shares held	Number of "H" shares held	Percentage of the issued share capital of the Company
Lu Wenwu	Beneficial owner	600,000	–	0.008%
Wu Mongwei	Beneficial owner	4,789,516	–	0.06%

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.
- The percentage disclosed in the above table were calculated based on the total number of issued Shares of the Company as at the Latest Practicable Date.

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
Gordon Riske (Note)	KION Group AG ("KION")	Beneficial owner	114,060 ordinary shares	0.10%
		Interest held by spouse	93,940 ordinary shares	0.08%

Note: Gordon Riske, a non-executive Director, was the beneficial owner of 114,060 shares in KION and he was also deemed to be interested in 93,940 shares in KION which were beneficially held by his wife, Ms. Benita Riske.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, the chief executive nor the supervisors had an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was 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	1,406,100,000	23.47%	–	–	17.72%
Shandong Heavy Industry Group Co., Ltd. (Note 1)	Held by controlled corporation	Long	1,406,100,000	23.47%	–	–	17.72%
Brandes Investment Partners, LP (Note 3)	Investment manager	Long	–	–	78,578,612	16.18%	3.96%
Lazard Emerging Markets Equity Portfolio (Note 4)	Investment manager	Long	–	–	23,707,500	5.86%	1.43%
Barclays PLC (Note 3)	Person having a security interest in shares	Long	–	–	525,552	0.11%	0.03%
	Interest of corporation controlled by you	Long	–	–	25,453,050	5.24%	1.28%
					<hr/>	<hr/>	<hr/>
					25,978,602	5.35%	1.31%
Morgan Stanley (Note 2)	Interest of corporation controlled by you	Short	–	–	24,102,475	4.96%	1.22%
	Interest of corporation controlled by you	Long	–	–	49,335,508	5.08%	1.24%
	Interest of corporation controlled by you	Short	–	–	42,078,545	4.33%	1.06%
Lazard Asset Management LLC	Investment manager	Long	–	–	420,135,408	21.62%	5.30%
BlackRock, Inc.	Interest of corporation controlled by you	Long	–	–	195,983,680	10.09%	2.47%
	Interest of corporation controlled by you	Short	–	–	145,000	0.01%	0.00%

APPENDIX II
GENERAL INFORMATION

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
Citigroup Inc.	Interest of corporation controlled by you	Long	–	–	15,291,536	0.79%	0.19%
	Approved lending agent	Long	–	–	100,165,684	5.15%	1.26%
					115,522,220	5.94%	1.45%
	Interest of corporation controlled by you	Short	–	–	13,338,622	0.68%	0.17%
	Interest of corporation controlled by you	Long	–	–	74,655,640	3.84%	0.94%
The Bank of New York Mellon Corporation	Approved lending agent	Long	–	–	61,575,927	3.17%	0.78%
					136,231,567	7.01%	1.72%
	Interest of corporation controlled by you	Short	–	–	71,648,824	3.69%	0.90%
	Interest of corporation controlled by you	Long	–	–	26,058,753	1.34%	0.33%
	Investment manager	Long	–	–	23,643,001	1.22%	0.30%
JP Morgan Chase & Co.	Person having a security interest in shares	Long	–	–	987,178	0.05%	0.01%
	Trustee	Long	–	–	238,800	0.01%	0.00%
	Approved lending agent	Long	–	–	46,605,199	2.40%	0.59%
					97,532,931	5.02%	1.23%
	Interest of corporation controlled by you	Short	–	–	16,990,012	0.88%	0.21%
	Investment manager	Short	–	–	8,620,000	0.44%	0.11%
					25,610,012	1.32%	0.32%

Notes:

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

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

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

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

3. ARRANGEMENTS AND MATTERS CONCERNING DIRECTORS

- (a) None of the Directors has entered or proposed to enter into any service contract with the Group, which is not expiring or determinable by the Group within one year without payment of compensation (other than the payment of statutory compensation).
- (b) As at the Latest Practicable Date, none of the Directors was interested, directly or indirectly, in any assets which, since 31 December 2018, being the date to which the latest published audited consolidated financial statements of the Group were made up, had been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

- (c) As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date and entered into by the Group since 31 December 2018, 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. Zhang Quan in Beiqi Foton, none of the Directors or their respective close associates had any interest in a business which competed or might compete with the business of the Company. The Company has an approximately 1.2% 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
Trinity Corporate Finance Limited	A corporation licensed to carry out regulated activity type 6 (advising on corporate finance) under the SFO

- (b) As at the Latest Practicable Date, the Independent Financial Adviser did not have any shareholding in the Company or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor did it have any interest, direct or indirect, in any assets which had, since the date to which the latest published audited consolidated financial statements of the Group were made up, been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.
- (c) The Independent Financial Adviser has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its 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 3 May 2019 and was made by the Independent Financial Adviser for incorporation in this circular.

6. MATERIAL CONTRACTS

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

- (a) a capital increase agreement entered into between the Company, SFGC, Shandong Heavy Industry, Weichai Heavy-duty Machinery, Shantui Construction and Shandong Finance on 30 August 2017 in respect of the capital contributions to Shandong Finance by the Company as to approximately RMB486 million, SFGC as to approximately RMB162 million, and Shandong Heavy Industry as to approximately RMB324 million; and
- (b) a capital increase agreement entered into between the Company, 陝西重型汽車有限公司 (Shaanxi Heavy-duty Motor Co., Ltd Limited) (“**Shaanxi Zhongqi**”), Shandong Heavy Industry, Shantui Construction, Weichai Heavy-duty Machinery and 山重融資租賃有限公司 (Shandong Heavy Finance Leasing Co., Ltd.) (“**Shandong Finance Leasing**”) on 27 April 2017 in respect of the capital contributions to Shandong Finance Leasing by the Company as to RMB35,217,391.30, Shaanxi Zhongqi as to RMB35,217,391.30, Shandong Heavy Industry as to RMB39,130,434.80, Shantui Construction as to RMB35,217,391.30 and Weichai Heavy-duty Machinery as to RMB35,217,391.30.

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 16 May 2019 (both days inclusive):

- (a) the Articles of Association;
- (b) the annual reports of the Company for the three years ended 31 December 2016, 2017, and 2018;
- (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; and
- (i) this circular.

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 H-share registrar of the Company is Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (c) In the event of any inconsistency, the English text of this circular shall prevail over the Chinese text.



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 2018 ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the annual general meeting (the “**2018 Annual General Meeting**”) of Weichai Power Co., Ltd. (the “**Company**”) for the year ended 31 December 2018 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 20 June 2019 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 3 May 2019, 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 2018.
2. To consider and approve the Report of the Board of Directors of the Company for the year ended 31 December 2018.
3. To consider and approve the Report of the Supervisory Committee of the Company for the year ended 31 December 2018.
4. To consider and receive the audited financial statements of the Company and the Auditors’ Report for the year ended 31 December 2018.
5. To consider and approve the 財務決算報告 (final financial report) of the Company for the year ended 31 December 2018.
6. To consider and approve the 財務預算報告 (financial budget report) of the Company for the year ending 31 December 2019.
7. To consider and approve the distribution of profit to the shareholders of the Company for the year ended 31 December 2018.
8. To consider and approve the granting of a mandate to the Board of Directors for the payment of interim dividend (if any) to the shareholders of the Company for the year ending 31 December 2019.

NOTICE OF AGM

AS SPECIAL RESOLUTION:

9. To consider and approve the amendments to the Articles of Association as set out in the section headed “4. Proposed amendments to the Articles of Association” in the “Letter from the Board” contained in the Circular. *(Note J)*

AS ORDINARY RESOLUTIONS:

10. To consider and approve the re-appointment of 山東和信會計師事務所 (特殊普通合夥) (Shandong Hexin Accountants LLP) as the internal control auditors of the Company for the year ending 31 December 2019.
11. To consider and approve the continuing connected transaction between the Company and 山推工程機械股份有限公司 (Shantui Engineering Machinery Co. Ltd.) *(Note K)*.
12. To consider and, if thought fit, approve the following resolution as an ordinary resolution:

“**THAT** the New Financial Services Agreement dated 25 March 2019 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 K)*

13. To consider and approve the appointment of Deloitte Touche Tohmatsu Certified Public Accountants LLP (德勤華永會計師事務所 (特殊普通合夥)) as the auditors of the Company for the year ending 31 December 2019 and to authorise the Directors to determine their remuneration.

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

Hong Kong, 3 May 2019

NOTICE OF AGM

Notes:

- (A) The Company will not process registration of transfers of H shares (being overseas listed foreign shares and ordinary shares) in the share capital of the Company with a Renminbi denominated par value of RMB1.00 each, which are subscribed and/or paid for in Hong Kong dollars and listed on The Stock Exchange of Hong Kong Limited (“**H Shares**”) from 21 May 2019 to 20 June 2019 (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 21 May 2019 are entitled to attend and vote at the 2018 Annual General Meeting following completion of the registration procedures. To qualify for attendance and voting at the 2018 Annual General Meeting, documents on transfers of H Shares of the Company, accompanied by the relevant share certificates, must be lodged with the Company’s H-share registrar, not later than 4:30 p.m. on 20 May 2019. The address of the Company’s H-share registrar is as follows:

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

- (B) Holders of H Shares intending to attend the 2018 Annual General Meeting should complete and return the reply slip for attending the 2018 Annual General Meeting personally, by facsimile or by post to the Secretary to the Board of the Company 20 days before the 2018 Annual General Meeting, (i.e. on or before 30 May 2019). The contact details of the Secretary to the Board of the Company are as follows:

Capital Operation 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 2018 Annual General Meeting may, by completing the form of proxy of the Company, appoint one or more proxies to attend and vote at the 2018 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 2018 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 2018 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 2018 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.

NOTICE OF AGM

- (G) A shareholder or his/her proxy should produce proof of identity when attending the 2018 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 2018 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 2018 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 2018 Annual General Meeting and end on (and exclude) the date that is ten (10) days before the date of the 2018 Annual General Meeting.
- (I) The 2018 Annual General Meeting is expected to last for half a day. Shareholders who attend the 2018 Annual General Meeting shall bear their own travelling and accommodation expenses.
- (J) Since the Company is a PRC incorporated company and the official Articles of Association of the Company are in the Chinese language, the proposed amendments are an unofficial English language translation (the "**English Translation**") of the official proposed amendments in the Chinese language (the "**Official Amendments**"), which are set out in the Chinese language version of the Circular and this notice. Accordingly, in the event of any inconsistency between the English Translation and the Official Amendments, the Official Amendments shall prevail.
- (K) Weichai Holdings, Mr. Tan Xuguang and their respective close 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. Zhang Quan, Mr. Xu Xinyu, Mr. Sun Shaojun, Mr. Yuan Hongming and Mr. Yan Jianbo; the non-executive Directors of the Company are Mr. Wang Yuepu, Mr. Jiang Kui, Mr. Gordon Riske and Mr. Michael Martin Macht; and the independent non-executive Directors of the Company are Mr. Zhang Zhong, Mr. Wang Gongyong, Mr. Ning Xiangdong, Mr. Li Hongwu and Mr. Wen Daocai.