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

**(1) NON-EXEMPT CONTINUING CONNECTED TRANSACTION,
(2) PRC CONTINUING CONNECTED TRANSACTIONS,
(3) POSSIBLE SPIN-OFF,
AND
(4) NOTICE OF EXTRAORDINARY GENERAL MEETING**

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

TRINITY
Trinity Corporate Finance Limited

A letter from the Board is set out on pages 5 to 22 of this circular.

A letter from the Independent Board Committee to the Independent Shareholders on the Non-exempt Continuing Connected Transaction is set out on page 23 of this circular. A letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the Non-exempt Continuing Connected Transaction is set out on pages 24 to 33 of this circular.

A notice convening the EGM to be held at the Company's conference room at 197, Section A, Fu Shou East Street, High Technology Industrial Development Zone, Weifeng, Shandong Province, the PRC on 29 December 2022 at 2:50 p.m. is set out on pages 40 to 43 of this circular. Whether or not you intend to be present at the said meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the H-share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong (with respect to the holders of H Shares) 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. For holders of A Shares, please refer to the notice of the EGM published on the website of the Shenzhen Stock Exchange in respect of the eligibility of attendance, registration procedure, proxy and other relevant matters.

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DEFINITIONS

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

“0.1% Threshold”	the thresholds referred to in Rule 14A.76(1)(a) of the Listing Rules
“5% Threshold”	the thresholds referred to in Rule 14A.76(2)(a) of the Listing Rules
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Capital Contribution”	has the meaning ascribed to it in the section headed “II. The Non-exempt Continuing Connected Transaction” in the letter from the Board contained in this circular
“China” or “PRC”	the People’s Republic of China
“CNHTC”	中國重型汽車集團有限公司 (China National Heavy Duty Truck Group Company Limited), a state-owned enterprise organised under the laws of the PRC with limited liability and a connected person of the Company
“Company”	濰柴動力股份有限公司 (Weichai Power Co., Ltd.), a company established in the PRC with limited liability
“connected person”	has the meaning ascribed thereto under the Listing Rules
“Continuing Connected Transaction”	the transaction between the Group and Weichai Freshen Air as set out in the section headed “II. The Non-exempt Continuing Connected Transaction” in the letter from the Board contained in this circular
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held on Thursday, 29 December 2022, the notice of which is contained in this circular

DEFINITIONS

“Exempt Continuing Connected Transactions”	being the Continuing Connected Transaction exempt from the circular, independent financial advice and shareholders’ approval requirements pursuant to Rule 14A.101 of the Listing Rules, or the proposed New Caps for which do not exceed the 5% Threshold and, accordingly, are not subject to the approval by the Independent Shareholders under the Listing Rules, and, where such New Caps exceed the 0.1% Threshold, are only subject to the reporting, announcement and annual review requirements of Chapter 14A of the Listing Rules
“Group”	the Company and its subsidiaries, and “Group Company” means any of the same
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	a committee of the Board comprising Mr. Li Hongwu, Mr. Wen Daocai, Ms. Jiang Yan, Mr. Yu Zhuoping and Ms. Zhao Huifang, being the independent non-executive Directors
“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 Non-exempt Continuing Connected Transaction
“Independent Shareholders”	Shareholders who are not required to abstain from voting at the EGM in respect of the Non-exempt Continuing Connected Transaction
“Ji’nan Power”	中國重汽集團濟南動力有限公司 (Sinotruk Ji’nan Power Co., Ltd.*), a company established in the PRC with limited liability
“Latest Practicable Date”	5 December 2022, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Cap(s)”	the annual cap(s) to the Continuing Connected Transaction as set out in the section headed “II. The Non-exempt Continuing Connected Transaction” in the letter from the Board contained in this circular
“New Shaanxi Automotive Purchase Agreement”	the purchase agreement entered into between the Company and Shaanxi Automotive on 30 August 2022 as more particularly set out in section II.B.2. in the PRC CCT Announcement

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“New Shaanxi Automotive Sales Agreement”	the sales agreement entered into between the Company and Shaanxi Automotive on 30 August 2022 as more particularly set out in section II.B.1. in the PRC CCT Announcement
“New Weichai Holdings General Services Agreement”	the services purchase agreement entered into between the Company and Weichai Holdings on 30 August 2022 as more particularly set out in section IV. in the PRC CCT Announcement
“New Weichai Holdings Purchase Agreement”	the product and services purchase agreement entered into between the Company and Weichai Holdings on 30 August 2022 as more particularly set out in section II.A. in the PRC CCT Announcement
“Non-exempt Continuing Connected Transaction”	being the continuing connected transaction at the Company level, the proposed new caps for which exceeds the 5% Threshold, and accordingly, will be subject to the reporting requirements, the announcement requirement and the annual review requirements under the Listing Rules, and approval from the Independent Shareholders at the EGM will be required
“Possible Spin-off”	has the meaning ascribed thereto under the section headed “IV. Possible Spin-off” in the letter from the Board contained in this circular
“PRC CCT Announcement”	has the meaning ascribed thereto under the section headed “III. PRC Continuing Connected Transactions” in the letter from the Board contained in this circular
“PRC Continuing Connected Transaction(s)”	the transaction(s) set out under the section headed “III. PRC Continuing Connected Transactions” in the letter from the Board contained in this circular, which constitute continuing connected transactions of the Company under the relevant laws and regulations of the PRC and the Shenzhen Listing Rules and are subject to the approval by the independent Shareholders at the EGM
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

DEFINITIONS

“Shaanxi Automotive”	陝西汽車集團有限責任公司 (Shaanxi Automobile Group Co. Ltd.*), a company established in the PRC and a connected person of the Company
“Shandong Heavy Industry”	山東重工集團有限公司 (Shandong Heavy Industry Group Co., Ltd.), a substantial shareholder and connected person of the Company holding the entire capital of Weichai Holdings
“Shareholder(s)”	holder(s) of the shares in the Company
“Shenzhen Listing Rules”	《股票上市規則》 (“listing rules”) of the Shenzhen Stock Exchange
“Sinotruk HK”	Sinotruk (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability whose shares are listed on the Stock Exchange (stock code: 3808), and a connected person of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Weichai Freshen Air”	濰柴動力空氣淨化科技有限公司 (Weichai Power Freshen Air Technology Co., Ltd.*), a company established in the PRC with limited liability and a 70%-subsidiary of the Company
“Weichai Freshen Air Group”	Weichai Freshen Air and its subsidiaries
“Weichai Freshen Air Purchase Agreement”	the agreement entered into between the Company and Weichai Freshen Air on 23 November 2022 as more particularly set out in section II. in the letter from the Board contained in this circular
“Weichai Holdings”	濰柴控股集團有限公司 (Weichai Group Holdings Limited*) (formerly known as 濰坊柴油機廠 (Weifang Diesel Engine Works*)), a legal person established in the PRC, a substantial shareholder of the Company and a connected person of the Company
“%”	per cent

* For identification purposes only

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

LETTER FROM THE BOARD



潍柴動力股份有限公司

WEICHAI POWER CO., LTD.

(a joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 2338)

Executive Directors:

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

Non-executive Directors:

Zhang Liangfu
Jiang Kui
Gordon Riske
Michael Martin Macht

Independent Non-executive Directors:

Li Hongwu
Wen Daocai
Jiang Yan
Yu Zhuoping
Zhao Huifang

Supervisors:

Wang Yanlei
Ma Changhai
Wang Xuewen

Registered office:

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

*Principal place of business
in Hong Kong:*

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

8 December 2022

To: Holders of H Shares
Holders of A Shares

Dear Sir or Madam,

**(1) NON-EXEMPT CONTINUING CONNECTED TRANSACTION,
(2) PRC CONTINUING CONNECTED TRANSACTIONS,
(3) POSSIBLE SPIN-OFF,
AND
(4) NOTICE OF EXTRAORDINARY GENERAL MEETING**

I. INTRODUCTION

Reference is made to (i) the announcement of the Company dated 23 November 2022 in relation to inter alia, the entering into of the Weichai Freshen Air Purchase Agreement in respect of the Continuing Connected Transaction (being a Non-exempt Continuing Connected Transaction); (ii) the announcement of the Company dated 30 August 2022 in relation to the PRC Continuing Connected Transactions; and (iii) the announcement of the Company dated 23 November 2022 in relation to the Possible Spin-off.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among other things, further details on (i) the Continuing Connected Transaction (being a Non-exempt Continuing Connected Transaction) and the advice of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Continuing Connected Transaction; (ii) the PRC Continuing Connected Transactions; and (iii) the Possible Spin-off.

II. THE NON-EXEMPT CONTINUING CONNECTED TRANSACTION

Reference is made to the announcement of the Company dated 30 October 2022 in respect of, *inter alia*, the making of a capital contribution by Ji'nan Power into Weichai Freshen Air (the “**Capital Contribution**”). Upon completion of the making of the Capital Contribution on 31 October 2022, Weichai Freshen Air has become a non wholly-owned connected subsidiary of the Company and is held as to 70% by the Company and 30% by Ji'nan Power.

Prior to the making of the Capital Contribution, the Group has been conducting certain transactions with Weichai Freshen Air, then being a wholly-owned subsidiary of the Company. Given that Weichai Freshen Air has become a connected person of the Company following making of the Capital Contribution, such transactions constitute a continuing connected transaction of the Company under Chapter 14A of the Listing Rules upon completion of the Capital Contribution. As the Group intends to continue to conduct such transactions with Weichai Freshen Air, the Company has entered into, *inter alia*, the Weichai Freshen Air Purchase Agreement with Weichai Freshen Air to govern the principal terms of the Continuing Connected Transaction.

A summary of the Continuing Connected Transaction, the Weichai Freshen Air Purchase Agreement, the actual transaction amounts of the Continuing Connected Transaction for the relevant periods and the New Caps (and their basis) is set out below.

1. Summary of the Continuing Connected Transaction and the proposed New Caps

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

Name of connected person	Name of Group Company	Connected person's relationship with the Group	Nature of the connected transaction with the Group
Weichai Freshen Air (and its subsidiaries)	The Company (for itself and on behalf of its subsidiaries)	The Company is the holder of 70% of the equity interest of Weichai Freshen Air. Ji'nan Power, a fellow subsidiary of the Company, is the holder of 30% of the equity interest of Weichai Freshen Air	Purchase of vehicle parts and components and related products, engines, engine parts and components and related products and receiving relevant services by the Company (and its subsidiaries) from Weichai Freshen Air (and its subsidiaries)

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

Details of the Continuing Connected Transaction	For the year ending 31 December 2023 RMB	For the year ending 31 December 2024 RMB	For the year ending 31 December 2025 RMB
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Purchase of vehicle parts and components and related products, engines, engine parts and components and related products and receiving relevant services by the Company (and its subsidiaries) from Weichai Freshen Air (and its subsidiaries)	9,500,000,000	13,450,000,000	18,985,000,000
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2. Details of the Continuing Connected Transaction and the Weichai Freshen Air Purchase Agreement

Continuing Connected Transaction between Weichai Freshen Air (and its subsidiaries) and the Group

The Company

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

Weichai Freshen Air

Weichai Freshen Air was established on 16 August 2013 as a limited liability company in the PRC. Weichai Freshen Air is principally engaged in the research, design, sale and repair of air purification products, consultation in respect of transfer of air purification technology, import and export trade of goods and technology permitted by the State.

As disclosed above, Weichai Freshen Air has since 31 October 2022 become a non wholly-owned subsidiary of the Company, held as to 70% by the Company and 30% by Ji'nan Power.

Ji'nan Power is a wholly-owned subsidiary of Sinotruk HK. To the best knowledge, information and belief of the Directors and having made all reasonable enquiries, Sinotruk HK is held as to approximately 51% by CNHTC, a commercial vehicles manufacturer, which is held as to 65% by Shandong Heavy Industry. Shandong Heavy Industry indirectly holds approximately 16.30% of the total issued share capital of the Company, and is a substantial shareholder and a connected person of the Company. Ji'nan Power, being a fellow subsidiary of the Company, is also a connected person of the Company. Therefore, Weichai Freshen Air is an

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associate of Ji'nan Power, and also a connected subsidiary of the Company pursuant to Rule 14A.16 of the Listing Rules, and, in turn, a connected person of the Company.

Sinotruk HK together with its subsidiaries primarily specialise in the research, development and manufacturing of heavy duty trucks, medium-heavy duty trucks, light duty trucks, etc. and related key assemblies, parts and components including engines, cabins, axles, steel frames and gearboxes as well as the provision of financial services. Sinotruk HK is a company whose shares are listed on the Main Board of the Stock Exchange.

Shandong Heavy Industry, one of the leading automobile and equipment groups in the PRC, is in turn a state-owned enterprise organised under the laws of the PRC with limited liability and is ultimately governed and controlled by Shandong Provincial People's Government* (山東省人民政府).

Purchase of vehicle parts and components and related products, engines, engine parts and components and related products and receiving relevant services by the Company (and its subsidiaries) from Weichai Freshen Air (and its subsidiaries)

Agreement:	Weichai Freshen Air Purchase Agreement
Date:	23 November 2022
Parties:	1. The Company 2. Weichai Freshen Air
Term:	1 January 2023 to 31 December 2025

Pursuant to the Weichai Freshen Air Purchase Agreement, the Weichai Freshen Air Group shall supply certain vehicle parts and components and related products, engines, engine parts and components and related products and provide relevant services (as the case may be) to the Company and/or other Group Company (as the case may be) at market prices, for a term of three years ending 31 December 2025. Upon the expiry of the term of the Weichai Freshen Air Purchase Agreement, the parties shall have an option to renew the same for a period of three years on a mutually agreed basis. Depending on the terms of the definitive agreements to be entered into by the parties, the relevant price for the relevant products and/or services shall, as the case maybe, be settled on a monthly or quarterly basis or in accordance with the progress of the provision of the relevant products and/or services.

The price of the said products and/or services shall be determined according to the following mechanism: the procurement department of the Company regularly, normally on at least an annual basis, conducts market research regarding specific products and/or services, in which a number of factors, including the overall market prices, market shares, ordering situation and performance of major

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competitors of such products and/or services, are comprehensively considered. At least two quotations from independent suppliers in respect of the same or comparable products and/or services to be purchased by the Group shall be obtained in the course of the price determination, and thereafter, the procurement department shall submit a price suggestion after its analysis to the Company's price management department. The price management department shall, having considered the fairness, reasonableness and comparability of the proposed price having taken into account the aforesaid quotations from independent suppliers, convene tripartite meetings with the procurement department and the target supplier and the final prices are determined at arm's length negotiation among the parties. The price management department of the Company regularly reviews the reasonableness of prices and makes amendments when necessary.

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

The table below summarises the actual transaction amounts involved for the two years ended 31 December 2021 and nine months ended 30 September 2022 (unaudited) in respect of the Group's purchase of relevant products and services from the Weichai Freshen Air Group:

	For the year ended 31 December 2020 RMB (unaudited)	For the year ended 31 December 2021 RMB (unaudited)	For the nine months ended 30 September 2022 RMB (unaudited)
Actual transaction amount	8,130,345,600	7,224,409,487	2,096,831,116

Based on the consolidated management accounts of the Company, during the period since completion of the Capital Contribution on 31 October 2022 to the Latest Practicable Date, the Group's purchase of relevant products and services from the Weichai Freshen Air Group amounted to approximately RMB220 million, which amount is subject to the final invoiced amount to be confirmed by Weichai Freshen Air Group.

Reference is made to the announcement of the Company dated 2 August 2019 in respect of certain continuing connected transactions, pursuant to which the Company and its subsidiaries shall purchase diesel engine parts and components, gas and scrap metals etc., materials, diesel engines and related products, processing services and import and export agency services from Weichai Holdings and its associates for a term of three years ending 31 December 2022 ("**Weichai Holdings Purchase CCT**"), and an annual cap of RMB2,650,000,000 for the year ending 31 December 2022 was set therein.

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As Weichai Freshen Air has become a connected person following completion of the Capital Contribution on 31 October 2022, the Group's purchase of relevant products and services from the Weichai Freshen Air Group for the period from 31 October 2022 onwards constitutes part of the Weichai Holdings Purchase CCT. As at the Latest Practicable Date, the approved annual cap for the year ending 31 December 2022 under the Weichai Holdings Purchase CCT has not been exceeded, and the Company will ensure that the approved annual cap under the Weichai Holdings Purchase CCT is not exceeded having taken into account the purchase of relevant products and services by the Group from the Weichai Freshen Air Group from 31 October 2022 onwards.

In 2021, affected by the structural change in respect of the sales of engines, the proportion of engines that require installation of aftertreatment products have decreased, accordingly, there has been a slight drop in the Group's purchase of products and services from the Weichai Freshen Air Group in 2021 when compared to that in 2020. Further, the Board also noted the substantial decrease in the transaction amount for the nine months ended 30 September 2022, which was mainly due to the dual pressure exerted by the macro economy and the maintenance of a high-level oil price which, in turn, adversely affected the diesel engine market and led to a decline in demand of the products and services purchased from Weichai Freshen Air by the Group for the nine months ended 30 September 2022.

However, the Board is of the view that the potential of and the fundamentals for a long-term economic upturn have not changed for China. Market expectations and confidence are expected to recover due to the optimisation of pandemic prevention policies, the implementation of measures to stabilise the economy and boost consumption and the accelerated recovery of infrastructure investment. Hence, the Board expects that the exceptional decrease in 2022 will not continue as the market's demand is expected to revive from 2023 onwards. Under the influence of favorable factors such as the recovery of logistics and transportation support from infrastructure, the implementation of relevant supporting policies, and continual growth of export markets, the suppressed demand in the industry will be released and a rebound in 2023 is expected.

The Company estimates that the transaction amounts in respect of the Continuing Connected Transaction for the three years ending 31 December 2025 will not exceed RMB9,500 million, RMB13,450 million and RMB18,985 million, respectively, and such amounts have accordingly been set as the proposed New Caps for this Continuing Connected Transaction. For the avoidance of doubt, although the transactions contemplated under the Weichai Freshen Air Purchase Agreement and the New Weichai Holdings Purchase Agreement are of a similar nature, the proposed New Caps for this Continuing Connected Transaction is in addition to the annual caps for the three years ending 31 December 2025 under the New Weichai Holdings Purchase Agreement which are, in turn, subject to the approval of the shareholders at the EGM pursuant to the requirements under the laws and regulations of the PRC and the Shenzhen Listing Rules. For further details of the New Weichai Holdings Purchase Agreement, please refer to the PRC CCT Announcement and the section headed "III. PRC Continuing Connected Transactions" in the letter from the Board contained in this circular.

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The above proposed New Caps have been estimated by the Company primarily based on (i) the relevant historical transaction amounts, (ii) the expectation that the diesel engine market will revive for the years 2023 to 2025 and the demand of the Group for the products and services provided by Weichai Freshen Air will return to a normal or even higher level in the future; and (iii) the expected increase in the estimated transaction amounts for the purchase of relevant products and services in light of the implementation of the Group's sales plan for the years 2023 to 2025 and based on the forecast of the production level, raw material costs, processing costs and the numbers of the diesel engines to be sold for the three years ending 31 December 2025. Taking into account the increasing concern over environmental protection, which is expected to result in stricter requirements for emissions imposed by the relevant regulators, it is believed that there will be a boosted growth for demands of aftertreatment products by the Group along with the recovery of the market from 2023 onwards, and hence, it is expected that the Group shall purchase 490,000, 700,000 and 980,000 units of aftertreatment products along with the relevant services from the Weichai Freshen Air Group for each of the three years ending 31 December 2025, respectively. Based on an average unit price of RMB19,300 for each such products, it is expected that the total purchase amount to be incurred by the Group from the Weichai Freshen Air Group for the three years ending 31 December 2025 shall amount to approximately RMB9,457 million, RMB13,510 million and RMB18,914 million, respectively.

Taking into account and on the basis of all the aforesaid factors, it is estimated that the overall transaction amount of the said purchase of products and services by the Group from Weichai Freshen Air will increase by approximately 31.5% for the year ending 31 December 2023 as compared with the actual transaction amount in 2021, and further by approximately 41.6% and 41.2% for each of the years ending 31 December 2024 and 31 December 2025, respectively.

The table below sets out the proposed New Caps for the Continuing Connected Transaction for the three years ending 31 December 2025:

	2023	2024	2025
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Proposed New Caps	9,500,000,000	13,450,000,000	18,985,000,000

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

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

LETTER FROM THE BOARD

3. Reasons for the Continuing Connected Transaction and Listing Rules implications

Reference is made to the announcement of the Company dated 30 October 2022 in respect of, *inter alia*, the making of the Capital Contribution. Upon completion of the making of the Capital Contribution on 31 October 2022, Weichai Freshen Air has become a non wholly-owned connected subsidiary of the Company and is held as to 70% by the Company and 30% by Ji'nan Power.

Prior to the making of the Capital Contribution, Weichai Freshen Air had since its establishment in August 2013 been a wholly-owned subsidiary of the Company. The Company is principally engaged in the research and development, manufacture and sale of high-speed, heavy-duty diesel engines, and Weichai Freshen Air, being a member of the Group, focuses on air purification products for vehicles. Being a business operator within the Group that focuses on the research, design, sale and repair of air purification products for vehicles, the Weichai Freshen Air Group has constantly been supplying air purification products and relevant services to other members of the Group, and other members of the Group has constantly been providing research and development support and supplying products including engines and engine parts and components to Weichai Freshen Air.

Given that Weichai Freshen Air has become a connected person of the Company upon completion of the Capital Contribution on 31 October 2022, the abovementioned transactions constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules thereafter.

In continuing to carry out the existing transactions between the Weichai Freshen Air Group and the other members of the Group, the Board is of the view that the purchase of air purification products and relevant services from the Weichai Freshen Air Group will enable the Group to secure a stable and reliable supply of quality air purification products and services, which is essential in supporting the development of the sales of the Group's engine products. In light of the above and taking into consideration that following the Capital Contribution, Weichai Freshen Air continues to be accounted for as a subsidiary of the Company and Weichai Freshen Air's financial results continue to be consolidated into the Company's consolidated financial statements, the Directors (including the independent non-executive Directors) consider it beneficial to the Group to continue to conduct the Continuing Connected Transaction in order to ensure and maximise operating efficiency and stability of the operations of the Group as a whole.

The Directors (including the independent non-executive Directors) have confirmed that the Non-exempt Continuing Connected Transaction has been subject to arm's length negotiation between the Company and Weichai Freshen Air, and have been entered into by the Group in the ordinary and usual course of business and the Weichai Freshen Air Purchase Agreement is either (i) on normal commercial terms or better, or (ii) on terms no less favourable to the Group than those available to or from (as appropriate) independent third parties, and the Non-exempt Continuing Connected Transaction and the relevant New Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

At the meeting of the Board on 23 November 2022 approving, *inter alia*, the Non-exempt Continuing Connected Transaction, Tan Xuguang, Jiang Kui and Sun Shaojun have abstained from voting on the resolutions in respect of the Non-exempt Continuing Connected Transaction for the reasons of their respective interest and/or position (as the case may be) in the relevant connected person(s). Save as disclosed, no other Directors have any material interest in the Continuing Connected Transaction.

4. Listing Rules implications

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

III. PRC CONTINUING CONNECTED TRANSACTIONS

Reference is made to the announcement of the Company dated 30 August 2022 on the Stock Exchange (the "**PRC CCT Announcement**"), which announced, *inter alia*, that the Company has entered into the New Weichai Holdings Purchase Agreement, New Shaanxi Automotive Sales Agreement, New Shaanxi Automotive Purchase Agreement, and New Weichai General Services Agreement.

As set out in the sections headed II.A. and II.B. of the PRC CCT Announcement, the transactions contemplated under the New Weichai Holdings Purchase Agreement, New Shaanxi Automotive Sales Agreement and New Shaanxi Automotive Purchase Agreement constitute Exempt Continuing Connected Transactions and are, accordingly, not subject to the approval of the Independent Shareholders under Chapter 14A of the Listing Rules. However, according to the relevant laws and regulations of the PRC and the Shenzhen Listing Rules, such continuing connected transactions constitute PRC Continuing Connected Transactions and are subject to approval at the EGM.

As set out in the section headed IV. of the PRC CCT Announcement, the transactions contemplated under the Weichai General Services Agreement are not subject to the reporting, announcement or Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules as the proposed new caps for such transactions do not exceed the 0.1% Threshold. However, pursuant to the relevant laws and regulations of the PRC and the Shenzhen Listing Rules, such continuing connected transactions constitute a PRC Continuing Connected Transaction and are subject to approval at the EGM.

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

Details of the relevant PRC Continuing Connected Transactions	Proposed new caps		
	For the year ending 31 December 2023 <i>RMB</i>	For the year ending 31 December 2024 <i>RMB</i>	For the year ending 31 December 2025 <i>RMB</i>
Weichai Holdings (and its associates)			
Purchase of vehicles, parts and components of vehicles and related products, excavators, loaders, raw materials including gas and scrap metals etc., diesel engines and related products, and processing services by the Company (and its subsidiaries) from Weichai Holdings (and its associates)	2,180,000,000	3,140,000,000	4,110,000,000
Shaanxi Automotive (and its associates)			
1. Sale of vehicles, parts and components of vehicles, raw materials and related products and provision of relevant services by the Company (and its subsidiaries) to Shaanxi Automotive (and its associates)	5,740,000,000	6,240,000,000	6,740,000,000
2. Purchase of parts and components of vehicles, scrap steel and related products and labour services by the Company (and its subsidiaries) from Shaanxi Automotive (and its associates)	6,420,000,000	7,140,000,000	7,830,000,000
Weichai Holdings (and its associates)			
Provision of general services and labour services by Weichai Holdings (and its associates) to the Company (and its subsidiaries)	53,000,000	61,000,000	63,000,000

LETTER FROM THE BOARD

IV. POSSIBLE SPIN-OFF

Reference is made to announcements of the Company dated 30 August 2022 and 23 November 2022 in respect of the possible spin-off and separate listing of the shares of Weichai Lovol Intelligent Agricultural Technology Co., Ltd.* (潍柴雷沃智慧农业科技股份有限公司) (“**Weichai Lovol**”, formerly known as Weichai Lovol Heavy Industry Co., Ltd.* (潍柴雷沃重工股份有限公司)) on the ChiNext Board of the Shenzhen Stock Exchange in the PRC (the “**Possible Spin-off**”).

As set out in the announcement of the Company dated 23 November 2022, in the event that the Company proceeds with the Possible Spin-off, it will constitute a spin-off of Weichai Lovol by the Company pursuant to Practice Note 15 to the Listing Rules and will also be a deemed disposal of an interest in Weichai Lovol by the Company under Rule 14.29 of the Listing Rules. Based on the information currently available to the Company, the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of the Possible Spin-off may reach 5% but is expected to be less than 25%. Therefore, the Possible Spin-off may constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules and be subject to the announcement requirement under the Listing Rules. Hence, the Possible Spin-off is subject to the approval of the Stock Exchange, but is not subject to the approval by the Shareholders pursuant to the Listing Rules.

The Company has submitted its application pursuant to Practice Note 15 to the Listing Rules in respect of the Possible Spin-off, and the Stock Exchange has confirmed that the Company may proceed with the Possible Spin-off. Further announcement(s) will be issued by the Company on details of the waiver from strict compliance with paragraph 3(f) of Practice Note 15 and the progress of the Possible Spin-off as and when appropriate in compliance with the Listing Rules.

However, to comply with the relevant laws and regulations of the PRC, the Company is required to obtain approval(s) regarding the Possible Spin-off at the general meeting of the Company. Please refer to the announcements issued by the Company on the website of the Shenzhen Stock Exchange dated 23 November 2022 for further details.

Reasons for and benefits of the Possible Spin-off

Weichai Lovol and its subsidiaries are principally engaged in the development, manufacture and sale of intelligent agriculture machinery and is committed to provide full-process intelligent agriculture solutions to its customers, with the main products being tractors and harvest machinery.

The Board considers that the listing of the shares in Weichai Lovol on the ChiNext Board of the Shenzhen Stock Exchange will unlock the internal value of Weichai Lovol and allow the Company to capitalise the value of its existing investment in Weichai Lovol. The Possible Spin-off is expected to provide the Weichai Lovol with direct access to capital markets, diversifying its financing channels and improving its operational capability, thereby bringing stable return to its investors and contributing to its sustainable development. In addition, the Possible Spin-off is expected to enhance the influence of Weichai Lovol over the market and

LETTER FROM THE BOARD

strengthen its competitive advantages and position in the market. Given that the Company will continue to be the holding company of Weichai Lovol after the Possible Spin-off, the above are expected to add overall value to the Group and further the interests of the Shareholders as a whole.

Summary of the action plan for the Possible Spin-off published on the Shenzhen Stock Exchange

The below provides for a summary of the Action Plan for the Possible Spin-off (《濰柴動力股份有限公司關於分拆所屬子公司濰柴雷沃智慧農業科技股份有限公司至創業板上市的預案》) published by the Company on the ChiNext Board of the Shenzhen Stock Exchange dated 23 November 2022.

1. Background and purpose of the Possible Spin-off

- (1) To actively respond to the state-owned enterprises reform initiatives and achieve the preservation and appreciation of the value of state-owned enterprises

The central government attaches great importance to the reform of mixed ownership of state-owned enterprises and focuses on the principal business and optimisation of the layout of state-owned assets. The State-owned Assets Supervision and Administration Commission of the State Council (“SASAC”) has proposed to steadily explore the possible spin-off and separate listing of eligible multi-sector listed companies, so as to give full play to the role of state-controlled listed companies in stabilising the capital market. The Possible Spin-off is an important measure to deepen the reform of state-owned enterprises, which can stimulate Weichai Lovol’s internal momentum, effectively improve the development of the principal business, and realise the preservation and appreciation of state-owned assets.

- (2) To enhance the quality of development of listed companies with the support from capital market policies

In October 2020, the State Council issued the “Opinions on Further Improvement of the Quality of Listed Companies” (《關於進一步提高上市公司質量的意見》), which clearly stated that it would strengthen the infrastructure of the capital market, vigorously improve the quality of development of listed companies, promote the excellence and strength of listed companies, improve the system of spin-off and separate listings and stimulate market vitality. The Possible Spin-off will help Weichai Lovol take advantage of the policy opportunity of comprehensive and deepened reforms of the capital market, obtain a direct access to the capital market, broaden financing channels, promote the Company’s operational capability, bring stable investment returns to shareholders and promote the sustainable and quality development of the listed companies.

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- (3) To optimise corporate governance and build a global leading brand in intelligent agriculture

Weichai Lovol is a leading enterprise in the agricultural equipment industry, and its market shares of tractors, wheat machines, corn machines and other products maintain a leading position in the industry. With the transformation and upgrading of agricultural equipment towards high-end, intelligent and high-horsepower development, market shares will shift to top enterprises in the industry. The Possible Spin-off will help Weichai Lovol further optimise its governance structure and innovative mechanism, enhance its brand influence, seize market opportunities and consolidate its competitive advantages. With the proceeds raised, it will increase investment in technology and innovation, focusing on two strategic businesses, namely, intelligent agricultural machinery and intelligent agriculture, while opening up and integrating resources, so as to build a global leading brand in intelligent agricultural technology industry and promote China's agricultural mechanisation level to the world class.

2. *The Decision-making process and approval of the Possible Spin-off*

- (1) Decision-making and approval procedures that have been made for the Possible Spin-off

As of the announcement date of the action plan, the decisions and approvals that have been made for the Possible Spin-off include:

- on 30 August 2022, the Company's fourth meeting of the sixth session of the Board considered and approved the "Review and Approval of the Resolution in respect of the Possible Spin-off and Separate Listing of Weichai Lovol, a Controlling Subsidiary" (《審議及批准關於籌劃控股子公司濰柴雷沃分拆上市的議案》), and made an indicative announcement; and
- on 23 November 2022, the action plan has been considered and approved at the 2022 thirteenth provisional meeting of the Board of the Company.

- (2) Decision-making and approval procedures pending to be made for the Possible Spin-off

As of the announcement date of the action plan, matters pending to be voted or approved for the Possible Spin-off include but are not limited to:

- i. the resolutions related to the Possible Spin-off being subject to the consideration and approval at the general meeting of the Company;

LETTER FROM THE BOARD

- ii. the relevant resolutions for the issuance and listing of shares of Weichai Lovol being subject to the consideration and approval of the board of directors and the general meeting of Weichai Lovol;
- iii. the Possible Spin-off being subject to the approval of the Stock Exchange;
- iv. the issuance and listing being subject to the approval of the Shenzhen Stock Exchange and the issuance registration procedures of the CSRC; and
- v. other possible approvals required by relevant laws and regulations.

There is uncertainty as to whether the Possible Spin-off can obtain the aforesaid approvals and the time at which the relevant approvals will finally be obtained. Investors are advised to pay attention to investment risks.

3. *Detailed plans for the Possible Spin-off*

The initial proposal of the issuance plan is as follows:

(1) Place of listing

ChiNext Board of the Shenzhen Stock Exchange.

(2) Type of shares to be issued

Domestic listed RMB ordinary shares (A shares).

(3) Nominal value of the shares

RMB1.00.

(4) Target subscribers

The target subscribers are price inquiry targets who meet the relevant qualification requirements stipulated by the laws and regulations and conditions stipulated by regulatory authorities, as well as natural persons, legal persons and other institutional investors who have opened a securities account for A shares on the Shenzhen Stock Exchange (except those prohibited pursuant to the PRC laws, administrative regulations, departmental rules, regulatory documents and regulations applicable to the Company).

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(5) Time of issuance and listing

Weichai Lovol will choose an appropriate time for issuance upon the approval of Shenzhen Stock Exchange and the consent of the CSRC for registration being obtained. The specific time of issuance will be determined by the board of directors of Weichai Lovol as authorised by its general meeting and upon the approval of Shenzhen Stock Exchange and the consent of the CSRC for registration being obtained.

(6) Method of issuance

The issuance will be conducted through a combination of off-market placement to price inquiry targets and on-market public offering to public investors that satisfy the relevant conditions, or by other methods recognised by the CSRC and the Shenzhen Stock Exchange (including but not limited to the placing of shares to strategic investors).

(7) Method of underwriting

Standby commitment underwriting.

(8) Size of issuance

The percentage of the number of shares to be issued will be no less than 25% of the total share capital of Weichai Lovol after issuance (prior to the exercise of the over-allotment option). The issuance will only involve new shares to be publicly issued, and the shareholders of Weichai Lovol will not offer any shares to the public. Over-allotment option may be exercised in the issuance, and the shares to be allotted and issued under the exercise of the over-allotment option will not exceed 15% of the shares initially available under the initial public offering. The number of shares actually issued will be subject to the number registered at CSRC.

(9) Method of pricing

The issuance price of shares under the issuance will be determined by price inquiry from professional institutional investors such as securities companies, fund management companies, trust fund companies, finance companies, insurance companies, qualified overseas investors and managers of privately raised fund, who have registered through the Securities Association of China, and the board of directors of Weichai Lovol will be authorised and the lead underwriter(s) may determine the issuance price through preliminary price inquiry or the accumulated tender price inquiry after determining the range of issuance price through preliminary price inquiry.

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As the abovementioned issuance plan is a preliminary plan, and the Possible Spin-off is still subject to the consideration and approval of the general meeting of the Company, the consideration and approval of the board of directors and the general meeting of Weichai Lovol, the approval from the Hong Kong Stock Exchange, the review and approval by the Shenzhen Stock Exchange, and the fulfillment of registration procedures at CSRC, in order to promote the smooth progression of the relevant work for the listing of Weichai Lovol, it is proposed that the general meeting of the Company shall authorise the Board and its authorised persons to determine or adjust the issuance and listing plan of Weichai Lovol in accordance with the specific circumstances.

4. *Impacts of the Possible Spin-off on the Company*

(1) Impact of the Possible Spin-off on the principal businesses

The Company has successfully built a landscape of coordinated development of various industrial sectors such as powertrain (engine, gear box, axle and hydraulic), complete vehicle and machine, intelligent logistics and agricultural equipment. Currently, all these business sectors maintain a good development prospect. The principal business of Weichai Lovol is intelligent agricultural machinery and intelligent agricultural business. Its business sectors and operations have a high degree of independence from other businesses of the Company. The Possible Spin-off will not cause any substantial impact on the continuity of other business sectors of the Company and will not prejudice the independent listing status and sustained profitability of the Company.

(2) Impact of the Possible Spin-off on the future development prospects of the Company

Upon the completion of the Possible Spin-off, the Company will remain as the controlling shareholder of Weichai Lovol, and will not lose its control over Weichai Lovol. The financial position of Weichai Lovol will still be reflected in the Company's consolidated financial statements. Through the Possible Spin-off, the financing capability, brand influence and market competitiveness of Weichai Lovol will be comprehensively improved, which in turn is beneficial to the enhancement of sustainable profitability of Weichai Lovol, and the Company will also enjoy greater room for growth of profits.

(3) Impacts of the Possible Spin-off on the shareholding structure of the Company

The Possible Spin-off will not lead to changes in the Company's shareholding structure.

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V. EGM

It was proposed that (i) the Weichai Freshen Air Purchase Agreement in respect of the Non-exempt Continuing Connected Transaction and the relevant New Caps; (ii) the New Weichai Holdings Purchase Agreement, New Shaanxi Automotive Sales Agreement, New Shaanxi Automotive Purchase Agreement, and New Weichai General Services Agreement in respect of the PRC Continuing Connected Transactions and the relevant new caps; and (iii) the resolutions in respect of the Possible Spin-off shall be considered and, if thought fit, approved at the EGM.

The EGM will be held at the Company's conference room at 197, Section A, Fu Shou East Street, High Technology Industrial Development Zone, Weifang, Shandong Province, the PRC on Thursday, 29 December 2022 to consider and, if thought fit, approve, inter alia, the matters as set out in the notice convening the EGM set out in pages 40 to 43 of this circular.

Weichai Holdings (which held 1,422,550,620 Shares representing approximately 16.30% of the issued Shares of the Company as at the Latest Practicable Date) and its associates will abstain from voting on the resolutions in respect of the Non-exempt Continuing Connected Transaction, the New Weichai Holdings Purchase Agreement and the New Weichai General Services Agreement. Save as the aforesaid, no Shareholder is required to abstain from voting in respect of any resolution in the EGM.

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

The form of proxy for use at the EGM is enclosed with this circular. Holders of A Shares may use the form of proxy published by the Company on the website of the Shenzhen Stock Exchange instead and refer to the procedures set out therein. Whether or not you intend to be present at the EGM, you are requested to complete the form 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) no later than 24 hours before the time fixed for holding the EGM or any adjournment thereof.

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

VI. CLOSURE OF REGISTER OF HOLDERS OF H SHARES

The register of holders of H Shares of the Company will be closed from 22 December 2022 to 29 December 2022, both days inclusive, during which period no transfer of H Shares will be effected. In order to qualify for attending the EGM, all transfer documents of H Shares accompanied by the relevant share certificates must be lodged with Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 21 December 2022.

LETTER FROM THE BOARD

VII. RECOMMENDATIONS

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

The Independent Board Committee comprising the independent non-executive Directors (namely, Mr. Li Hongwu, Mr. Wen Daocai, Ms. Jiang Yan, Mr. Yu Zhuoping and Ms. Zhao Huifang) has been appointed to consider the Continuing Connected Transaction and the respective New Cap. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of the Weichai Freshen Air Purchase 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 relevant New Caps and the Weichai Freshen Air Purchase Agreement, which are set out in this circular.

Further, the Board considers that the other resolutions to be proposed at the EGM in respect of the PRC Continuing Connected Transactions and the Possible Spin-off 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 EGM.

VIII. FURTHER INFORMATION

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

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

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



**潍柴動力股份有限公司
WEICHAI POWER CO., LTD.**

(a joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 2338)

8 December 2022

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

Dear Sir or Madam,

NON-EXEMPT CONTINUING CONNECTED TRANSACTION

We have been appointed as members of the Independent Board Committee to advise the Independent Shareholders of Weichai Power Co., Ltd. to consider the Weichai Freshen Air Purchase Agreement and the relevant New Caps (as defined in the circular of the Company dated 8 December 2022 (the “Circular”)) in relation to the Non-exempt Continuing Connected Transaction, details of which are set out in the section headed “II. The Non-exempt Continuing Connected Transaction” in the “Letter from the Board” contained in the Circular. Unless the context otherwise requires, terms defined in the Circular shall have the same meanings when used in this letter.

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

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

Yours faithfully,
The Independent Board Committee

Li Hongwu
*Independent
non-executive Director*

Wen Daocai
*Independent
non-executive Director*

Jiang Yan
*Independent
non-executive Director*

Yu Zhuoping
*Independent
non-executive Director*

Zhao Huifang
*Independent
non-executive Director*

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

The following is the full text of the letter dated 8 December 2022 from Trinity Corporate Finance Limited, the Independent Financial Adviser, to the Independent Board Committee and the Independent Shareholders in respect of the Non-exempt Continuing Connected Transaction and the relevant New Caps, prepared for the purpose of incorporation in this circular.

TRINITY

Trinity Corporate Finance Limited

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

8 December 2022

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

Dear Sirs,

**NON-EXEMPT CONTINUING CONNECTED TRANSACTION
IN RESPECT OF WEICHAI FRESHEN AIR**

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in respect of the Non-exempt Continuing Connected Transaction between the Group and Weichai Freshen Air and the proposed New Caps, details of which are set out in the letter from the Board (the “**Letter from the Board**”) in the Company’s circular dated 8 December 2022 (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

The Board announced on 23 November 2022, amongst other things, the entering into of the Weichai Freshen Air Purchase Agreement in respect of the Continuing Connected Transaction. Upon completion of the making of the Capital Contribution on 31 October 2022, Weichai Freshen Air has become a non wholly-owned subsidiary of the Company being held as to 70% by the Company and 30% by Ji’nan Power.

Ji’nan Power is a subsidiary of Sinotruk HK, which is in turn controlled by Shandong Heavy Industry. Shandong Heavy Industry indirectly holds approximately 16.30% of the total issued share capital of the Company, and is a substantial shareholder and a connected person of the Company. Ji’nan Power, being a fellow subsidiary of the Company, is also a connected person of the Company. Therefore, upon completion of the making of the Capital Contribution, Weichai Freshen Air has become an associate of Ji’nan Power, and also a connected subsidiary of the Company pursuant to Rule 14A.16 of the Listing Rules, and hence a connected person of the Company.

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

Prior to the making of the Capital Contribution, the Group has been conducting certain transactions with Weichai Freshen Air, then being a wholly-owned subsidiary of the Company. Given that Weichai Freshen Air has become a connected person of the Company following making of the Capital Contribution, such transactions constitute a continuing connected transactions of the Company under Chapter 14A of the Listing Rules upon completion of the Capital Contribution. As the Group intends to continue to conduct such transactions with Weichai Freshen Air, the Company has entered into, inter alia, the Weichai Freshen Air Purchase Agreement with Weichai Freshen Air to govern the principal terms of the Continuing Connected Transaction.

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

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

At the meeting of the Board on 23 November 2022 approving, inter alia, the Non-exempt Continuing Connected Transaction, Tan Xuguang, Jiang Kui and Sun Shaojun have abstained from voting on the resolutions in respect of the Non-exempt Continuing Connected Transaction for the reasons of their respective interest and/or position (as the case may be) in the relevant connected person(s). Save as disclosed, no other Directors have any material interest in the Continuing Connected Transaction.

The Independent Board Committee, comprising the independent non-executive Directors (namely, Mr. Li Hongwu, Mr. Wen Daocai, Ms. Jiang Yan, Mr. Yu Zhuoping and Ms. Zhao Huifang), has been appointed to consider the terms of the Weichai Freshen Air Purchase Agreement and the relevant proposed New Caps, and to advise the Independent Shareholders as to whether the terms therein are fair and reasonable and on how to vote on the relevant resolution(s) at the EGM, 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.

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

As at the Latest Practicable Date, Trinity Corporate Finance Limited did not have any relationships or interests with the Company or any other parties that could reasonably be regarded as relevant to the independence of Trinity Corporate Finance Limited. In the last two years, Trinity Corporate Finance Limited has acted as an independent financial adviser to the then independent board committee and independent shareholders of the Company in relation to the non-exempt continuing connected transaction announced on 25 February 2021 (details of which were set out in the circular of the Company dated 30 April 2021), the non-exempt continuing connected transaction announced on 30 March 2022 (details of which were set out in the circular of the Company dated 26 May 2022) and the discloseable and connected transaction announced on 18 April 2022 (details of which were set out in the circular of the Company dated 16 May 2022). 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 EGM, Shareholders would be notified as soon as practicable.

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

We have not conducted any independent in-depth investigation into the business and affairs of the Group or any parties involved in the Weichai Freshen Air Purchase Agreement.

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

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

PRINCIPAL FACTORS AND REASONS CONSIDERED

The Board announced on 23 November 2022, amongst other things, the entering into of the Weichai Freshen Air Purchase Agreement in respect of the Continuing Connected Transaction. Upon completion of the making of the Capital Contribution on 31 October 2022, Weichai Freshen Air has become a non wholly-owned subsidiary of the Company being held as to 70% by the Company and 30% by Ji'nan Power. In considering the Weichai Freshen Air Purchase Agreement and the relevant proposed New Caps, we have taken into account the following principal factors and reasons:

A. The Background

The Board announced on 23 November 2022, amongst other things, the entering into of the Weichai Freshen Air Purchase Agreement in respect of the Continuing Connected Transaction. Upon completion of the making of the Capital Contribution on 31 October 2022, Weichai Freshen Air has become a non wholly-owned subsidiary of the Company being held as to 70% by the Company and 30% by Ji'nan Power. Prior to the making of the Capital Contribution, the Group has been conducting certain transactions with Weichai Freshen Air, then being a wholly-owned subsidiary of the Company. Given that Weichai Freshen Air has become a connected person of the Company following making of the Capital Contribution, such transactions constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules upon completion of the Capital Contribution. As the Group intends to continue to conduct such transactions with Weichai Freshen Air, the Company has entered into the Framework Agreements with Weichai Freshen Air to govern the principal terms of the Continuing Connected Transaction.

B. Principal Terms of the Weichai Freshen Air Purchase Agreement

Date:	23 November 2022
Parties:	(1) the Company; and (2) Weichai Freshen Air
Term:	1 January 2023 to 31 December 2025
Business scope:	Purchase of vehicle parts and components and related products, engines, engine parts and components and related products and receiving relevant services by the Company (and its subsidiaries) from Weichai Freshen Air (and its subsidiaries).

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

Pursuant to the Weichai Freshen Air Purchase Agreement, the Weichai Freshen Air Group shall supply certain vehicle parts and components and related products, engines, engine parts and components and related products and provide relevant services (as the case may be) to the Company and/or other Group Company (as the case may be) at market prices, for a term of three years ending 31 December 2025. Upon the expiry of the term of the Weichai Freshen Air Purchase Agreement, the parties shall have an option to renew the same for a period of three years on a mutually agreed basis. Depending on the terms of the definitive agreements to be entered into by the parties, the relevant price for the relevant products and/or services shall, as the case maybe, be settled on a monthly or quarterly basis or in accordance with the progress of the provision of the relevant products and/or services.

We have confirmed with the management of the Company that such payment terms are better than or similar to the payment terms for purchase of similar products or services from independent third parties and accordingly, we consider that such payment terms are fair and reasonable and in the interests of the Independent Shareholders and the Company as a whole.

Effective date and term

The Weichai Freshen Air Purchase Agreement shall have a term of three years ending 31 December 2025, subject to the approval of the Independent Shareholders at the EGM. Upon the expiry of the term of the Weichai Freshen Air Purchase Agreement, the parties shall have an option to renew the same for a period of three years on a mutually agreed basis.

Pricing Policy

We have discussed with the management of the Company and understand that the price of the said products and/or services shall be determined according to the following mechanism: the procurement department of the Company regularly, normally on at least an annual basis, conducts market research regarding specific products and/or services, in which a number of factors, including the overall market prices, market shares, ordering situation and performance of major competitors of such products and/or services, are comprehensively considered. At least two quotations from independent suppliers in respect of the same or comparable products and/or services to be purchased by the Group shall be obtained in the course of the price determination, and thereafter, the procurement department shall submit a price suggestion after its analysis to the Company's price management department. The price management department shall, having considered the fairness, reasonableness and comparability of the proposed price having taken into account the aforesaid quotations from independent suppliers, convene tripartite meetings with the procurement department and the target supplier and the final prices are determined at arm's length negotiation among the parties. The price management department of the Company regularly reviews the reasonableness of prices and makes amendments when necessary.

<p>LETTER FROM THE INDEPENDENT FINANCIAL ADVISER ON THE NON-EXEMPT CONTINUING CONNECTED TRANSACTION</p>
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We are of the view that the abovementioned methods and procedures, which includes comparison with market research and the obtaining of at least two quotations from independent suppliers under the pricing policies can ensure that this Continuing Connected Transaction is conducted on normal commercial terms and not prejudicial to the interests of the Company and its minority Shareholders. In addition, the arm's length negotiations by the price management department, based on the information obtained from market research and at least two independent quotations, will further ensure that the final terms and the prices are better than or at least equal to normal commercial terms.

C. Historical Transaction Amounts of the Non-exempt Continuing Connected Transaction

The table below summarises the actual transaction amounts involved for the two years ended 31 December 2021 and the nine months ended 30 September 2022 (unaudited) in respect of the Group's purchase of relevant products and services from the Weichai Freshen Air Group:

	For the year ended 31 December 2020 RMB (unaudited)	For the year ended 31 December 2021 RMB (unaudited)	For the nine months ended 30 September 2022 RMB (unaudited)
Actual transaction amount	8,130,345,600	7,224,409,487	2,096,831,116

Based on the consolidated management accounts of the Company, during the period since completion of the Capital Contribution on 31 October 2022 to the Latest Practicable Date, the Group's purchase of relevant products and services from the Weichai Freshen Air Group amounted to approximately RMB220 million, which amount is subject to the final invoiced amount to be confirmed by Weichai Freshen Air Group.

Reference is made to the announcement of the Company dated 2 August 2019 in respect of certain continuing connected transactions, pursuant to which the Company and its subsidiaries shall purchase diesel engine parts and components, gas and scrap metals etc., materials, diesel engines and related products, processing services and import and export agency services from Weichai Holdings and its associates for the term of three years ending 31 December 2022 ("**Weichai Holdings Purchase CCT**"), an annual cap of RMB2,650,000,000 for the year ending 31 December 2022 was set therein.

As Weichai Freshen Air has become a connected person following completion of the Capital Contribution on 31 October 2022, the Group's purchase of relevant products and services from the Weichai Freshen Air Group for the period from 31 October 2022 onwards constitutes part of the Weichai Holdings Purchase CCT. As at the Latest Practicable Date, the approved annual cap for the year ending 31 December 2022 under the Weichai Holdings Purchase CCT has not been exceeded, and the Company will ensure that the approved annual cap under the Weichai Holdings Purchase CCT is not exceeded having

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taken into account the purchase of relevant products and services by the Group from the Weichai Freshen Air Group from 31 October 2022 onwards.

D. Proposed New Caps for the Non-exempt Continuing Connected Transaction

The table below sets out the proposed New Caps for the Non-exempt Continuing Connected Transaction for the three years ending 31 December 2025:

Proposed New Caps	2023	2024	2025
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Purchase of vehicle parts and components and related products, engines, engine parts and components and related products and receiving relevant services by the Company (and its subsidiaries) from Weichai Freshen Air (and its subsidiaries)	9,500,000,000	13,450,000,000	18,985,000,000

In 2021, affected by the structural change in respect of the sales of engines, the proportion of engines that require installation of aftertreatment products have decreased, accordingly, there has been a slight drop in the Group's purchase of products and services from the Weichai Freshen Air Group in 2021 when compared to that in 2020. Further, the Board also noted the substantial decrease in the transaction amount for the nine months ended 30 September 2022, which was mainly due to the dual pressure exerted by the macro economy and the maintenance of a high-level oil price which, in turn, adversely affected the diesel engine market and led to a decline in demand of the products and services purchased from Weichai Freshen Air by the Group for the nine months ended 30 September 2022.

We note that the Board is of the view that the potential of and the fundamentals for a long-term economic upturn have not changed for China. Market expectations and confidence are expected to recover due to the optimisation of pandemic prevention policies, the implementation of measures to stabilise the economy and boost consumption and the accelerated recovery of infrastructure investment. Hence, the Board expects that the exceptional decrease in 2022 will not continue as the market's demand is expected to revive from 2023 onwards. Under the influence of favorable factors such as the recovery of logistics and transportation support from infrastructure, the implementation of relevant supporting policies, and continual growth of export markets, the suppressed demand in the industry will be released and a rebound in 2023 is expected.

The Company estimates that the transaction amounts in respect of the Non-exempt Continuing Connected Transaction for the three years ending 31 December 2025 will not exceed RMB9,500 million, RMB13,450 million and RMB18,985 million, respectively, and such amounts have accordingly been set as the proposed New Caps for this Continuing Connected Transaction. For the avoidance of doubt, although the transactions

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contemplated under the Weichai Freshen Air Purchase Agreement and the New Weichai Holdings Purchase Agreement are of a similar nature, the proposed New Caps for this Continuing Connected Transaction is in addition to the annual caps for the three years ending 31 December 2025 under the New Weichai Holdings Purchase Agreement which are, in turn, subject to the approval of the shareholders at the EGM pursuant to the requirements under the laws and regulations of the PRC and the Shenzhen Listing Rules. For further details of the New Weichai Holdings Purchase Agreement, please refer to the PRC CCT Announcement and the section headed “III. PRC Continuing Connected Transactions” in the Letter from the Board.

Based on our discussion with the management, we are given to understand that the above proposed New Caps have been estimated by the Company primarily based on (i) the relevant historical transaction amounts, in particular that for the year 2020; (ii) the expectation that the diesel engine market will revive for the years 2023 to 2025 and the demand of the Group for the products and services provided by Weichai Freshen Air will return to a normal or even higher level in the future; and (iii) the expected increase in the estimated transaction amounts for the purchase of relevant products and services in light of the implementation of the Group’s sales plan for the years 2023 to 2025 and based on the forecast of the production level, raw material costs, processing costs and the numbers of the diesel engines to be sold for the three years ending 31 December 2025. Taking into account the increasing concern over environmental protection, which is expected to result in stricter requirements for emissions imposed by the relevant regulators, it is believed that there will be a boosted growth for demands of aftertreatment products by the Group along with the recovery of the market from 2023 onwards, and hence, it is expected that the Group shall purchase 490,000, 700,000 and 980,000 units of aftertreatment products along with the relevant services from the Weichai Freshen Air Group for each of the three years ending 31 December 2025, respectively. We have reviewed the Group’s sales plan for the years 2023 to 2025 and note that the forecasts of the number of units of aftertreatment products to be sold for the three years ending 31 December 2025 are 490,000 units, 700,000 units and 980,000 units respectively. Accordingly, we agree that, based on an average unit price of RMB19,300 for each of such products, it is expected that the total purchase amounts to be incurred by the Group from the Weichai Freshen Air Group for the three years ending 31 December 2025 shall amount to approximately RMB9,457 million, RMB13,510 million and RMB18,914 million, respectively, and therefore we consider such expected increase in the estimated transaction amounts for the purchase of relevant products and services for the three years ending 31 December 2025 which forms the basis of the proposed New Caps is fair and reasonable.

According to the Letter from the Board, taking into account and on the basis of all the aforesaid factors, it is estimated that the overall transaction amount of the said purchase of products and services by the Group from Weichai Freshen Air will increase by approximately 31.5% for the year ending 31 December 2023 as compared with the actual transaction amount in 2021, and further by approximately 41.6% and 41.2% for each of the years ending 31 December 2024 and 31 December 2025, respectively. In view of the above factors that form the basis of the proposed New Caps and our review of the Group’s sales plan for the years 2023 to 2025, we consider that the proposed New Caps 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.

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

E. Reasons for the Non-exempt Continuing Connected Transaction

According to the Letter from the Board, in continuing to carry out the existing transactions between the Weichai Freshen Air Group and the other members of the Group, the Board is of the view that the purchase of air purification products and relevant services from the Weichai Freshen Air Group will enable the Group to secure a stable and reliable supply of quality air purification products and services, which is essential in supporting the development of the sales of the Group's engine products. In light of the above and taking into consideration that following the Capital Contribution, Weichai Freshen Air continues to be accounted for as a subsidiary of the Company and Weichai Freshen Air's financial results continue to be consolidated into the Company's consolidated financial statements, we agree with the view of the Directors that it will be beneficial to the Group to continue to conduct the Continuing Connected Transaction in order to ensure and maximise operating efficiency and stability of the operations of the Group as a whole.

F. 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.

Weichai Freshen Air

Weichai Freshen Air was established on 16 August 2013 as a limited liability company in the PRC. Weichai Freshen Air is principally engaged in the research, design, sale and repair of air purification products, consultation in respect of transfer of air purification technology, import and export trade of goods and technology permitted by the State.

As disclosed above, Weichai Freshen Air has since 31 October 2022 become a non wholly-owned subsidiary of the Company, held as to 70% by the Company and 30% by Ji'nan Power.

Ji'nan Power is a wholly-owned subsidiary of Sinotruk HK. To the best knowledge, information and belief of the Directors and having made all reasonable enquiries, Sinotruk HK is held as to approximately 51% by CNHTC, a commercial vehicles manufacturer, which is held as to 65% by Shandong Heavy Industry. Shandong Heavy Industry indirectly holds approximately 16.30% of the total issued share capital of the Company, and is a substantial shareholder and a connected person of the Company. Ji'nan Power, being a fellow subsidiary of the Company, is also a connected person of the Company. Therefore, Weichai Freshen Air is an associate of Ji'nan Power, and also a connected subsidiary of the Company pursuant to Rule 14A.16 of the Listing Rules, and, in turn, a connected person of the Company.

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Sinotruk HK together with its subsidiaries primarily specialize in the research, development and manufacturing of heavy duty trucks, medium-heavy duty trucks, light duty trucks, etc. and related key assemblies, parts and components including engines, cabins, axles, steel frames and gearboxes as well as the provision of financial services. Sinotruk HK is a company whose shares are listed on the Main Board of the Stock Exchange.

Shandong Heavy Industry, one of the leading automobile and equipment groups in the PRC, is in turn a state-owned enterprise organised under the laws of the PRC with limited liability and is ultimately governed and controlled by Shandong Provincial People's Government (山東省人民政府).

RECOMMENDATION

Having considered the principal factors and reasons referred to above, we are of the opinion that the terms of the Weichai Freshen Air Purchase Agreement and the relevant proposed 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 relevant resolution(s) to approve the terms of the Weichai Freshen Air Purchase Agreement and the relevant proposed New Caps at the EGM.

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

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

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

Interests in the Shares of the Company

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

Notes:

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

Interests in the shares of associated corporations of the Company

Name of Director	Name of associated corporation	Nature of interest	Approximate percentage interest in the entire issued share capital of associated corporation	
			Class and number of securities interested or deemed to be interested	
Gordon Riske (Note)	KION Group AG ("KION")	Beneficial owner	7,650 ordinary shares	0.0058%
		Interest held by spouse	3,000 ordinary shares	0.0023%
			10,650 ordinary shares	0.0081%
Jiang Kui	Shantui Construction Machinery Co., Ltd. (山推工程機械股份有限公司)	Beneficial owner	42,697 ordinary shares	0.0028%

Note: Gordon Riske, a non-executive Director, was the beneficial owner of 7,650 ordinary shares in KION and he was also deemed to be interested in 3,000 shares in KION which were beneficially held by his wife, Ms. Benita Riske.

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

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

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

Name	Capacity	Long/Short position	Percentage of share capital		Percentage of share capital		Percentage of total issued share capital
			Number of A Shares	Number of A Shares comprising only	Number of H Shares	Number of H Shares comprising only	
Morgan Stanley (Note 2)	Interest of controlled corporation	Long	-	-	49,335,508	5.08%	1.13%
	Interest of controlled corporation	Short	-	-	42,078,545	4.33%	0.96%
Lazard Asset Management LLC	Investment manager	Long	-	-	328,810,940	16.92%	3.77%
Citigroup Inc.	Interest of controlled corporation	Long	-	-	16,267,038	0.84%	0.19%
	Approved lending agent	Long	-	-	127,485,001	6.56%	1.46%
					<u>143,752,039</u>	<u>7.40%</u>	<u>1.65%</u>
	Interest of controlled corporation	Short	-	-	15,369,577	0.79%	0.18%
Platinum Investment Management Limited	Investment manager	Long	-	-	39,054,962	2.01%	0.45%
	Trustee	Long	-	-	84,104,662	4.33%	0.96%
					<u>123,159,624</u>	<u>6.34%</u>	<u>1.41%</u>
Schroders PLC	Investment manager	Long	-	-	116,204,854	5.98%	1.33%
M&G Plc	Interest of controlled corporation	Long	-	-	97,242,000	5.00%	1.11%
	Interest of controlled corporation	Short	-	-	492,000	0.03%	0.01%

Notes:

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

4. The number of H shares (and the relevant shareholding percentages) reported above by the relevant substantial shareholder does not take into consideration the Company's bonus share issuance on 21 July 2017, 20 August 2015 and 17 August 2012 as there is no disclosure of interest obligation under the SFO where there is no change in percentage of shareholdings for a substantial shareholder.

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

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

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

3. ARRANGEMENTS AND MATTERS CONCERNING DIRECTORS

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

4. MATERIAL ADVERSE CHANGE

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

5. EXPERT

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

Name	Qualification
Trinity Corporate Finance Limited	A corporation licensed to carry on 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 8 December 2022 and was made by the Independent Financial Adviser for incorporation in this circular.

6. GENERAL

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

7. DOCUMENTS ON DISPLAY

A copy of the Weichai Freshen Air Purchase Agreement will be published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.weichaipower.com>) from the date of this circular up to and including the date of EGM.



潍柴動力股份有限公司
WEICHAI POWER CO., LTD.

(a joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 2338)

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

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “EGM”) of Weichai Power Co., Ltd. (the “Company”) will be held at the Company’s conference room at 197, Section A, Fu Shou East Street, High Technology Industrial Development Zone, Weifang, Shandong Province, the People’s Republic of China on 29 December 2022 at 2:50 p.m. for the purposes of considering and, if thought fit, approving the matters set out below. Unless the context otherwise requires, terms defined in the circular to the shareholders of the Company dated 8 December 2022, of which this notice forms part (the “Circular”) shall have the same meaning when used herein.

AS SPECIAL RESOLUTIONS

1. To consider and approve the resolution on the spin-off and listing of Weichai Lovol Intelligent Agricultural Technology Co., Ltd.* (潍柴雷沃智慧農業科技股份有限公司), a subsidiary of the Company, on the ChiNext Board of the Shenzhen Stock Exchange in compliance with the relevant laws and regulations.
2. To consider and approve the resolution on the proposal in relation to the spin-off and listing of Weichai Lovol Intelligent Agricultural Technology Co., Ltd.* (潍柴雷沃智慧農業科技股份有限公司), a subsidiary of the Company, on the ChiNext Board of the Shenzhen Stock Exchange.
3. To consider and approve the resolution on the “Action Plan for the Spin-off and Listing of Weichai Lovol Intelligent Agricultural Technology Co., Ltd., a subsidiary of Weichai Power Co., Ltd., on the ChiNext Board of the Shenzhen Stock Exchange” (《潍柴動力股份有限公司關於分拆所屬子公司潍柴雷沃智慧農業科技股份有限公司至創業板上市的預案》).
4. To consider and approve the resolution on the spin-off and listing of Weichai Lovol Intelligent Agricultural Technology Co., Ltd.* (潍柴雷沃智慧農業科技股份有限公司), a subsidiary of the Company, on the ChiNext Board of the Shenzhen Stock Exchange in compliance with the “Rules for the Spin-off of Listed Companies (For Trial Implementation)” (《上市公司分拆規則(試行)》).

NOTICE OF EGM

5. To consider and approve the resolution on the spin-off and listing of Weichai Lovol Intelligent Agricultural Technology Co., Ltd.* (潍柴雷沃智慧农业科技股份有限公司), a subsidiary of the Company, on the ChiNext Board of the Shenzhen Stock Exchange which is conducive to safeguarding the legal rights and interests of the shareholders and creditors of the Company.
6. To consider and approve the resolution on the ability of the Company to maintain its independence and sustainable operation ability.
7. To consider and approve the resolution on the capacity of Weichai Lovol Intelligent Agricultural Technology Co., Ltd.* (潍柴雷沃智慧农业科技股份有限公司) to operate in accordance with the corresponding regulations.
8. To consider and approve the resolution on the explanation regarding the completeness and compliance of the statutory procedures performed for the spin-off and the validity of the legal documents to be submitted in relation thereto.
9. To consider and approve the resolution on the analysis in relation to the objectives, commercial reasonableness, necessity and feasibility of the spin-off.
10. To consider and approve the resolution on the authorisation to the board of the Company and its authorised persons to deal with the matters relating to the spin-off.

AS ORDINARY RESOLUTIONS

11. **“THAT** the New Weichai Holdings General Services Agreement dated 30 August 2022 referred to in the section headed “IV. PRC Continuing Connected Transactions” in the announcement of the Company dated 30 August 2022 and the relevant new caps be and are hereby approved.” *(note 1)*
12. **“THAT** the New Weichai Holdings Purchase Agreement dated 30 August 2022 referred to in the section headed “II.A. Weichai Continuing Connected Transactions – Purchase of vehicles, parts and components of vehicles and related products, excavators, loaders, raw materials including gas and scrap metals etc., diesel engines and related products and processing services by the Company (and its subsidiaries) from Weichai Holdings (and its associates)” in the announcement of the Company dated 30 August 2022 and the relevant New Caps (as defined in the said announcement) be and are hereby approved.” *(note 1)*

NOTICE OF EGM

13. “**THAT** the New Shaanxi Automotive Sales Agreement dated 30 August 2022 referred to in the section headed “II.B. Shaanxi Automotive Continuing Connected Transactions – 1. Sale of vehicles, parts and components of vehicles, raw materials and related products and provision of the relevant services by the Company (and its subsidiaries) to Shaanxi Automotive (and its associates)” in the announcement of the Company dated 30 August 2022 and the relevant New Caps (as defined in the said announcement) be and are hereby approved.”
14. “**THAT** the New Shaanxi Automotive Purchase Agreement dated 30 August 2022 referred to in the section headed “II.B. Shaanxi Automotive Continuing Connected Transactions – 2. Purchase of parts and components of vehicles, scrap steel and related products and labour services by the Company (and its subsidiaries) from Shaanxi Automotive (and its associates)” in the announcement of the Company dated 30 August 2022 and the relevant New Caps (as defined in the said announcement) be and are hereby approved.”
15. “**THAT** the Weichai Freshen Air Purchase Agreement dated 23 November 2022 referred to in the section headed “II. The Non-Exempt Continuing Connected Transaction” in the “Letter From the Board” contained in the Circular and the relevant New Caps (as defined in the Circular) be and are hereby approved.” (*note 1*)

By Order of the Board of Directors
Weichai Power Co., Ltd.
Tan Xuguang
Chairman and CEO

Hong Kong, 8 December 2022

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 22 December 2022 to 29 December 2022 (both days inclusive). Holders of H Shares whose names appear on the register of H Shares kept at Computershare Hong Kong Investor Services Limited on 29 December 2022 are entitled to attend and vote at the EGM following completion of the registration procedures. To qualify for attendance and voting at the EGM, documents on transfers of H Shares of the Company, accompanied by the relevant share certificates, must be lodged with the Company’s H-Share Registrar, not later than 4:30 p.m. on 21 December 2022. The address of the Company’s H-Share Registrar is as follows:

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor, Hopewell Centre
183 Queen’s Road East
Wanchai
Hong Kong
- (B) Each holder of H Shares of the Company entitled to attend and vote at the EGM may, by completing the form of proxy of the Company, appoint one or more proxies to attend and vote at the EGM on his/her behalf. A proxy need not be a shareholder of the Company. With respect to any shareholder who has appointed more than one proxy, the proxy holders may only vote on a poll.

NOTICE OF EGM

- (C) Holders of H Shares of the Company must use the form of proxy of the Company for appointing a proxy and the appointment must be in writing. The form of proxy must be signed by the relevant shareholder or by a person duly authorised by the relevant shareholder in writing (a “**power of attorney**”). If the form of proxy is signed by the person authorised by the relevant shareholder as aforesaid, the relevant power of attorney and other relevant documents of authorisation (if any) must be notarised. If a corporate shareholder appoints a person other than its legal representative to attend the EGM on its behalf, the relevant form of proxy must be affixed with the company seal/chop of the corporate shareholder or duly signed by its director or any other person duly authorised by that corporate shareholder as required by the Articles of Association of the Company.
- (D) To be valid, the form of proxy and the relevant notarised power of attorney (if any) and other relevant documents of authorisation (if any) as mentioned in Note (C) above must be delivered to the Company’s H-Share Registrar, Computershare Hong Kong Investor Services Limited (address: 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong), not less than 24 hours before the time appointed for the EGM.
- (E) 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 EGM published on the website of the Shenzhen Stock Exchange in respect of the eligibility of attendance, registration procedure, proxy and other relevant matters.
- (F) A shareholder or his/her proxy should produce proof of identity when attending the EGM. If a corporate shareholder’s legal representative or any other person authorised by the board of directors or other governing body of such corporate shareholder attends the EGM, such legal representative or other person shall produce his/her proof of identity, and proof of designation as legal representative and the valid resolution or authorisation document of the board of directors or other governing body of such corporate shareholder (as the case may be) to prove the identity and authorisation of that legal representative or other person.
- (G) Any proposal to appoint any person to the office of director of the Company at the EGM shall be given in writing and, notice in writing by that person of his consent to be elected as director shall be, lodged at the registered office of the Company at 197, Section A, Fu Shou East Street, High Technology Industrial Development Zone, Weifang, Shandong Province, the People’s Republic of China. The period for lodgement of such notices shall commence on (and include) the day after the date of this notice of the EGM and end on (and exclude) the date that is seven (7) days before the date of the EGM.
- (H) The EGM is expected to last for not more than half a day. Shareholders who attend the EGM shall bear their own travelling and accommodation expenses.
- (I) Weichai Holdings and its associates will abstain from voting at the EGM 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. Zhang Liangfu, Mr. Jiang Kui, Mr. Gordon Riske and Mr. Michael Martin Macht; and the independent non-executive Directors of the Company are Mr. Li Hongwu, Mr. Wen Daocai, Ms. Jiang Yan, Mr. Yu Zhuoping and Ms. Zhao Huifang.